



Annual Report **2007**

WHERE BUSINESS WORKS

SEGRO
SLOUGH ESTATES GROUP

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Focused on our customers
Delivering on our strategic objectives
Where our business works – right across Europe
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How SEGRO improves its returns: Development
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From left to right: Jane Leedham, Senior Leasing Surveyor, National Markets; Kuno Dannhorn-Küßner, Asset Manager, Germany; Michaela Harris, Property Administrator, London Markets; Jonathan Gould, Surveyor, Slough Trading Estate; Ben Baldwin, Surveyor, London Markets

FOCUSED ON OUR CUSTOMERS

01.

SEGRO IS AN INTERNATIONAL PROPERTY INVESTMENT COMPANY WHICH OWNS AND MANAGES FLEXIBLE BUSINESS SPACE DESIGNED TO MEET THE CURRENT AND FUTURE NEEDS OF OUR CUSTOMERS. WE DEVELOP AND ACQUIRE PROPERTIES THROUGHOUT EUROPE, CONCENTRATING ON MAJOR BUSINESS CENTRES AND LOGISTICS DISTRIBUTION CHANNELS.

OUR STRATEGY

SEGRO's aim is to create value for our shareholders, underpinned by attractive dividends. Our strategy to achieve this is to acquire, develop and manage Flexible Business Space in locations likely to benefit from strong customer demand and long-term economic growth. We recycle capital by selling properties which do not fit our strategy or when we believe we can no longer add value.

A YEAR OF STRATEGIC PROGRESS

Over the past five years, SEGRO has undergone a transformation in its business. The disposals of Slough Estates USA and of Slough Heat & Power in 2007 mark the end of the portfolio reshaping started in 2003, which also saw the Group divest its retail portfolio and several other non-core assets. Meanwhile, the Group's carefully orchestrated expansion into Continental Europe reached an important milestone with the property portfolio on the Continent reaching almost €2 billion across nine countries. The UK business has continued to progress with record levels of customer satisfaction and of lettings and has been reorganised into three business units – London Markets, National Markets and the Slough Trading Estate.



Creating environments where companies,
people and communities can thrive

SEGRO is listed on the London Stock Exchange and on Euronext, Paris, and has operated as a UK Real Estate Investment Trust (REIT) since 1 January 2007.

02. DELIVERING ON OUR STRATEGIC OBJECTIVES

SEGRO Financial Highlights

| | Year to 31 December 2007* | Year to 31 December 2006 | Change % |
|---|------------------------------|-----------------------------|-------------|
| Adjusted** profit before tax (€m) – continuing operations | 131.3 | 99.6 | 31.8 |
| Adjusted** profit before tax (€m) – continuing & discontinued | 153.7 | 142.7 | 7.7 |
| (Loss)/profit before tax (€m) – continuing operations | (246.5) | 505.5 | – |
| Adjusted** diluted EPS (p) – continuing & discontinued | 32.2 | 25.1 | 28.3 |
| Basic EPS (p) – continuing & discontinued | (16.4) | 201.8 | – |
| Total 2007 dividend (p)*** | 23.0 | 19.0 | 21.1 |
| Adjusted** diluted NAV per share (p) | 704 | 775 | (9.2) |
| Basic NAV per share (p) | 690 | 718 | (3.9) |

* SEGRO completed the disposal of its \$2.9 billion US business on 1 August 2007 and Slough Heat & Power (SH&P) on 31 December 2007. Unless otherwise stated all "continuing" numbers and the equivalent prior period comparatives exclude the US and SH&P.

** For definitions of "adjusted" items, see Glossary, page 144 and note 13 of the Accounts on page 84.

*** Excludes special dividend paid on 31 August 2007 in relation to the disposal of the US business.

EUROPEAN INDUSTRIAL DEVELOPER OF THE YEAR



Awards in 2007 included the title of European Industrial Developer of the Year 2007. Europe's leading provider of Flexible Business Space, still leading by example.





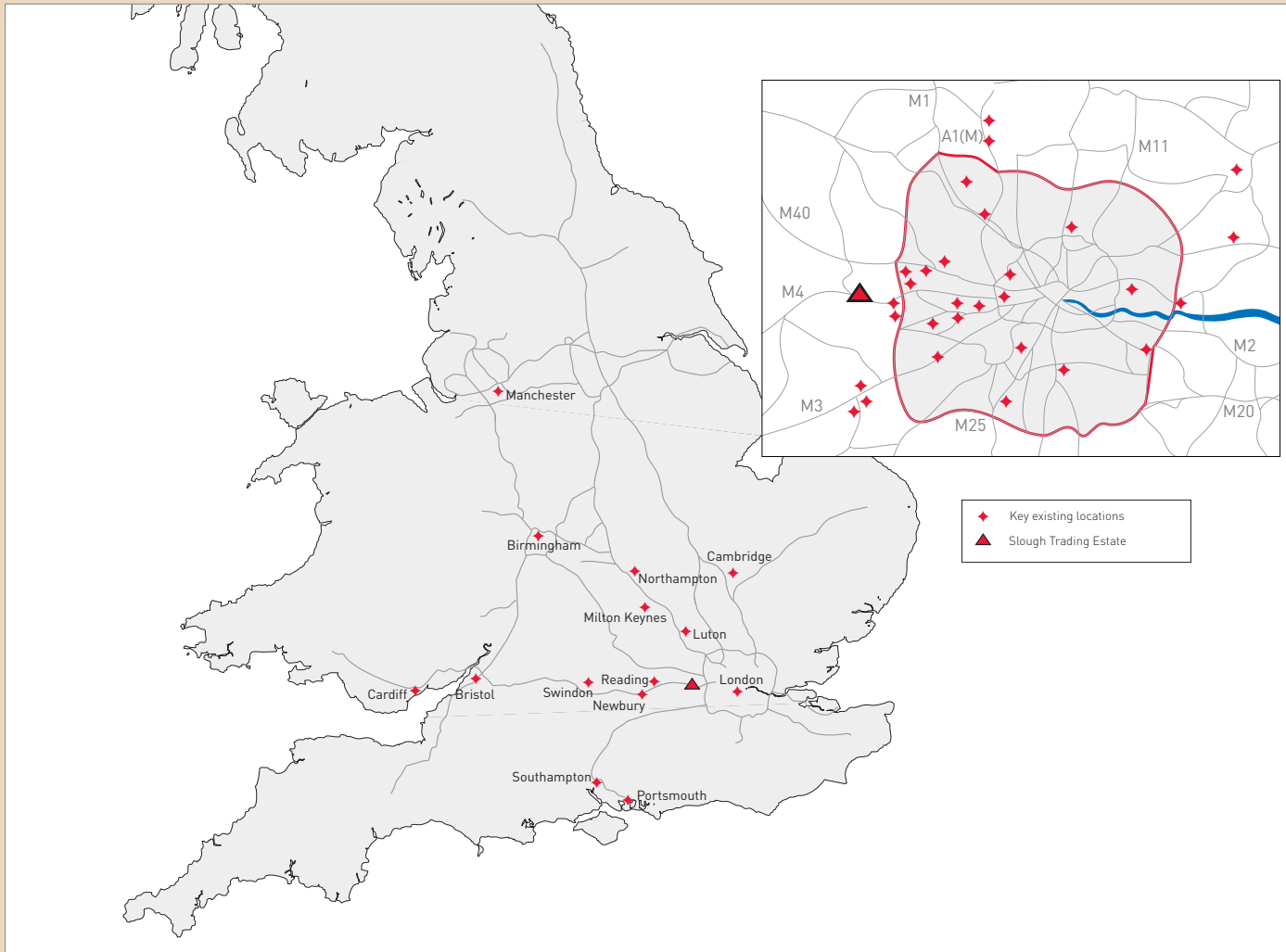
03.

- **Strong underlying profit performance** – adjusted profit before tax increased by 7.7 per cent to £153.7 million (2006: £142.7 million), comprising profit from both continuing operations (£131.3 million) plus discontinued operations (£22.4 million). Profit before tax reported under IFRS was £242.9 million (2006: £690.1 million).
- **Adjusted diluted NAV per share** was down 9.2 per cent at 704 pence (down 13.2 per cent since June 2007), NAV per share was down 3.9 per cent at 690 pence. These reflected property valuation reductions including a 9.5 per cent market-driven year on year UK deficit, positively countered by a surplus of 6.2 per cent in Continental Europe. H1 2007 property gains of 3.1 per cent (UK: 2.1 per cent; Continental Europe: 9.1 per cent) were offset by a second half deficit of 9.1 per cent (UK 11.3 per cent deficit; Continental Europe 0.2 per cent surplus).
- **Very strong lettings achieved in the UK** with a record 298,000 sq m of space let (up 62 per cent) and overall vacancy reduced from 11.6 per cent to 10.8 per cent (8.5 per cent underlying).
- **Excellent progress in Continental Europe** with £425 million (€621 million) of attractive acquisitions and development expenditure of £112 million (€164 million). Very good letting figures of 298,000 sq m (up 76 per cent) and a vacancy rate of 5.9 per cent at year end (down from 8.7 per cent).
- **Successful and well-timed exit from the USA** realising a pre-tax gain on sale of £437 million and enabling the payment of a £250 million special dividend (53 pence per share) in August 2007.
- **Adjusted diluted earnings per share** up 28.3 per cent at 32.2 pence (2006: 25.1 pence) with a basic unadjusted loss per share of 16.4 pence (2006: 201.8 pence earnings per share).
- **Final dividend per share** of 14.7 pence, making a total dividend of 23 pence per share, up 21 per cent over 2006 and assisted by the Group's REIT conversion on 1 January 2007.
- **Strong balance sheet and resilient business model** with a year end adjusted debt to equity ratio of 56 per cent, a loan to value ratio of 34 per cent, average debt maturity of 10.5 years and available funds of £1.1 billion.

04. WHERE OUR BUSINESS WORKS

– right across

EUROPE

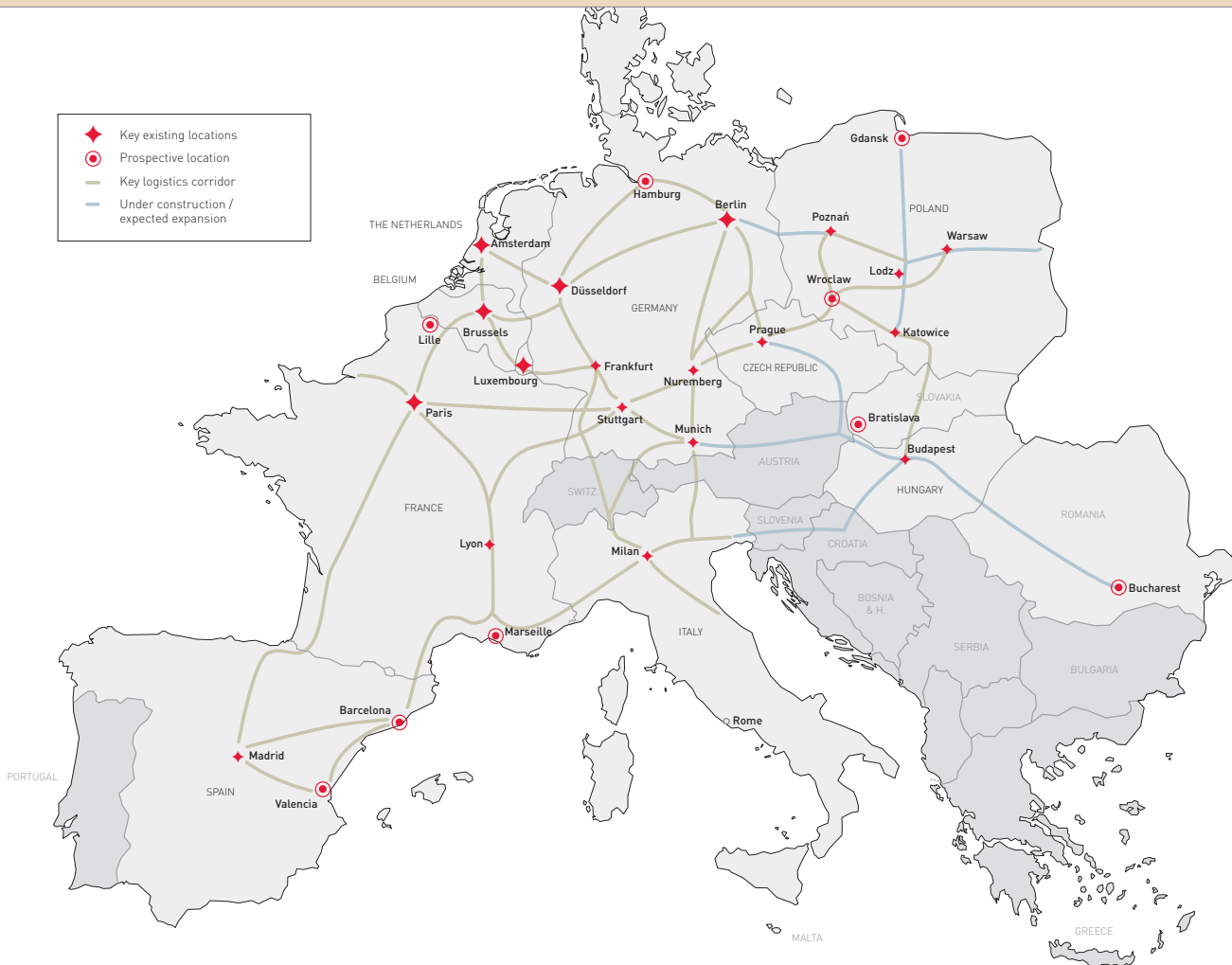


UK

Our UK business is located on 832 hectares of land concentrated in the south of England, it has 2.6 million sq m of space in 79 separate holdings, serves 1,469 occupiers with a rent roll of £190.6 million per annum (excluding HelioSlough).

The UK's £3,792 million of assets represent 73 per cent of the Group's portfolio. The UK business provides a range of building sizes and product types, from 50 sq m workshops to warehouses of over 10,000 sq m and purpose built office headquarters. By space, the portfolio comprises approximately 7 per cent offices, 5 per cent of 'big box' logistics, 85 per cent of other industrial assets and 3 per cent of retail. 220* people were employed by SEGRO in the UK at the end of 2007.

* Excludes employees of Slough Heat & Power.



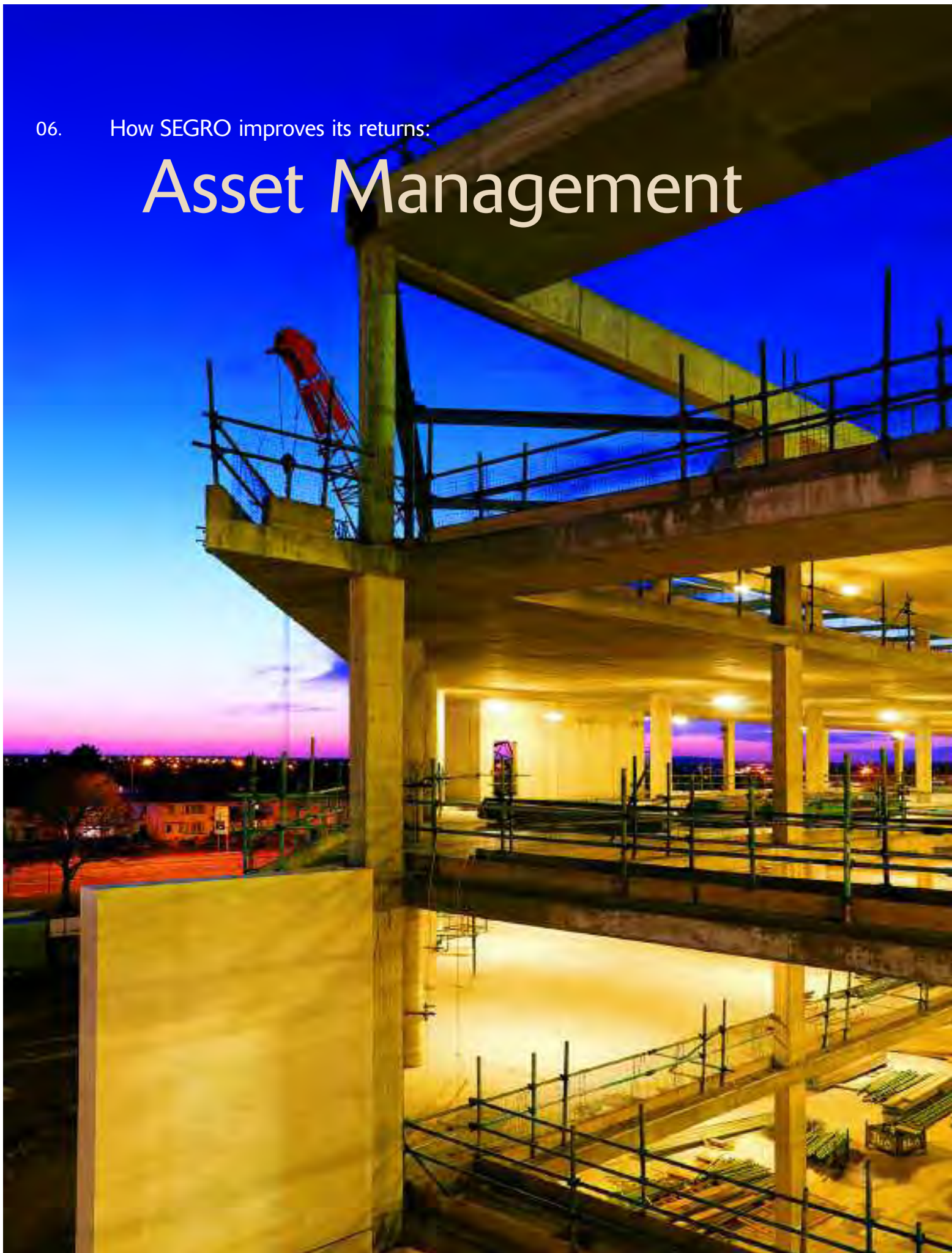
Continental Europe

Our Continental European business is located on 795 hectares of land over nine countries. It has 2 million sq m of space in 145 separate holdings, serves 205 occupiers with a rent roll of £79.5 million per annum.

This £1,390 million of assets represents 27 per cent of the Group's portfolio. By space, the existing Continental European portfolio comprises approximately 65 per cent of 'big box' logistics assets, 30 per cent of other industrial and 5 per cent of offices. At the end of 2007 SEGRO had 91 employees in Continental Europe, most of whom are nationals of the countries they are based in.

06. How SEGRO improves its returns:

Asset Management



"WHY SEGRO WORKS FOR OUR CUSTOMERS..."

WE ARE COMMITTED TO SUSTAINING
AND IMPROVING BOTH THE QUALITY
OF OUR PRODUCT OFFERING AND
OUR RELATIONSHIP WITH THE
OCCUPIER.

- consistent and reliable delivery
- pan-European platform
- specialist product focus
- expertise in our local markets
- flexible, innovative and responsive approach
- commitment to long-term relationships
- sustainable management of today's space for tomorrow's environment

"Always Adding Value..."



Slough Trading Estate, UK

→ For nearly a century, the Slough Trading Estate has led the market in meeting occupier needs, continually adapting to a changing market place. The Trading Estate's growth and success has meant that it has always played a central role in the community of Slough and in the economic development of the Thames Valley.

However, the increasing globalisation of industry presents new challenges for the UK. The Trading Estate has always been a prime location for traditional manufacturing but recently there has been an increasing move towards hi-tech, knowledge-based industries. This type of business requires modern, flexible business space.

A vision for the future

→ At the Slough Trading Estate, SEGRO is developing a 'Vision for the Future' to ensure that evolving business needs continue to be met.

This regeneration vision will enable the Trading Estate to continue to be a thriving location for all businesses, from global companies to exciting local start-ups. The programme is expected to generate many new jobs and to contribute significantly to the Slough economy.

New transport infrastructure, landscaping, open spaces and modern buildings, along with skills and training opportunities for local people, will be key elements of an overarching masterplan to be delivered over 20 years. Modern, flexible business space for a wide range of companies will be supported by cafés, bars, a hotel, conferencing, health, leisure and education facilities to create a 21st Century working environment.

Proposals for the masterplan are currently at an early stage and consultation with local stakeholders is being sought prior to the development of a detailed scheme.

"Partnership and relationship are at the heart of what O2 is about. With SEGRO we have a long-term partnership, working together with both openness and transparency. The experience has been a pleasurable one and as a client I feel appreciated."

❖ Space to grow

In April 2007, in a move that underlined the Slough Trading Estate's position as a premier international business location, SEGRO and O2, a leading mobile phone network provider, were happy to announce the consolidation of all O2's UK head office functions to a single campus location on the Slough Trading Estate.

The agreement, covering more than 29,000 sq m of accommodation, included the development of a new 10,200 sq m building at 264 Bath Road, one of SEGRO's largest pre-lets to be completed in the Thames Valley area in 2007.

As part of the portfolio reorganisation, O2, ranked as one of the top ten employers in the UK, will occupy the four-storey building on a 20 year lease with a 15 year break at an annualised rental income of approximately £3 million. The building will be linked to its existing premises on Bath Road to form a single campus environment. The new building will be sustainable in design and benefit from a range of energy saving technologies.

SEGRO fought off stiff competition from a variety of prominent business locations to attract O2, which is a wholly-owned subsidiary of Telefónica S.A.

This deal was yet another indication of the Trading Estate's burgeoning popularity among the IT and telecommunications sector, with the presence of companies including Research in Motion, the company behind the BlackBerry, and LG Electronics, forming a robust industry cluster.

The new development is part of an ongoing programme of redevelopment and refurbishment, which ensures the availability of modern stock to meet the diverse needs of both current and potential occupiers.



08.

How SEGRO improves its returns:

Development



"WHO WORKS AT SEGRO..."

SEGRO PRIDES ITSELF ON ITS
FLEXIBLE AND RESPONSIVE
APPROACH TO MEETING THE
NEEDS OF ITS CUSTOMERS.

- International experience
 - Local market expertise
 - Leadership team with more than 300 years of experience in the business!
-
- Błażej Ciesielczak, Poland
 - Balázs Czifra, Hungary
 - Simon Hollins, Central Europe
 - Laurent Horbette, France
 - Jouke Kist, Belgium & The Netherlands
 - Kevin O'Connor, Slough Trading Estate, UK
 - Gareth Osborn, National Markets, UK
 - Phil Redding, London Markets, UK
 - Marco Simonetti, Italy
 - Dr Udo Titz, Germany

"The Right People
in the Right Places..."



Big Box and Light Industrial Strykow Logistics Park, Poland

- SEGRO initially acquired 61 hectares at Strykow, near Lodz in January 2006 for the first phase of an industrial and logistics park.
- This first phase site has the potential to build 250,000 sq m and is located at the key intersection of the planned A2 (Berlin to Warsaw) and A1 (Gdansk to the Czech Border) highways in Central Europe.
- To date, SEGRO has completed and let 111,000 sq m of warehousing, while a further 20,000 sq m is under construction. Tenants include Corning Cable Systems, Komfort, Sonoco, Azymut, Investa, Hellmann, Lidl and Complex.
- When fully built out in 2010, the first phase site is expected to have a total end value in the region of £155 million, and an annual income of £10.8 million.
- In 2007, a further 25 hectares was acquired for a second phase.



"Our distribution centre is a vital part of our business and SEGRO supports us with a high specification facility in the heart of Poland, and a facility management team on call day and night. SEGRO meets our needs, with a good building, good location and good people."

Christopher Ulinski
Logistics Director, Komfort

❖ Finding the right location

Komfort SA is Poland's largest flooring retailer, with products including floor panels and carpeting sold from a nationwide chain of 110 stores. The company's warehouse and distribution centre is based in Strykow, a location offering unrivalled connections to its stores across Poland and a direct motorway link to western Europe, from where 60 per cent of Komfort's products are imported.

Employing more than 100 people, the Park also gives Komfort access to a ready workforce based in Poland's second largest city, Lodz, less than 15 km away from Strykow.

"Komfort came to us when they needed to centralise their distribution network and move from several older facilities into a new purpose-built centre. We provided them with a new 10,000 sq m building within six months."

Magdalena Szulc,
Regional Manager, Poland

10. How SEGRO improves its returns:

Corporate Partnering



"WHY SEGRO WORKS FOR INVESTORS..."

AN ATTRACTIVE GROWTH BUSINESS
FOCUSED ON ITS CORE SKILLS
AND UNDERPINNED BY MANY
DEFENSIVE QUALITIES.

Growth characteristics:

- High quality development and asset management skills
- Active recycling, highly selective acquisitions
- Strong reversionary potential for rental income
- Low risk development pipeline
- Geographically diversified across Europe

Defensive Qualities:

- Prime property portfolio
- High yielding UK REIT
- Specialised – in Flexible Business Space
- High quality of income and covenant
- Strong balance sheet
- Good average lease lengths

"The Right Strategy
at the Right Time..."



Corporate Partnering, Frankfurt, Germany

→ In July 2007 SEGRO reaffirmed its commitment to the Corporate Partnering programme by exchanging contracts on its largest ever transaction in Continental Europe.

The sale and leaseback from Neckermann.de GmbH of a major office and distribution campus in Frankfurt totalled €197 million, including all acquisition costs.

The assets comprise a total of 30 hectares and have a built area in excess of 310,000 sq m, including some 86,000 sq m of high quality office space.

SEGRO will enhance the value of the site by developing 6,000 sq m of business space in the short-term and subsequently refurbishing and redeveloping additional areas as they are handed back.

This marks the latest development in SEGRO's Corporate Partnering scheme, first started in 2005 between SEGRO and KarstadtQuelle AG, Neckermann.de's parent company.

Corporate Partnering commits both companies through a partnership agreement not only to work together on extensions to existing properties

but also to providing potential synergies and opportunities for the future in other markets throughout the UK and Continental Europe.

SEGRO now has a growing number of similar arrangements in place with a range of companies including Antalis, the largest European distributor of communication support products, DHL across Europe (but particularly in France), and in 2008, MPM (Mannesmann Plastics Machinery) in Germany.

"SEGRO has been a cooperative and flexible partner, helping us to develop our property and create a sound base on which to optimise and grow our business."

Wilhelm Bellina
Director, Facilities Management
Neckermann.de

❖ Delivering Value

With an annual turnover of €1.3 billion, Neckermann.de is one of the top three mail order companies in Europe, distributing over 57 million items per annum.

Advertising a product range exceeding 250,000, Neckermann.de is accessible to customers 365 days of the year, collecting various accolades for its performance. Most recently, it was awarded top customer orientated service provider 2007.

Out of the company's 5,000 strong workforce, over 1,300 are employed at Neckermann.de's Frankfurt development. Located approximately 4km from the centre of Frankfurt on the main artery running east from the city, Neckermann.de's latest corporate partnering scheme is ideal for ensuring the daily dispatch of over 58,000 packets from the warehouse.

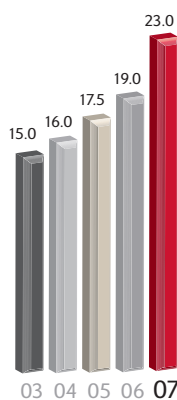
CHAIRMAN'S STATEMENT

12.



Nigel Rich CBE
Chairman

Dividends per share
pence



Adjusted diluted
earnings per share
pence



After several years of buoyant property markets and yield compression in all classes of property, 2007 saw the erosion of confidence in the sector as the credit crunch affected financial markets. Whilst the value of SEGRO's shares and the valuation of its properties have been impacted, the lettings demand for SEGRO's properties, the success of the development programme and the Continental European expansion have enabled the Company to produce a strong earnings performance.

Adjusted continuing profit before tax increased by 32 per cent and total adjusted diluted earnings per share by 28 per cent. On the back of the earnings and in accordance with our status as a REIT, the Board has declared a final dividend of 14.7 pence per share, making a total of 23.0 pence, an increase of 21.1 per cent over 2006. This is in addition to the 53 pence per share special dividend paid in August 2007 following the sale of the US business.

An exceptional profit of £135 million was earned on the successful completion of the sale of the US business. The net cash generated from the sale was used to pay a special dividend of 53 pence per share and to pay down debt and, thereafter, has mostly been reinvested in Continental Europe.

As we have refocused the business towards a pan-European strategy, we have strengthened our management team. Walter Hens, the Executive Director who successfully led our European expansion, has now assumed responsibility for Group Business Development, to build our customer relationships across all the European countries in which we are active. A new head of Continental European operations, Inès Reinmann, has been appointed from outside the Group.

"2007 was a year of transformation for SEGRO, beginning with our name change and the conversions to REIT and SIIC status in the UK and France. The successful sales of our US business and of Slough Heat & Power have completed the refocusing of SEGRO's business. Considerable investment has taken place in Continental Europe which now represents over 20 per cent of our portfolio in value."

Following the sale of the US business, Marshall Lees, who had been a Director for 20 years, left the Company. He played a key role in both building up the assets in the USA and then assisting in the sale. John Heawood, Executive Director, UK Property, will also be leaving us, in July 2008. He too has played an important role, in developing the UK portfolio over a number of years. John Probert, the Company Secretary, will retire shortly after the Annual General Meeting, having provided excellent service in that position for 18 years. All of them have played their part in the development of the Company and we wish them well for the future.

2007 has thus seen many changes, including name, status, direction, and people. However the management team are totally focused on being the leading Flexible Business Space provider across Europe and are well supported by very committed employees. The Board is grateful to all of them.

For the property industry 2008 will be a challenging year especially if the crisis in the financial markets persists for some time and causes a greater slow down in economic growth. SEGRO, however, is well placed to face the challenge and in due course take advantage of the opportunities that will undoubtedly arise. We have a strong balance sheet, a vibrant management team and the flexibility of relatively short lead times to carry out developments as and when there is demand. We are confident that your Company will continue to deliver value to shareholders.



Nigel Rich
Chairman
5 March 2008

BUSINESS REVIEW

14.



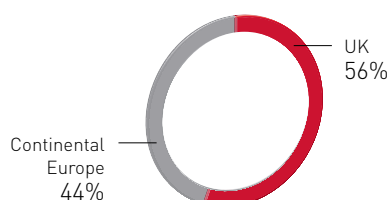
Ian Coull Chief Executive



David Sleath Finance Director

Space today*

Current portfolio

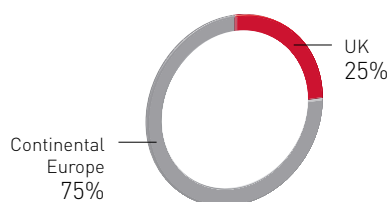


Built space at the end of December 2007 – 4.7 million sq m.

* Includes trading properties and 100% of joint ventures.

Space tomorrow

SEGRO's development pipeline



Development potential of approximately 2.5 million sq m.

OPERATING REVIEW

Overview of 2007

2007 was a transformational year for SEGRO, in which we became a UK REIT, achieved critical mass in Continental Europe, delivered a timely and well-executed disposal of our US business and divested the power station in Slough. The US sale enabled us to return £250 million to shareholders in the form of a special dividend (accompanied by a share consolidation), and provided funds to finance the Group's future growth and development. Once again we have produced excellent profits underpinned by our customer focus and our core skills in asset management and development.

Adjusted profit before tax increased by 7.7 per cent to £153.7 million (2006: £142.7 million) comprising profit from both continuing operations (£131.3 million) plus discontinued operations (£22.4 million). This increase was driven by a strong contribution from acquisitions, rental income from the letting of existing properties and new developments, trading property disposal profits, and from other income. The positive impact of REIT and SIIC status were the main drivers of the reduction in our effective tax rate from 14.0 per cent in 2006 to 1.4 per cent in 2007.

"In 2007 SEGRO entered a new phase of its strategic development and delivered a strong performance. We produced excellent profits, underpinned by our customer focus and our core skills in asset management."

Ian Coull

We have made excellent progress in the growth of our Continental European business with £425.2 million (€620.8 million) of attractive acquisitions (at an average initial yield of approximately 7 per cent) and with development expenditure of £112.4 million (€164.1 million). Our acquisitions enabled us to establish a presence in new markets such as Lyon and Milan and strengthen our position in existing markets, such as Frankfurt, or with key customers (eg DHL). All of these acquisitions offer opportunities to enhance the initial yield through further development or asset management. Good occupier demand for our existing buildings and for newly completed developments enabled us to achieve very strong letting figures on the Continent of 298,000 sq m (up 76 per cent on 2006). In addition, 104,000 sq m of the current construction in progress and potential 2008 development starts are already pre-let. The vacancy rate of 5.9 per cent at year end is down significantly on the 8.7 per cent reported last year end.

Very strong lettings were also achieved in the UK with a record 298,000 sq m of space taken up by customers, some 62 per cent ahead of the level achieved in 2006 and helped by the delivery and take up of a number of well-timed and located development completions. £7.9 million of additional annualised income from developments came on stream during 2007. Overall UK vacancy reduced from 11.6 per cent to 10.8 per cent (8.5 per cent underlying) by 31 December 2007 with good levels of customer enquiries continuing into the New Year.

Our Values

To sustain our success and grow in the future, we need to adapt and change, thinking innovatively about our business, our culture and the way we reward our people.

Our values articulate our behaviour, both as people and as a company:

- Respect
- Partnership
- Energy
- Responsibility

For more about SEGRO's values see our website, **SEGRO.com**

16.

We made only a few, very carefully selected acquisitions in the UK in 2007, focusing on exceptional opportunities to complement existing holdings in key locations. Meanwhile, we generated some £232.8 million from the sale of UK properties (including trading properties), mostly in the first half of the year before investment market conditions deteriorated. As a result of our asset management, development and capital recycling in the UK, we have grown the UK rental income for the year by 3.8 per cent (excluding lease surrender premiums) and the average ERV of our investment portfolio increased by 6.0 per cent to £89.1 per sq m (£8.30 per sq ft). UK average rental growth from lettings and rent reviews was relatively subdued, showing a 1.4 per cent increase over December 2006 ERV, slightly above the 1.2 per cent level in the equivalent IPD indicator for industrial rents; within this, we achieved 3 per cent average growth from rent reviews.

NAV per share was 690 pence, down 3.9 per cent from last year end and adjusted diluted NAV per share (which adds back deferred tax on investment properties) was down 9.2 per cent (13.2 per cent since June 2007) at 704 pence. These declines reflect the well documented reduction in commercial property valuations affecting all sectors of the UK market in the second half of 2007. The IPD All Property Index showed a capital reduction of 11.7 per cent between June and December 2007, whilst Industrial recorded a 10.8 per cent reduction. Our UK investment portfolio showed a 11.3 per cent valuation reduction since June, with Continental Europe recording a 0.2 per cent positive movement in the same period.

Management changes

A number of management changes were made in 2007 which will ensure SEGRO is well placed for the years ahead. After three years leading the rapid and successful expansion of our Continental European business, Walter Hens is now using his proven deal-making skills to head up a newly created Group Business Development function. This function will be responsible for driving our relationships with major cross-border customers, particularly focusing on the 'big box' logistics market and on data centres.

We appointed Inès Reinmann to become head of our Continental European business from January 2008. Inès's initial priorities will include reinforcing SEGRO's processes to most effectively manage our burgeoning European business and to provide a strong platform for future growth.

In the UK we have restructured into three geographically-organised business units – the Slough Trading Estate, London Markets and National Markets. This structure is an evolution of the successful move to a regional structure which started over two years ago. As previously announced, John Heawood, Executive Director, UK Property, will be leaving the business in the summer of 2008. John has played an important role in developing the UK portfolio over a number of years and we wish him well for the future; a search for his replacement is well under way.

Strategy and Business Model

SEGRO is an international property investment company which owns and manages Flexible Business Space designed to meet the current and future needs of our customers. Flexible Business Space is the term we use to cover warehousing, other industrial-type properties and offices in suburban locations. We develop and acquire properties throughout Europe, concentrating on major urban centres and logistics distribution corridors.

Our objective is to create value for our shareholders, underpinned by attractive dividends. Our strategy to achieve this is to acquire, develop and manage Flexible Business Space in locations likely to benefit from strong customer demand and long-term economic growth. We recycle capital by selling properties which do not fit our strategy or when we believe we can no longer add value to such properties.

We seek to develop or acquire industrial estates, business parks or equivalent clusters of properties with critical mass in each geographic market in which we operate.

SEGRO aims to provide a high standard of customer service and actively manages its portfolio of properties to optimise value through customer or asset management, development and redevelopment.

Over the past three years, we have been actively building a pan-European property portfolio, capitalising on the higher returns and lower borrowing costs available across Continental Europe. Property is a local business and our operational model is to employ local people with the necessary technical expertise and market knowledge to identify the right opportunities and to serve our customers in each location. This enables us to respond quickly to opportunities and changing circumstances.

We manage our business through two strategic business units – the UK and Continental Europe – complemented by a Group Business Development function (see graph) and supported by a number of corporate functions including Group Strategy, Finance, Procurement, Human Resources, Secretariat, Marketing and Corporate Communications.

Investment returns

All investment opportunities are subjected to a rigorous review and approval process overseen by the Group's Capital Approvals Committee which comprises the Group Chief Executive, the Finance Director, Business Development Director, Head of UK, and Head of Continental Europe. Particularly large investments are also reviewed by the Board.

We assess all investment proposals against risk-adjusted financial return targets which are derived from the Group's weighted average cost of capital, adapted for each project. This takes account of local market factors (such as currency, economic or political risk, tax rate) and project type (eg speculative or pre-let development).

Projects are reviewed as they progress to ensure they are on track to deliver the expected returns and a formal review of all previously completed investments is carried out and reported to the Board annually.

As 2007 progressed we adapted our internal hurdles for the approval of capital expenditure to reflect changing market conditions and, in particular, the risks associated with the declining investment market conditions and threat of global recession. Our current targets are to achieve total pre-tax returns (IRR) of between 9 per cent and 14 per cent from development projects, dependent on the location, type and profile of each project.

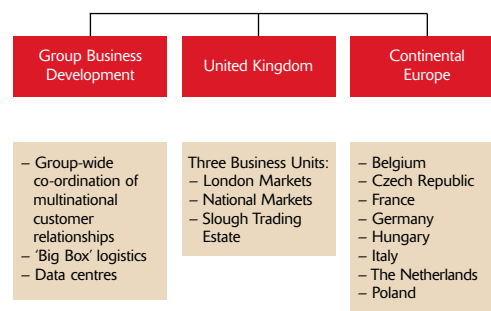
Development

SEGRO is a development-led property investment company and our development pipeline is a key driver of future growth. The Group has an extremely well-located land bank of approximately 534 hectares, with the potential to develop almost 2.5 million sq m of buildings over several years. At today's prices, this would entail future development expenditure of approximately £1.7 billion and could produce annual rents in the region of £184 million (net of rents which will be given up on currently income-producing buildings to be redeveloped), giving an estimated cash yield of 11 per cent on future expenditure (including financing costs) or 8 per cent taking into account the current book value of the land bank (£662 million).

First Quarter Highlights 2007

- Acquisition of industrial estate at Sunbury near Heathrow announced
- Sale of part of Centennial Park, Elstree
- Anchor 6,700 sq m pre-let secured at Winnersh – largest pre-let in Reading since 2001 – boosting plans for 60,000 sq m redevelopment of Winnersh Triangle Business Park

SEGRO's commercial property management organisation chart



Second Quarter Highlights 2007

- Successful launch of SEGRO corporate identity
- Largest Thames Valley pre-let of the year announced as part of 29,000 sq m deal with O2 on the Slough Trading Estate
- Specialist data centre successes continued with 6,000 sq m letting to Rackspace on the Slough Trading Estate
- SEGRO positive momentum continued in Continental Europe – announced over 80,000 sq m of lettings – including 37,000 sq m of logistics lettings in Poland and over 15,000 sq m of business park lettings in Germany
- In June SEGRO agreed the strategic disposal of its US healthcare business for \$2.9 billion – to be followed by a £250 million special dividend for shareholders
- Further expansion in the Heathrow area plus the disposal of a £100+ million portfolio of mature assets to Legal & General

During 2007, 343,651 sq m of development space was completed, of which 252,206 sq m or 73 per cent had either been sold or let by the year end. This level of success, combined with our excellent lettings in 2007, and the pre-lets already secured, gives us particular confidence in the current development programme. 306,679 sq m of development was under construction at the end of 2007, of which 113,686 sq m had either been let or sold. At this stage of the year a further 465,529 sq m of developments has been provisionally scheduled to start construction in 2008 and this will be adapted as the year progresses to ensure that we are developing in line with market demand and that the consequential financial returns are likely to meet our requirements.

Identifying and acquiring attractive sites in good locations, managing the planning process, developing the right products to coincide with likely customer demand, and letting the space are our core competencies. A pre-requisite for any development proposal approval is a robust business case, clearly demonstrating that acceptable risk-adjusted returns will be delivered.

Based on current expectations and anticipated market conditions, we expect most of the current development pipeline to take approximately five years to deliver.

Customer focus

In recent years SEGRO has done much to improve its standards of customer service, seeking to reinforce long-term relationships with customers in general and to respond to the specific needs of specialised market segments. SEGRO aims to be a company that is easy for customers to deal with and has encouraged and rewarded employee behaviour that is aligned with these objectives.

SEGRO believes that focusing on customer satisfaction drives higher retention rates and helps to attract new business resulting in stronger overall returns. In the UK we measure our customers' satisfaction annually and assess progress against internal and external benchmarks, enabling us to identify and act upon any issues of concern to customers. In the UK in 2007, 77 per cent of occupiers said their satisfaction levels were either 'good' or 'excellent', up on the 73 per cent score in the previous year. In Continental Europe many similar customer service initiatives have been employed in each country. In 2008 the next phase of this measurement will be a greater co-ordination of approach and the launch of a similar survey to that used so successfully in the UK.

Key performance indicators

SEGRO has a comprehensive suite of performance measures, which are used by Management and the Board to set targets and assess performance in the context of our strategic objectives. We continue to work to ensure our KPIs are fully aligned to our objectives and cover both financial and non-financial performance, and this has resulted in three non-critical KPIs being replaced this year.

These measures are cascaded and expanded on throughout our business where we monitor performance at more detailed levels. The key performance indicators, KPIs, currently used at Group level are those that are considered to be business critical and are set out in the table below along with our performance achieved in 2007:

| Key Performance Indicator | 2007 Targets | 2007 Performance | 2006 Performance | Description & Commentary |
|---|-----------------|---------------------|---------------------|---|
| TO DELIVER ATTRACTIVE TOTAL RETURNS IN THE PERIOD | | | | |
| Optimise Financial Performance | | | | |
| Adjusted profit ¹ | £142.1m | £153.7m | £142.7m | Profit before tax after EPRA adjustments and excluding before tax exceptional items, allowing useful comparison between reporting periods on a consistent basis. Exceeded prior year and target for the year. |
| Adjusted earnings ¹ | 28.7p | 32.2p | 25.1p | Adjusted profit before tax and excluding deferred tax per share on investment properties. This is a measure of the amount of earnings the Company has generated for each share in issue over the period and enables shareholders to track the earnings on a consistent basis over time. Exceeded prior year and target for the year. |
| Total Return ¹ | – | 0.7% | 19.2% | This is a measure of the return generated for each share over the period, based on the growth in the adjusted net asset value and including any dividends paid to shareholders. Lower than prior year due to impact of valuation deficits. |
| Manage Costs | | | | |
| Operating costs | 30.8% | 31.8% | 29.3% | This is a measure of property operating expenses plus administration costs, expressed as a percentage of gross rental income plus trading profits, which helps us to track and manage our costs effectively. See Financial Review on page 36 for explanation of increase. |
| Effective Tax Rate | 3-5% | 1.4% | 14.0% | This is a measure of the adjusted tax charge in the income statement expressed as a percentage of adjusted profit before tax, which helps us to track and manage our tax costs to ensure that effective and proactive tax planning is in place to minimise our tax expense. Exceeded prior year and target for the year. |
| TO PROVIDE A PLATFORM FOR ATTRACTIVE FUTURE RETURNS | | | | |
| Grow Rental Income | | | | |
| New Income Secured (net) | – | £17.5m | £7.3m | Annualised rental income on space taken up during the year less annualised income lost on space taken back. This represents new recurring income generated for future periods, which will contribute towards future financial performance and returns to shareholders. Good level of new income secured. |
| Optimise Assets | | | | |
| Total space let in the period (sq m) | 568,000 | 596,000 | 353,000 | This measures the amount of space let in the period, improving our recurring rental income stream and demonstrating our commitment to getting the most from our assets. Exceeded prior year and target for the year. |
| Vacancy rate at end of the period | 12.8% | 8.9% | 10.9% | This measure helps us to track and manage our vacancy levels, ensuring the appropriate focus on making the most of our assets and improving future financial performance. Exceeded prior year and target for the year. |
| Construction starts in the period (sq m) | 458,000 | 393,000 | 446,000 | This measure demonstrates our continued investment in our property portfolio, looking to ensure we obtain the best return from our assets and continue to grow and generate improved financial performance. Lower starts reflect the flexibility of pace of the development pipeline. |
| Land bank at end of the year (ha) | – | 534 | 411 | This measures land available to ensure continued investment into our property portfolio. Good land bank for future development opportunities. |
| TO ACHIEVE HIGH LEVELS OF CUSTOMER SATISFACTION | | | | |
| Grow Rental Income | | | | |
| Customer Satisfaction Index ² | >73% | 77% | 73% | This is a key focus within our business which enables us to monitor how our customers rate us, which in turn helps us to identify areas for improvement. At present this is only measured across the UK business but we intend to incorporate the European customer base in 2008. Exceeded prior year and target for the year. |
| Lease renewal rate (including percentage of break options not exercised) ² | >68% | 74% | 68% | This measure is also a reflection on customer satisfaction relationship management and helps us to identify areas for continuous improvement. Exceeded prior year and target for the year. |

¹ Continuing and discontinued operations.

² UK only.

Third Quarter Highlights 2007

- Largest acquisition in Continental Europe to date – €197 million (8.1 per cent net initial yield sale) and leaseback with Neckermann.de of an office and distribution park in Frankfurt
- In August SEGRO announced the successful completion of the \$2.9 billion US disposal agreed in June
- SEGRO moved into the Lyon market with the acquisition of 50,000 sq m of warehousing and light industrial space – at a prime light industrial location close to Lyon airport
- SEGRO moved into another actively targeted market – the Greater Milan industrial belt – with the acquisition of a 7.4 per cent yield, 68,000 sq m business park (with a further 50,000 sq of development potential) north of Milan – a Hi Tech zone with good road access
- SEGRO announced a new organisational and management structure designed to ensure that SEGRO is maximising the efficiency of the ways in which we work with our major customers and markets

Sustainability

In managing SEGRO's resources we are ever more conscious of the need to actively and sustainably manage resources in the widest sense. With environmental issues therefore also moving higher up our agenda, it was also the right time to give even greater focus to this area with the appointment of a dedicated senior manager. A search process was launched in late 2007 and, in early 2008, we announced an appointment for the new role of Head of Sustainability – reporting directly to the Group Chief Executive.

Risk Management

Over the past year the Group has been reviewing its risk management processes and procedures and we have been assisted in this exercise by KPMG. The continued growth of our business, our expansion into new markets and territories and the increased regulatory pressures that we face create considerable challenges, opportunities and uncertainties for the Group.

The Group views effective risk management as integral to the day-to day business decisions and encourages all of its managers to assess risk on a continuous basis. We also carry out regular, formal risk assessments to identify and evaluate risks and furthermore to identify controls and other risk management techniques. These assessments are underpinned by the following key elements:

- Identifying significant risks to the achievement of the Group's strategic objectives
- Evaluating the risks in terms of the magnitude of their impact and the likelihood of their occurrence
- Developing action plans to manage risks, including the development of internal controls
- Reporting to the Audit Committee and the Board on the risk management process, the assessment of key risks and the status of risk management plans

In setting out the Company's principal risks and uncertainties, commentary on possible future developments, and related content, this Annual Report contains statements which, by their nature, should not be considered indications of likelihood or certainty. The statements are based on the knowledge and information available at the date of preparation of this Business Review, and what are believed to be reasonable judgements. A wide range of factors may cause the actual outcomes and results to differ materially from those contained within, or implied by, these various forward-looking statements, nor should any of these statements be construed as a profit forecast.

Key Business Risks

| Description of Risk and Potential Impacts | Mitigating factors and risk management strategies |
|--|--|
| General Property Investment Risks Economic downturn causing a difficult trading environment for our customers and reduced investor appetite for real estate assets. Loss of customers leading to a reduction in income and profits. Reduction in the value of our investment portfolio or inability to sell properties at acceptable prices. | Broad geographic spread of investments across Europe reduces dependence on any single market location. Active monitoring and review of the portfolio to identify assets at risk of underperforming. |
| Obsolescence in the portfolio. Our assets fail to comply with new legislation. Leasing becomes increasingly challenging and capital expenditure rises. | Assets are reviewed regularly and customer requirements sought through independent surveys. There is an active programme of re-cycling and refurbishment. Where possible a 'future proof' of the buildings is considered at the design stage. |
| Development Risks Inability to source sufficient land and risk of holding too much development land. Dilution of returns due to capital invested in unproductive assets or inability to grow the portfolio and deliver future returns due to lack of growth opportunities. | The operating management and the Group Capital Approvals Committee carefully manage the type, amount and location of development land. See details of development pipeline in the Property Portfolio at page 125. |
| Failure to obtain, or delay in obtaining, planning consent on land held for development. Erosion of expected financial returns due to time delays or possible impairment in value of land holdings. | Most sites acquired with outline zoning or planning consent already in place. |
| Construction costs exceed budgeted levels or there are delays in completing construction projects. Erosion of expected financial returns. | Contingencies built into all development appraisals. Transfer of most risk to construction partners. Use of specialist in-house project managers. Regular project reviews. |
| Letting risk on speculative development schemes. Erosion of total returns from capital invested in non-income producing developments. | Total exposure to speculative schemes is carefully monitored by the Group Capital Approvals Committee and details reported to the Board. Sensitivity analysis carried out on all potential investments to ensure target returns can be achieved with delay to leasing assumptions. Pace of development programme adapted to market conditions. |
| Health and safety risks – the risk of injury or illness to the Group's or third parties' construction workers. Failure to achieve the Group's CR objectives and damage to the Group's reputation and possible criminal or civil action. | Group Health & Safety Manager establishes appropriate policies and monitors accident reports – all significant accidents are reported to the Board. Health & Safety training provided to all employees. |
| Geographic Risks The political and economic risks associated with investing outside the UK, particularly in some of the emerging economies. Loss of value of investments or failure to achieve adequate risk adjusted returns. | Careful analysis of each market is undertaken before investing in new markets. Local offices set up in all significant markets, staffed by employees who understand their local markets. |
| Business Continuity A major disaster or loss of infrastructure. Significant interruption to the business resulting in a loss of revenue and reputation. | Key legal and other important documents are retained by external advisors. Back ups of all electronic files are undertaken regularly. If necessary, colleagues are able to work remotely and we continue to refine our business continuity plans. |
| Financial Risks Liquidity risk – a lack of available funds to meet the Group's needs. Inability to fund developments, and requirement to sell properties at wrong point in the cycle. | The Group has a flexible funding strategy with substantial undrawn funds available. Funds availability and financial ratios regularly monitored by the Group Treasurer and reported to the Board quarterly. |
| Interest rate risk. Increased borrowing costs if interest rates rise. | The majority of borrowings are fixed – see Financial Review. |
| Currency risk. Reduction in the sterling value of assets or earnings if foreign currencies depreciate against sterling. | The majority of foreign currency assets are matched by borrowings of equal amount denominated in the same currencies. |
| Tax risks – REIT compliance. Potential tax penalties or loss of REIT status by failing to comply with the new REIT rules in the UK. | Internal monitoring procedures are in place to track compliance with the appropriate rules. |

Fourth Quarter Highlights 2007

- Sold SEGRO's interests in the Slough Heat & Power generation plant – giving customers access to deeper and wider utility expertise and divesting SEGRO of a non-core business
- The €160 million, (7.0 per cent yield sale) and leaseback acquisition of a portfolio of logistics buildings from DHL – located across France – marked a selective acquisition from a considerably larger portfolio on offer
- Announced entry into the Munich market with a €113 million, (7.1 per cent yield sale) and leaseback acquisition of production and logistics space from MPM – over 150,000 sq m of space on 24 hectares of land in a good location just North West of Munich
- Secured 11,000 sq m pre-let at Winnersh Triangle – taking total pre-lets at Winnersh to 21,000 sq m

Outlook

Our priorities for 2008 are to:

- continue to work with our customers to meet their needs for business space and deliver strong letting figures, building on our long-term customer relationships and leveraging this through our newly established Group Business Development function
- maintain momentum in our development programme, particularly in Central Europe, but to de-risk it in other geographies potentially more vulnerable to an economic downturn, by carefully managing the level of speculative development
- preserve the Group's balance sheet strength so as to position the Group to take advantage of attractive acquisition and investment opportunities which may emerge over the coming months
- continue building our Continental European platform, mainly through development, and to study potential new markets – building in particular on our successes with logistics occupiers
- recycle capital by selling mature properties when investment market conditions allow
- deliver new systems to improve operating efficiency and to drive future growth.

Whilst concerns remain about a potential slowdown in the global economy, our occupier demand across all of our key markets is currently holding up well. We are staying close to our customers and watching developments carefully so that appropriate action can be taken swiftly if conditions start to weaken. SEGRO has a strong balance sheet and resilient business model – the year-end debt to equity ratio of 56 per cent, and loan to value ratio of 34 per cent and available funds of £1.1 billion (with no significant debt maturities before mid 2010), mean we have significant financial resources at our disposal. We serve a broad diversity of customers and industries and have relatively long average remaining lease lengths. These factors, combined with the flexibility we have to adjust the pace of speculative development relatively quickly, mean that SEGRO is well placed to face any challenges the market may present and to capitalise on suitable opportunities that may lie ahead.



Portes de France development next to the Stade de France stadium in Paris, France.

The 26,500 sq m office scheme is being built with 50:50 joint venture partner Capital & Continental and has been pre-sold to CGI for €115 million.



UK Business Unit Directors
left to right:

Phil Redding,
London Markets,
Gareth Osborn,
National Markets,
and Kevin O'Connor,
Slough Trading Estate

Overview

Very healthy lettings

Portfolio resilience in the face of a tougher investment market

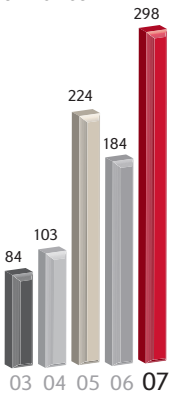
The UK property business achieved an adjusted operating profit before interest and taxation of £175.8 million, up 14.8 per cent from 2006 and reflecting the benefit of very strong profits from the disposal of trading properties, excellent lettings of new and existing buildings, rental growth largely from rent reviews and a number of surrender premiums.

Strong occupier demand leading to unprecedented levels of lettings was the consistent theme across all our UK markets, with 298,000 sq m of lettings, an increase of 62 per cent on 2006 – helping to drive vacancy to less than 11 per cent.

Investment market conditions became more challenging in the second half of the year as all classes of UK commercial real estate suffered in the face of the growing global credit crisis and concerns over future returns from property investment. Following our previously announced stance of having been ‘net sellers’ in the UK market, we took the opportunity to sell £232.8 million of investment and trading properties (at £18.5 million profit over book value) in the first half of the year. However, no significant disposals were made in the second half of the year. Similarly, we invested our capital in a relatively modest £103.3 million of largely special situation acquisitions.

By contrast, the healthy state of our occupier markets gave us the confidence to maintain a substantial development programme and we invested capital of £142.5 million in developments. Encouragingly, of the 116,688 sq m of new building completions, 55 per cent are currently let or sold. Lettings from developments generated £7.9 million of annualised new rental income.

Sustained delivery of strong
lettings performance
sq m (000s)



"Strong occupier demand leading to unprecedented levels of lettings was the consistent theme across all our UK markets, with 298,000 sq m of lettings, an increase of 62 per cent on 2006 – helping to drive vacancy to less than 11 per cent."

United Kingdom

The decline in UK investment market conditions saw UK commercial property values fall across most sectors in the second half of 2007, with IPD reporting sector average falls in value of 11.7 per cent during that period. Industrial property fared relatively well with an average 10.8 per cent reduction according to IPD and this puts into context the 9.5 per cent year on year (11.3 per cent since the half year) reduction seen in our portfolio valuation.

Strategy

Our broad strategy in the UK remains unchanged, which is to create value by:

- acquiring larger estates or assembling a critical mass of properties within an area, enabling customers to expand their businesses within our holdings and facilitating the cost-effective provision of services
- disposing of assets where there are limited opportunities to add value or where they are not located in one of our key clusters
- undertaking developments of new sites
- pursuing and delivering redevelopments that allow us to effectively replace older buildings and recycle the portfolio whilst retaining key holdings
- working closely with our customers to provide a level of service that contrasts positively with other landlords. We regularly measure customer satisfaction to ensure we are delivering on this objective

By space the UK business comprises approximately 5 per cent logistics properties, 85 per cent other industrial, 7 per cent offices and 3 per cent retail. Consequently the UK business provides a range of building sizes and product types, from 50 sq m workshops to 'big box' logistics warehouses of over 10,000 sq m. We have 79 separate holdings and we serve approximately 1,470 customers.

New Business Unit Structure

During 2007 we restructured the UK business into three geographically organised business units – the Slough Trading Estate, London Markets and National Markets. This structure is an evolution of the successful move to a regional structure which started over two years ago. The new structure gives more critical mass to the business units and facilitates our teams concentrating more strongly on developing and managing clusters of property in our chosen markets. These clusters include major holdings such as the Slough Trading Estate itself and Heywood Distribution Park, Manchester, but also groupings of smaller estates that can increasingly be managed as a single cohesive entity due to their geographical proximity.

The advantages of this approach include, for example, marketing leverage – once the cluster has a clear identity it can be promoted as a whole. Good illustrations of this approach already working include 'the LHR.com' and 'Bristolworks' (www.theLHR.com and www.Bristolworks.co.uk). The new structure also better allows for the accumulation of knowledge and experience because the team allocated to a particular cluster can develop close relations with local customers, building up

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superior knowledge of economic drivers and local market characteristics. These benefits are being reinforced by the appointment of regional managers to head up each identified cluster. Networking benefits are also optimised with contacts and reputation being built up with business sectors and shared at networking events. Service delivery is improved, with the standardisation of processes or procedures to deliver a consistent high level of services. Perhaps most evidently there are also economies of scale opportunities with more efficient procurement.

Disposals and acquisitions

Disposals

| Location | Price £m | Gain/(loss) over book value £m |
|--------------|-------------|--------------------------------------|
| Elstree | 20.5 | 0.9 |
| Basildon | 29.9 | (0.1) |
| Farnborough | 23.8 | 9.7 |
| Gloucester | 9.6 | (0.4) |
| Huddersfield | 29.7 | 3.6 |
| Cambridge | 13.8 | 3.5 |
| Various | 101.1 | 0.3 |
| Other | 4.4 | 1.0 |

Acquisitions

| Location | Price £m | Size sq m | Annual Rental Income £m | Initial Yield % |
|-----------|-------------|--------------|----------------------------------|-----------------------|
| Enfield | 12.6 | 29,800 | 1.0 | 7.9 |
| Feltham | 6.1 | 3,000 | 0.3 | 4.3 |
| Colnbrook | 26.5 | 11,300 | 1.1 | 4.1 |
| Frimley | 3.8 | 2,400 | 0.2 | 5.1 |
| Bristol | 21.3 | 32,800 | 1.4 | 7.0 |
| Heston | 32.7 | 14,900 | 1.6 | 4.9 |

With yields at historic lows during the first half of the year, it was challenging to identify potential acquisitions that would create value for our shareholders and, accordingly, we made only a few, very selective purchases. These conditions, however, enabled us to dispose of various non-core assets. The largest transaction concluded in 2007 involved the sale of six smaller estates in Coulsdon, Guildford, Huntingdon, Isleworth, Weston and Wokingham for £101.1 million and the simultaneous acquisition of the Airlinks Industrial Estate in Heston (near Heathrow airport) for £32.7 million. The Airlinks Industrial Estate is a fully let industrial and warehouse estate extending to around 15,000 sq m, but contiguous to our existing Heston Centre Estate and providing opportunities to add value from the combined active management of customers.

Further details on these and other acquisitions included:

- Two purchases near to Heathrow – Atlas House, North Feltham Trading Estate extending to 3,043 sq m producing £0.3 million per annum, let to UPS; and Lakeside Industrial Estate, Colnbrook extending to 11,326 sq m producing £1.1 million per annum let to DHL. Both offer well-secured income and medium-term redevelopment opportunities
- Morson Road, Enfield – a well-located 5.2 hectares site producing £1.0 million per annum of short-term income
- South Liberty Lane, Bristol – 32,826 sq m Industrial Estate producing £1.4 million per annum complementing other existing well-let estates in and around Bristol resulting in over £5.8 million of income
- Albany Park, Frimley – 2,366 sq m industrial building adjacent to our existing Frimley Holdings.

In addition to the six estates referred to above, investment property disposals included:

- Juniper 1 & 2, Basildon – a converted factory building and adjoining modern estate extending to 40,950 sq m producing £1.8 million per annum (including rent guarantee)
- The Ringway Centre Huddersfield – 1970's industrial estate developed by SEGRO extending to 24,338 sq m producing £1.4 million per annum
- Javelin Park, Gloucester – 11.3 hectare site

At Farnborough, the sale of five hectares of land for residential development to Redrow Homes for £18.2 million gave rise to a trading profit of £9.5 million. This is a good example of value being extracted by exploring alternative uses. Also at Farnborough, a 1.5 hectare hotel site and a site for a crèche were sold. At Centennial Park, Elstree, we completed and sold 21 individual industrial units to occupiers and investors for £12.3 million (7,253 sq m), sold a 1.4 hectares site for a hotel development for £4.6 million and sold a 0.9 hectare site to Business Homes for £3.6 million.

Customer and Asset Management

In 2007 a record 298,000 sq m of buildings were let, securing annualised rents (including licence fees) of £25.5 million per annum. This demonstrates both the robustness of our underlying occupier markets and our success in meeting customer needs with a well-timed and focused supply of attractive properties in good locations.

Major lettings we secured included:

| Customer | Building Type | Location | Size sq m | Annual Rent £m |
|-------------------|---------------------|-------------|--------------|-------------------|
| Thales | Industrial & Office | Crawley | 34,500 | 5.0 |
| Interconnect | Industrial | Slough | 7,200 | 0.8 |
| Rackspace | Industrial | Slough | 4,700 | 0.5 |
| Agilent | Office | Winnersh | 1,900 | 0.5 |
| Red Hat | Office | Farnborough | 2,000 | 0.4 |
| Norbain | Office | Winnersh | 2,900 | 0.4 |
| Savvis | Industrial | Slough | 5,700 | 0.7 |
| Wilkinsons | Retail | York | 3,700 | 0.6 |
| Eddie Stobart | Industrial | Heywood | 9,700 | 0.5 |
| Barons | Industrial | Farnborough | 2,900 | 0.5 |
| Character Options | Logistics | Heywood | 12,200 | 0.5 |

Pre-lettings agreed during 2007 included:

| Customer | Building Type | Location | Size sq m | Annual Rent £m |
|----------------|---------------|------------|--------------|-------------------|
| O2 | Office | Slough | 10,200 | 3.0 |
| Harris Systems | Office | Winnersh | 6,700 | 1.8 |
| Jacobs | Office | Winnersh | 11,100 | 3.4 |
| Leading Bank | Industrial | Slough | 13,900 | 1.8 |
| MicroChip | Office | Winnersh | 2,800 | 0.6 |
| Lansdon | Industrial | Camberley | 4,000 | 0.4 |
| Wellman | Industrial | Portsmouth | 3,400 | 0.3 |

By rental value, 49 per cent of lettings in 2007 were to existing customers, underlying the importance we attach to building strong relations with our occupiers. 30 per cent of lettings were new buildings, let for the first time. The buildings returned during the year represented 217,000 sq m (with £14.7 million per annum of related rental income). The net absorption of space was 81,000 sq m and will generate £10.8 million per annum of annualised net new revenue. With the overall vacancy rate at 10.8 per cent, down on 2006 and with the underlying rate (stripping out planned vacancy relating to new acquisitions or recently completed developments) at the year end of 8.5 per cent, 2007 was clearly a year of strong letting performance.

Specific letting successes are highlighted in the previous tables. Particularly important projects included the 34,000 sq m letting of a major office and industrial facility for Thales at Crawley, following completion of this build to suit development. The 10,200 sq m pre-letting agreed with O2 to expand their headquarters facility at the Bath Road in Slough will see their total space on the estate increase to 25,466 sq m (£6.6 million per annum rent roll).

Resilient UK portfolio, good occupier demand, high customer service ratings

- Prime quality portfolio, valued on a 6.1 per cent equivalent yield £3.5 billion year end value
- 9.5 per cent valuation decline (11.3 per cent since 30 June 2007)
- Record 298,000 sq m of lettings, up 76 per cent, vacancy down below 11 per cent, 8.5 per cent underlying
- Divestments of £184 million at £19 million premium over book value
- Developments increased annualised rental income by £8 million

Customer satisfaction



Percentage of customers leasing SEGRO buildings who rated their overall satisfaction levels with SEGRO's service as either 'good' or 'excellent'.

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This project was a particularly good example of SEGRO working flexibly with a customer, building on our established relationship. Two new data centre lettings on the Slough Trading Estate are further evidence of the attractiveness of the Slough Trading Estate for this type of operation.

Winnersh Triangle also secured some particularly impressive lettings towards the end of 2007, with a £3.4 million pre-letting to Jacobs and lettings to two electronics sector companies – Norbain and Microchip, both existing occupiers on the estate. With the retention of Virgin/NTL, this positive activity is evidence of the continuing attractiveness of Winnersh due to its location and its excellent communications.

Rent reviews and lease renewals in respect of leases with passing rents of £12.4 million per annum produced an uplift of £0.7 million. The rental growth demonstrated was 1.4 per cent, ahead of IPD at 1.2 per cent. Within the 1.4 per cent we achieved on average 3.0 per cent on rent reviews.

As a result of core asset management skills being applied and the effects of development completions, acquisitions and disposals a gross uplift in property rental income of £30.2 million had been achieved by the year end.

Development

While take-up of space was very positive in 2007, we are ever mindful of both local and wider market conditions and, in the context of a potential slowdown in the UK economy, speculative development is now being balanced with an increasing proportion of pre-let schemes. In 2007 116,688 sq m of projects were completed, on time and within budget, and of this new space, 55 per cent had been let or sold by the year end. At the start of 2008 53,483 sq m was under construction in the UK, of which 64 per cent had been pre-let with 36 per cent being speculative.


Pre-lets remove the risk associated with speculative development and enable our customers to enjoy a bespoke facility designed to suit their particular requirements. Our success in attracting major

organisations to Winnersh Triangle Park and the Slough Trading Estate has been particularly encouraging. However with some sites not suited to pre-letting and certain occupiers unable to make advance commitments, buildings will continue to be developed speculatively – albeit in a way that carefully manages our overall exposure. One of the attractions of our business model is that the development ‘tap’ can be turned on or off relatively quickly and, accordingly, as in 2007 we expect to flex the level of speculative development starts in 2008 according to the economic outlook as it progresses during the year.

Longer term, the UK has a very attractive bank of development opportunities, comprising the ability to develop up to 618,000 sq m of business space, with future capital expenditure of some £836 million and incremental rental income of approximately £95 million per annum (at current prices). This programme is based on the UK’s current land holdings of some 150 hectares, comprising both greenfield sites and brownfield redevelopment opportunities.

Empty Business Rates

New provisions are being introduced by the Government in relation to rates to be paid on unoccupied industrial property after a period of six months. Although the resulting cost increase could be as much as £8 million in a full year, a firm of specialists has been appointed to challenge rating assessments and to check all payments.



LHR1, a new development in Hatton Cross, UK, close to Heathrow Airport. This 29,432 sq m warehouse facility provides an ideal location for logistics distribution, with the Heathrow Cargo Centre within 2.8 miles and Heathrow Terminal 4 only 1.5 miles away.



Inès Reinmann
Chief Operating Officer,
Continental Europe

Overview

A year of significant progress

We have been delighted with the pace and success of our growth across Continental Europe as we secured a number of excellent acquisitions and as strong lettings fuelled our expanding development programme.

In 2007 Walter Hens led another successful performance by SEGRO's Continental European operations, including significant further expansion of the business. At the end of 2007, Walter moved into a Group-wide role as head of SEGRO's new Business Development function. Inès Reinmann stepped into the position of Chief Operating Officer in Continental Europe.

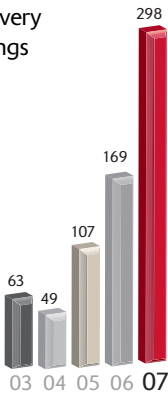
Acquisitions, development gains and valuation gains during 2007 have caused the value of the investment portfolio in Continental Europe to grow from £406.2 million at the end of 2006 to £932.8 million as at December 2007, an increase of 130 per cent. The total value of our Continental European property assets, including trading properties, developments and our share of joint venture properties amounted to £1.4 billion.

The Continental European property business achieved an adjusted operating profit before interest and taxation of £38.0 million, up 26.7 per cent from 2006 and reflecting the benefit of very strong profits from the disposal of trading properties, excellent lettings of new and existing buildings and the impact of acquisitions.

We completed acquisitions amounting to £425.2 million (€620.8 million) during the year, averaging an initial yield on investment of around 7 per cent, but with the potential to enhance these margins significantly with development and asset management initiatives.

During 2007 new lettings of 298,000 sq m were delivered, an increase of 76 per cent over the previous year. The total net absorption for the portfolio was 229,000 sq m providing additional rental income of £6.7

Sustained delivery
of strong lettings
performance
sq m (000s)



"We have been delighted with the pace and success of our growth across Continental Europe as we continue to secure excellent acquisitions and as strong lettings have fuelled an expanding development programme."

Continental Europe

million. Total annual rental income, including new acquisitions in the year, was £79 million, an uplift of £37 million from the previous year.

With constructions starts of 328,599 sq m, 226,962 sq m of new developments were delivered over the course of the year of which 83 per cent is now let and income producing.

Currently 114,000 sq m stand vacant, representing just 5.9 per cent of the investment property portfolio which compares to a figure of 8.7 per cent at the end of 2006.

H1 property valuation gains of 9.1 per cent were followed by only a modestly positive 0.2 per cent gain in H2. Year on year this represented an overall 6.2 per cent surplus at the end of December 2007; ranging from flat positions in Spain and Italy to a very strong 24.9 per cent surplus in Central Europe – with France, Germany and Belgium achieving respective surpluses of 5.4 per cent, 3.9 per cent and 5.7 per cent.

Strategy and Positioning

Including joint ventures and trading properties our Continental European business comprised over 2 million sq m of built space as at the end of 2007, representing a 70 per cent increase year on year. This followed the acquisition of 706,679 sq m of space and 295.7 hectares of land across nine countries, the disposal of 84,470 sq m of non-core property and the demolition of a further 24,537 sq m of redundant buildings for redevelopment.

We have 76 holdings; the mix of our investment property comprises 1,021,000 sq m of 'big box' warehouses, 429,000 sq m of other industrial properties and

85,000 sq m of offices. This profile is quite different to our UK business and reflects the maturity of both our business and the markets in which we are investing. We are actively supporting the developing logistics channels in Continental Europe, particularly in Central Europe, we see more opportunity for smaller light industrial facilities in the more established urban conurbations (eg Paris, Düsseldorf) and this is likely to represent an opportunity in Central Europe as those economies develop.

The Continental European markets in which we are expanding continue to offer attractive yields on investment, low borrowing costs and good prospects for growth. Our strategy continues to be to identify substantial markets with attractive growth prospects and then to selectively assemble a critical mass or cluster of properties in those locations.

We continue to develop our existing clusters in each of the regional markets where we are established, such as Ile de France (near Paris), Düsseldorf, and the Brussels-Ghent-Antwerp triangle. We have also made significant progress in establishing new clusters in important and growing economic areas such as Lyon in France, Greater Milan in Italy, Frankfurt in Germany and Silesia in Poland where local offices have been set up to support customers and our planned expansion in such locations. Our operational model is to employ local people with the necessary technical expertise and market knowledge to serve our customers and grow the business. A key to our success has been the proximity of our employees to our local markets and our ability to respond quickly to opportunities and changing circumstances as these arise.

32.

Acquisitions

| Country | Transaction | Price €m | Size | Annual Rental Income €m | Net Initial Yield % |
|----------------------|-------------------------|-------------------|--------------------------------------|-------------------------|---------------------|
| Germany ¹ | Neckermann.de* | 197 | 310,000 sq m | 15.6 | 8.1 |
| France ² | DHL* | 160 | 210,000 sq m | 11.2 | 7.0 |
| France | Lyon, St Exupery | 43.5 ³ | 55,000 sq m | 2.9 | 6.7 |
| France | Bondoufle* | 19.9 | 21,000 sq m | 1.4 | 7.1 |
| France | Gonesse – land | 12.9 | 13 ha | NA | NA |
| Italy | Energy Park, Vimercate* | 98.4 ³ | 68,000 sq m | 6.7 | 7.4 |
| Hungary | Ullo, Budapest – land* | 16.4 | 38 ha 143,000 sq m to be built | NA | NA |
| Poland | Poznan, Kormorniki | 18.0 | 25,000 sq m | 1.2 | 6.8 |
| Poland | Nadarzyn – land* | 16.6 | 35 ha | NA | NA |
| Poland | Gliwice – land* | 13.9 | 451,000 sq m | NA | NA |
| Belgium | Kobbegem | 18.4 | 26,000 sq m | 1.5 | 7.3 |
| The Netherlands | Hoofddorp De Hoek | 18.1 | 22,000 sq m | 1.6 | 8.0 |
| The Netherlands | Almere | 17.3 | 9,000 sq m | 1.3 | 7.7 |
| The Netherlands | Rijnlanderweg – land* | 13.0 | 46,000 sq m | NA | NA |
| The Netherlands | Rotterdam | 11.2 | 36,000 sq m | 1.5 | 12.6 |
| The Netherlands | Skypark | 10.7 | 7,000 sq m | 0.8 | 7.1 |
| Other | | 38.7 | | | |

* Acquisitions with significant development potential.

1 270,000 sq m (€160.4 million) of this transaction completed during 2007, the balance is due to complete in 2008.

2 144,000 sq m (€93.4 million) of this transaction completed during 2007, the balance is due to complete in 2008.

3 Price represents value of properties acquired in corporate acquisition.

During 2007 we completed a number of important acquisitions, as we executed our previously stated strategy of entering new markets and establishing critical mass. We identified and completed a number of income producing standing investments with good development potential as well as additional land for new schemes. Overall, £425.2 million (€620.8 million) was invested with the more significant deals highlighted in the table above.

We also completed disposals, above book value, of non-core assets acquired as part of larger portfolios and, following these divestments, SEGRO no longer has any property in Finland or Switzerland.

Germany

Our German business had a record year in terms of acquisitions, lettings and new development and it represents the largest landholding outside the UK with over 750,000 sq m under management.

During the year trading properties were sold, generating sales proceeds of €36.9 million and trading profits of €5.9 million.

New Frankfurt Office

Since January 2007, a new office has been operational in Frankfurt – where SEGRO currently has several live projects. This has been delivering good results with four units let at the new Am Martinzehnten business park, including 1,200 sq m to PricewaterhouseCoopers. A 13,800 sq m logistics building, fully let to Bermes Logistik on a long-term lease and around 9,500 sq m of land for future development have been acquired for €6 million at Willich-Münchheide on the main road between Düsseldorf and Mönchengladbach.

€197 million Acquisition in Frankfurt

In July we exchanged contracts on our largest ever transaction in Continental Europe, the sale and leaseback from Neckermann.de (KarstadtQuelle group company) of a major office and distribution campus in

Frankfurt for €197 million, including all acquisition costs, and a net initial yield of 8.1 per cent. This followed on from the relationship we had developed as a result of our €163 million acquisition of a logistics portfolio and landbank purchased from KarstadtQuelle AG in a sale and leaseback transaction in 2005/6. The assets comprise a total of 30 hectares and have a built area in excess of 310,000 sq m including some 86,000 sq m of high quality office space. The remainder of the site includes high and low bay warehousing, Flexible Business Space, a large data centre and a number of smaller retail units.

This acquisition has helped to develop one of our core markets into a significant cluster and we believe we are now the market leader for Flexible Business Space in Frankfurt; it also provides development potential in both the medium and long term, underpinned by a strong income stream. Approximately 83 per cent of the €15.6 million income from the site (occupied entirely by Neckermann.de) is secured on leases of at least nine years, with the remaining space, principally offices that have been let to other KarstadtQuelle group companies or to Neckermann.de's contractors, leased on shorter terms, representing refurbishment and redevelopment opportunities in the medium term. We intend to enhance the value of the site by developing 6,000 sq m of business space in the short term and subsequently refurbishing and redeveloping additional areas as they are handed back.

Berlin and Essen

Construction is underway for new SEGRO business parks totalling 16,000 sq m at Berlin and Essen, where the first unit has already been pre-let. Construction was completed in November 2007 for 7,900 sq m of speculative logistics development at Kapellen. In addition a 6,600 sq m warehouse building with further development potential at Aachen was bought at a yield of 9 per cent.

Munich – Post Year End

In 2008 we entered the Munich market with a €113 million, 7.1 per cent yield sale and lease back acquisition of a production and logistics space from MPM – over 150,000 sq m of space on 24 hectares of land in a good location just North West of Munich, combining immediate income, development potential and opportunities from yet another corporate partnering project with a major blue chip company.

New Berlin Airport – Post Year End

Early in 2008 we announced that it had signed a major partnership agreement with the Berlin Airport Authorities to develop a business and logistics park of up to 230,000 sq m on a 38 hectare site in the immediate vicinity of the new Berlin Brandenburg International Airport terminal in Schönefeld – currently under construction. SEGRO is paying €34 million for the cost of the site and anticipates a further approximately €120 million investment cost for the construction and related costs of the development.

France

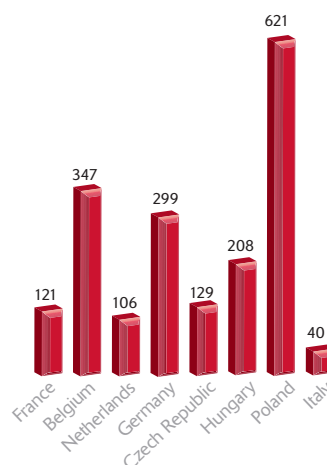
€160 million Sale and Leaseback with DHL

In November 2007 we exchanged contracts on a sale and leaseback agreement with DHL for €160 million, involving the acquisition of 19 prime logistics sites located in our target markets around France. The portfolio will provide annual income of €11.2 million, representing a net initial yield of 7 per cent and offering immediate and longer-term development potential as we build on our growing relationship with DHL.

Continental Europe: strong development lettings and steady consolidation of expansion

- Total property assets of €1.9 billion (including developments, land and trading properties). Equivalent yield of 7.0 per cent valuation of completed investment properties
- Attractive acquisitions of £425 million (€621 million) at an average yield of approximately 7 per cent
- 227,000 sq m of developments were completed in 2007, of which 83 per cent had been let or sold by the year end. 253,000 sq m of developments were under construction at the end of 2007, of which 31 per cent had been let or sold by the year end
- Excellent letting successes – 298,000 sq m let during 2007, vacancy levels down to 5.9 per cent

Continental European Land bank
Space to be built
sq m (000s)



34.

90 per cent of the portfolio by value is concentrated in geographic clusters we have earmarked for expansion – 60 per cent in the Paris region, 10 per cent in Lyon, 12 per cent in Marseille and over 5 per cent in Lille, with the remainder located in Toulouse, Bordeaux, Nantes, Orleans and Strasbourg. The portfolio totals a built area of 210,000 sq m and comprises distribution and logistics centres used by the DHL and supply chain and small cross-dock facilities used by DHL Express. All properties are subject to new nine year leases with DHL, 20 of them with six year break options and six of them with three year break options.

Nine hectares of land have been identified as having immediate development potential and it is estimated that a further 10,000 sq m of built area can be added in these locations. This includes a large site at Aulnay, close to Charles De Gaulle airport and adjacent to the well-established logistics and industrial area of Garonor, with important frontage onto the A1.

These different elements of the transaction demonstrate our well-defined strategy of selectively purchasing sites which already generate good rental income from well-established occupiers but which also have good development potential and are located in Europe's key economic growth areas.

Development and Lettings

In 2007 we completed the development of 5,452 sq m of space which has been 100 per cent leased. Construction has started on the last two buildings, totalling 8,294 sq m, at the Carré des Aviateurs business park in Le Blanc Mesnil. This brings the occupancy rate of the park up to 95 per cent and demonstrates a continued demand for this type of product in the northern suburbs of Paris. We also started the first 20,000 sq m phase of construction at Aeropark in Gonesse, close to CDG airport which is a 56,500 sq m business park. At La Courneuve, on the former Alstom site we started the first 9,420 sq m phase of what will be a 23,000 sq m business park similar to SEGRO's development at nearby Le Blanc Mesnil.

Canal Toys leased an 18,100 sq m logistics building in Marly la Ville just to the north of Charles de Gaulle Airport and a lease renewal has been agreed with ODS at the 17,000 sq m Marinière I logistics building in Bondoufle to the south of Paris.

Central Europe (Czech Republic, Hungary, Poland)

Across Central Europe we significantly increased the amount of space under management with 175,000 sq m of new space completed during the course of the year. The majority of this activity is in Poland where we opened a further office in Katowice, Silesia, to complement our operations in Poznan and Warsaw.

Occupier demand continues to be very strong across the region and we leased over 151,000 sq m of space during the year. Major new lettings included 12,683 sq m to Intercars in three separate leases of at least five years at Kormorniki, 3,253 sq m to Lidl in Strykow and 2,820 sq m to Eurocash (KDWT) who took a ten year lease. In Strykow 9,941 sq m was let to Complex and a further 10,278 sq m to Sonoco, who are an existing customer.

In Czech Republic we completed 27,851 sq m of which over 60 per cent has been let. Major lettings were achieved to CMS and Kuhne and Nagel on Tulipan Park for 3,221 and 9,064 sq m respectively on ten year leases.

In Hungary we completed the first 13,000 sq m phase of Tulipan logistics scheme at Biatorgaby which is now 80 per cent occupied with leases to major brands such as GEFCO, Puma and Eurogate. The second 15,000 sq m phase has now been started with completion planned for mid-2008.

We also purchased a 25,000 sq m distribution warehouse, adjacent to SEGRO's existing holdings in Poznan, Poland. The acquisition price of €18 million reflects a net initial yield of 6.75 per cent with an unexpired lease term of ten years. This transaction helps to provide critical mass on top of our existing successful developments (25,000 sq m phase one fully let, 23,500 sq m phase newly completed and already over 50 per cent let), gives solid underlying income and a diversification of lease end dates.

We have concentrated our energy in Czech Republic on the Hostivice area, just west of the Prague ring road and adjacent to the airport. Following additional acquisitions we now have a total of 40 hectares and have options over a further 25 hectares.

We have also been building on the success of our existing development schemes by starting both new phases of development and acquiring adjacent and nearby sites, including the purchase of a 35 hectare development land site in Poland at Nadarzyn to the Southwest of Warsaw and of 38 hectares in Hungary at Ullo in close proximity to Budapest Airport – for a total investment of €33 million.

Italy

In August we announced our first major move into Italy with the acquisition of a 68,422 sq m business park in Northern Italy with potential for a further 40,000 sq m of development for €98.4 million and an initial 7.4 per cent yield. The business park is located at Vimercate, north east Milan and sits adjacent to the A51 eastern bypass providing excellent frontage and visibility to the three main buildings which are used exclusively as offices. The campus is in a well-established business zone where many of the leading technology and

communications sector businesses are also based with firms such as Cisco, IBM and Microsoft nearby.

The site comprises a mixture of light industrial, laboratory and related space on a 15.2 hectare site with Alcatel-Lucent occupying 56,377 sq m on several leases that run for at least a further five years. The adjacent site is the landmark Torre Bianche mixed use development with shopping centre, offices, four star hotel and a residential and leisure complex. This acquisition provided immediate income of €6.7 million per annum on the part Alcatel-Lucent occupy as their principal offices, research and assembly campus in Italy as well as development potential in the medium to longer term. SEGRO plan to develop at least 40,000 sq m of mixed office and light industrial space on a phased basis starting in 2009 whilst retaining the campus feel of the park. This acquisition gave us the necessary scale to hire a country manager and set up an office in Milan from which we will develop our business in northern Italy.

Belgium

There was good progress in Belgium over the course of the year with 23,753 sq m of developments completed, which are 100 per cent leased. Construction has been started on Ernst & Young's new 17,000 sq m headquarters building at Pegasus Park, close to Brussels International airport.

A €3.25 million disposal to Hotel Management Services of land opposite Pegasus Park has been completed. SEGRO will continue to project manage the development and will take a €2.5 million development fee for the construction of a 182 room hotel and 3,000 sq m of serviced offices.

Major lettings included 1,778 sq m to Honda at Relegem Sphere, 1,337 sq m to Van den Bergh in Zaventem and 1,183 sq m to ERG Transit Systems.

The Netherlands

The Netherlands saw a number of important acquisitions over the year. At De Hoek near Schiphol airport, we purchased for €18.1 million 22,000 sq m including a warehouse building let to DHL/Exel and an industrial property let to A-Point. This transaction is part of the planned site assembly for our S Park (security park) concept where we now have a total of 26.4 hectares of land and the site will further enhance the Group's presence around Amsterdam's main international airport, providing significant development opportunities.

At De Hoek we continued to build up our cluster of space around Schiphol airport with the acquisition of 6,800 sq m of buildings at Skypark, a logistics orientated business park, at a purchase cost of €10.7 million on a net initial yield of 7.1 per cent. An excellent location in its own right, this fully let site creates synergies with our existing property at the nearby De Hoek development and establishes occupier relationships in this strategic location.

The next phase of our expansion in Continental Europe

We now have critical mass in our Continental European business and have built or acquired an excellent portfolio with a strong customer base, a good income stream and the potential for rental growth.

We have built up an excellent client base of blue chip Pan-European occupiers with whom we actively seek to partner to create more business – such as DHL, Neckermann.de, Kuhne and Nagel and GEFCO. Nonetheless, despite the importance of such international businesses we are equally focused on servicing the needs and helping to grow the many smaller businesses which make up the backbone of our business and which helped us to achieve a record number of lease transactions in 2007 – 75 new leases, 23 heads of terms and 13 pre-lets.

We have established an outstanding land bank over the past three years and this should provide a strong platform for further growth in the years ahead. Including schemes currently under construction, we have the potential to build some 1.9 million sq m of business space on the existing land bank of 384 hectares. At today's prices, this would involve future capital expenditure of some £856 million and incremental rental income of approximately £97 million per annum. As with the UK, we have the ability to accelerate or slow down the rate of development with relative ease. Accordingly, whilst current occupier demand and pre-let agreements underpin our 606,000 sq m of current construction and intended starts in 2008, we remain vigilant of the wider economic conditions and will take appropriate action should any weakness appear in the months ahead.

We are optimistic about the growth prospects in all of our existing markets where we combine local expertise and market knowledge with the support of an international group and will continue to develop new clusters or enter new markets as suitable opportunities arise. In the near term, we are exploring opportunities in Spain (where we already have a small presence), Romania and Slovakia.

36. FINANCIAL REVIEW

Highlights

| | 2007 | 2006 | Increase/ (Decrease) |
|--|----------------|---------|-------------------------|
| NAV per share | 690p | 718p | (3.9%) |
| Adjusted diluted NAV per share ¹ | 704p | 775p | (9.2%) |
| Profit before tax arising on sale of US business | £437.3m | – | – |
| Adjusted profit before tax – continuing operations only ² | £131.3m | £99.6m | 31.8% |
| Adjusted profit before tax ^{2,3} | £153.7m | £142.7m | 7.7% |
| Diluted adjusted EPS ^{2,3} | 32.2p | 25.1p | 28.3% |
| Total ordinary dividend for the year | 23.0p | 19.0p | 21.1% |
| Special dividend | 53.0p | – | – |

1 Adjusted to exclude deferred tax on investment properties

2 Adjusted to exclude EPRA and exceptional items

3 Continuing and discontinued operations

NAV per share at 31 December 2007 stood at 690 pence, down 3.9 per cent from 31 December 2006 whilst adjusted diluted NAV per share showed a decline of 9.2 per cent (13.2 per cent since June 2007) to 704 pence. These reductions reflect a decline in UK property valuations and are analysed further below.

The Group's successful exit from the USA realised a pre-tax gain on sale of £437.3 million (£134.9 million after tax), enabling the payment of a £250 million special dividend (53 pence per share) in August 2007. Meanwhile, the business produced a strong underlying profit performance with adjusted profit before tax from continuing (£131.3 million) plus discontinued (£22.4 million) operations up 7.7 per cent to £153.7 million (2006: £142.7 million). Profit before tax reported under IFRS was £242.9 million (2006: £690.1 million).

Adjusted diluted earnings per share were up 28.3 per cent at 32.2 pence (2006: 25.1 pence) with a basic unadjusted loss per share of 16.4 pence (2006: 201.8 pence earnings per share), reflecting the UK valuation deficits.

The final dividend per share of 14.7 pence, makes a total (excluding the special dividend) of 23.0 pence per share, up 21 per cent over 2006 and reflecting the Group's REIT conversion on 1 January 2007.

Analysis of movement in net asset value

| | £m | Pence per share |
|---|----------------|-----------------|
| Adjusted diluted equity attributable to shareholders at 31 December 2006 | 3,648.8 | 774.9 |
| Property losses | (342.8) | (79.0) |
| Profit after tax on sale of US business | 134.9 | 31.1 |
| Deferred tax adjustment on sale of US business | (213.4) | (49.2) |
| Profit after tax on sale of Utilities business | 7.7 | 1.8 |
| Adjusted profit after tax | 147.6 | 34.0 |
| SIIC conversion charge | (13.9) | (3.2) |
| Currency translation differences | 17.7 | 4.1 |
| Ordinary dividends paid | (91.9) | (21.2) |
| Special dividend paid | (250.0) | (57.6) |
| Other items | 11.3 | 2.6 |
| Dilution adjustment for movement in number of shares | – | 66.0 |
| Adjusted diluted equity attributable to shareholders at 31 December 2007 | 3,056.0 | 704.3 |

The most significant factor affecting the NAV movement and total return for the year was the property losses of £342.8 million (79.0 pence per share), which followed the well-publicised valuation reductions seen across the UK property industry. Whilst being a very significant item, it should be placed in the wider market context of falling UK commercial property values across all sectors and the £1.3 billion in aggregate valuation gains which the Group recorded in the previous three years (including US properties).

The other significant drivers of the NAV movement were the after-tax gain of £134.9 million arising on the sale of the US business, the related £250 million special dividend which was paid to shareholders in August and the adjusted profit after taxation for the year of £147.6 million. The share consolidation completed in August 2007 resulted in an increase in NAV of 66 pence per share.

Valuation movements

The valuation movement can be analysed as follows.

| | 2007 £m | 2006 £m |
|--|----------------|------------|
| Property (losses)/gains – continuing operations | | |
| Investment properties | | |
| – UK | (394.2) | 367.4 |
| – Continental Europe | 56.6 | 24.8 |
| – Realised profits on disposals | 3.0 | 4.8 |
| Development properties | | |
| – UK | (47.9) | 2.7 |
| – Continental Europe | 0.3 | (2.2) |
| Total property (losses)/gains taken to the income statement – continuing | (382.2) | 397.5 |
| Investment & Development properties (SORIE) | | |
| – UK | (1.7) | 12.4 |
| – Continental Europe | 12.9 | 3.0 |
| Share of joint ventures' valuation (losses)/gains | (1.1) | 7.2 |
| Total property (losses)/gains – continuing | (372.1) | 420.1 |
| Valuation gains from discontinued operations | 29.3 | 148.5 |
| Total property (losses)/gains from continuing and discontinued operations | (342.8) | 568.6 |

The property valuation losses in the income statement comprised valuation losses of £442.1 million relating to the UK and gains of £56.9 million relating to Continental Europe and included deficits of £337.6 million arising on investment properties and £47.6 million arising on development and owner-occupied property.

Valuation gains were 3.1 per cent for the Group in the first half of the year, offset by a fall of 9.1 per cent in the second half of the year.

Good valuation gains were achieved in the first half of the year in Central Europe (in Poland), France and Belgium, driven mainly by development activity and some yield compression, with valuation gains of 9.1 per cent being reported overall. In the second half of the year, there was a slight softening in valuation yields but development gains enabled us to maintain the portfolio valuation with a 0.2 per cent surplus being reported in Continental Europe.

The UK has experienced significant valuation deficits in the year, which are broadly in line with the monthly IPD UK industrial capital deficit of 9.6 per cent for the year (2006: 11.0 per cent growth). Valuation gains of 2.1 per cent in the first half in the UK were offset by deficits of 11.3 per cent in H2. Further analysis of the valuation gains and losses is provided in the Completed Investment Properties table on page 129.

For the first time in 2007 the Group had all its trading properties externally valued as of 31 December 2007. The trading property portfolio had an unrecognised valuation surplus of £74.3 million at 31 December 2007, which we expect to realise as developments are completed and sold. An impairment charge of £2.3 million (2006: nil) relating to 100 per cent owned trading properties is offset against the profit on sale of trading properties and the remaining impairment provision of £1.6 million is reflected in the share of profits from joint ventures after tax.

Financial Review

- Strong operating performance
 - excellent profit + 7.7%
 - record lettings + 69%
- Adjusted NAV down 9.2%
 - UK valuation down 9.5%
 - Continental Europe valuation up 6.2%
- Strong financial position
 - Gearing of 56%
 - Available facilities £1.1 billion

38.

Adjusted profit before tax

| Analysis of increase in adjusted profit before tax | | £m |
|--|--------|--------------|
| Adjusted profit before tax from continuing and discontinued operations – 2006 | | 142.7 |
| Decrease in profit before tax from discontinued operations | (20.7) | |
| Increase in net rental income | 15.1 | |
| Increased profits from sales of trading properties | 16.1 | |
| Interest earned/saved on US proceeds net of special dividend | 13.7 | |
| Reduction in capitalised interest | (9.3) | |
| Increase in other finance costs | (3.3) | |
| Increased administration expenses | (9.0) | |
| Other changes (mainly in other income) | 8.4 | |
| Adjusted profit before tax from continuing and discontinued operations – 2007 | | 153.7 |

Adjusted profit before tax of £153.7 million (2006: £142.7 million) comprised £131.3 million (2006: £99.6 million) from continuing operations and £22.4 million (2006: £43.1 million) from the discontinued operations of Slough Estates USA and Slough Heat & Power. Adjusted profit before tax from continuing operations increased by 31.8 per cent partly due to increased net rental income of 8.0 per cent and the benefit of interest earned on the net US sales proceeds.

In addition, an increase in profits on sale of trading properties of £16.1 million to £22.0 million (2006: £5.9 million) also contributed, with the gains mainly arising on the sale of Farnborough residential land (£9.7 million), a fire control centre at Cambridge Science Park (£3.5 million), non-core buildings in the Karstadt portfolio in Germany (£3.7 million), a surplus land holding in the Netherlands (£2.3 million) and other UK and Continental European property (£2.7 million and £2.4 million respectively), partly offset by provisions against impairment of trading properties of £2.3 million.

During the year other investment income increased significantly by £9.9 million to £18.4 million, as a result of realisations of previous investments by the Candover and Charterhouse USA venture capital investment funds, in which the Group invested some years ago. These gains were partly offset by an increase in administration expenses of £9.0 million to £34.5 million (2006: £25.5 million), of which £6.8 million relates to the Continental European business as we continue to expand the scale of operations, with new offices and additional employees. The cost of share based incentives payable to Directors and other senior executives represented an increase of £1.7 million.

Adjusted profit and earnings per share are stated after adjusting for valuation gains/losses and similar items recommended by EPRA and exceptional items. The only other adjustments in the year were the SIIC conversion charge of £13.9 million, included within continuing operations, a repayment penalty of £9.7 million after tax in discontinued operations related to the early redemption of US debt incurred as part of the disposal and negative goodwill of £0.9 million credited to the income statement (2006: none). Full details of all the EPRA and exceptional adjustments are provided in note 13 to the attached financial statements.

Rental income

Gross rental income, excluding discontinued operations, increased by £30.2 million (13.2 per cent) to £258.8 million and net rental income, on the same basis, increased by 8.0 per cent to £203.9 million.

The key drivers of the increase in net rental income are set out in the table below:

| | £m |
|--|--------------|
| Net rental income from continuing operations 2006 | 188.8 |
| Acquisitions | 19.3 |
| Disposals | (11.8) |
| New developments | 11.5 |
| Re-lettings and rent reviews | 9.3 |
| Space returned | (9.9) |
| Increase in property operating expenses | (11.8) |
| Lease surrender premiums | 6.4 |
| Other | 2.1 |
| Net rental income from continuing operations 2007 | 203.9 |

Acquisition related growth arose from transactions in both 2006 and 2007 and, in particular, Vimercate, Italy (£1.8 million), Neckermann.de, Germany (£2.2 million), Longbow, France (£0.8 million) and Treforest (£1.0 million), Sunbury (£1.6 million), Peterborough (£0.9 million) and Pucklechurch (£1.0 million) in the UK. This was offset by the loss of rents on disposals, including £9.0 million in the UK.

Strong lettings, particularly of new developments in Central Europe (£1.7 million) and the UK (£3.9 million) and good income from re-lettings in the UK (£7.7 million), contributed to the growth in net rental income.

Like-for-Like Rents

| | 2006 £m | UK 2007 £m | Continental Europe 2006 £m | 2007 £m | Group 2006 £m | 2007 £m |
|--|------------|------------------|----------------------------------|-------------|---------------------|--------------|
| Gross Rental Income | | | | | | |
| Completed properties owned throughout 2006 & 2007 | 172.1 | 174.4 | 22.2 | 25.8 | 194.3 | 200.2 |
| Properties acquired during 2006 & 2007 | 2.3 | 8.9 | 4.5 | 14.0 | 6.8 | 22.9 |
| Properties sold during 2006 & 2007 | 12.2 | 3.2 | – | – | 12.2 | 3.2 |
| Rent from development completions during 2006 & 2007 | 1.3 | 8.5 | 0.3 | 2.5 | 1.6 | 11.0 |
| Rent from trading properties | – | – | 8.4 | 9.9 | 8.4 | 9.9 |
| Total rental income pre-exceptionals | 187.9 | 195.0 | 35.4 | 52.2 | 223.3 | 247.2 |
| Lease surrenders and dilapidations | 5.3 | 11.6 | – | – | 5.3 | 11.6 |
| Total rental income per accounts | 193.2 | 206.6 | 35.4 | 52.2 | 228.6 | 258.8 |

Property operating expenses comprise all of the costs of managing our portfolio including, for example, salaries, building maintenance and refurbishment costs, agents' fees, marketing expenses, insurance, the costs of maintaining empty buildings and rental guarantees payable in respect of buildings sold with vacancy. The level of costs incurred can vary according to a number of factors such as the level of lettings, take-backs, vacancy and, above all, the scale of the overall portfolio. The apparent increase in 2007 expenses was partly caused by an element of service charge income having been netted-off operating expenses in 2006, but not in 2007. Adjusting for this item, property operating expenses increased as a percentage of gross rental income from 18.9 per cent in 2006 to 21.2 per cent in 2007. This increase reflects the very high volume of letting activity in 2007 (up 69 per cent on 2006) as well as increases in a number of the underlying expenses in areas such as insurance and building maintenance. We aim to reduce costs as a percentage of income in 2008, but the impact of the UK Government's abolition of empty rates relief is likely to offset these savings.

Tax – continuing operations

The underlying tax charge on the adjusted profit before tax was 1.4 per cent (2006: 14 per cent) with the decrease primarily due to the effect of the Group's REIT and SIIC status in the UK and France, respectively.

The Group achieved UK Real Estate Investment Trust (REIT) status with effect from 1 January 2007 and, as a REIT, all eligible investment property income and capital gains are tax exempt. During the period the Group also elected for Sociétés d'Investissements Immobiliers Cotées (SIIC) status in France, with effect from 1 January 2007, meaning that income and capital gains on the Group's eligible French investment activities will also be tax exempt.

The accounts already show the benefits of the Group's changes to its tax structure, with an underlying tax charge of just £1.9 million for the year (2006: £13.9 million).

Sale of non-core activities

During the year the Group made two important divestments, being the disposal of the Group's US business to Health Care Property Investors, Inc., in August 2007 and the sale of Slough Heat & Power to Scottish and Southern Energy plc in December 2007.

Disposal of US business

The headline consideration before the deduction of debt transferred with the business, taxes, transaction costs and certain estimated post-closing adjustments amounted to approximately \$2.9 billion (£1.47 billion). The sale completed on 1 August 2007 and a special dividend of £250 million, payable out of the net proceeds, was paid to shareholders on 31 August 2007. The special dividend was accompanied by a share consolidation in August 2007, the effect of which was to reduce the number of existing ordinary shares in issue by approximately 8 per cent. The share consolidation facilitates comparability of earnings per share and share prices before and after payment of the special dividend.

The pre-tax profit on sale of £437.3 million is reflected in the accounts within 'profit from discontinued operations' which totals £134.9 million profit after deduction of a tax charge of £302.4 million. This is higher than the £107.4 million we estimated at the time of the 2007 Interim Report as a result of historic translation gains being 'recycled' from reserves.

Disposal of Slough Heat & Power

The headline consideration before transaction costs and certain estimated post-closing adjustments amounted to approximately £49.3 million. The sale completed on 31 December 2007.

The profit on sale of £7.7 million is reflected in the accounts within 'profit from discontinued operations'.

The results from our US business (profit before tax £42.0 million) and Slough Heat & Power (profit before tax £2.4 million) to the respective dates of disposal are shown within 'profit from discontinued operations' in the accounts.

Earnings per share and dividend

Basic loss per share for the Group (including discontinued operations) were 16.4 pence (2006: 201.8 pence earnings) and diluted adjusted earnings per share (including discontinued operations) increased 28.3 per cent to 32.2 pence (2006: 25.1 pence).

Diluted adjusted earnings per share for the continuing group increased by 46.9 per cent to 28.2 pence (2006: 19.2 pence) and adjusted basic earnings per share for the continuing group was 28.2 pence (2006: 18.9 pence). The 46.9 per cent increase in diluted adjusted earnings per share for the continuing group is higher than the increase in adjusted profit before tax for the continuing group of 31.8 per cent mainly due to the reduction in the underlying tax charge of £12 million.

The Directors have proposed a final dividend of 14.7 pence per share, an increase of 21.5 per cent from 2006, which will be paid on 23 May 2008 to those shareholders on the register on 18 April 2008. The final dividend of 14.7 pence will consist of 5.7 pence to be paid as a property income distribution (PID) and 9.0 pence to be paid as a regular dividend. The 2007 total dividend of 23.0 pence represents an increase of 21.1 per cent from 2006.

Capital expenditure

During the year, the Group made investments totalling £865.8 million, compared with £651.1 million in 2006. A number of strategic acquisitions of income-producing properties were made to establish a presence in new markets (Lyon and Milan), to strengthen an existing presence (Neckermann.de in Frankfurt) or to deepen our customer relationships (DHL). Development expenditure including joint ventures and trading properties amounted to £254.9 million, comprising £142.5 million relating to UK developments and £112.4 million relating to Continental Europe. In addition, land purchases of £74.8 million were made to provide future development opportunities (2006: £11.2 million). Of the total capital expenditure relating to continuing operations of £776.6 million, 68.3 per cent was in Continental Europe which is consistent with the previously stated intention to establish critical mass on the Continent.

| Capital expenditure on investment and development properties | 2007 £m | 2006 £m |
|---|--------------------|--------------------|
| Land purchases | 74.8 | 11.2 |
| Development expenditure | 186.4 | 175.2 |
| Acquisitions of income producing properties | 423.6 | 158.6 |
| Discontinued operations | 89.2 | 135.8 |
| | 774.0 | 480.8 |
| Expenditure on trading properties | 77.5 | 151.8 |
| Expenditure on joint venture properties | 14.3 | 18.5 |
| Total capital expenditure | 865.8 | 651.1 |
| Less sales proceeds: | | |
| – from disposals of investment properties | (185.1) | (171.3) |
| – from disposals of trading properties | (84.0) | (35.8) |
| Net capital expenditure | 596.7 | 444.0 |

Regarding future capital expenditure plans, we have already agreed acquisitions (both income producing and development land) amounting to £164 million, which will be completed in 2008. This includes the previously announced Berlin Airport site (£34 million), the €113 million sale and leaseback agreed with Mannesmann (Munich, Hamburg and Hannover), the remaining expenditure on the DHL and Neckermann.de acquisitions, plus two further land purchases. Future development expenditure on projects already internally approved is approximately £220 million and a further £100 million could be spent in 2008, depending on further project approvals during the balance of the year.

Cash flow

A summary of the cash flow for the period is set out in the table below:

| | 2007 £m | 2006 £m |
|---|--------------------|--------------------|
| Cash flow from operations | 181.9 | 137.6 |
| Finance costs (net) | (124.6) | (122.8) |
| Dividends received (net) | 2.5 | 35.7 |
| Tax received/(paid) (net) | 4.1 | (11.6) |
| Free cash flow | 63.9 | 38.9 |
| REIT/SIIC conversion charge paid | (44.5) | – |
| Sale of subsidiary undertakings | 1,499.7 | – |
| Tax paid on sale of US subsidiary undertaking | (87.2) | – |
| Capital expenditure | (756.9) | (451.9) |
| Property sales (including joint ventures) | 207.3 | 164.1 |
| Ordinary dividends | (335.9) | (84.0) |
| Other items | 1.2 | (3.6) |
| Net funds flow | 547.6 | (336.5) |
| Net (decrease)/increase in borrowings | (361.9) | 321.4 |
| Net cash inflow/(outflow) | 185.7 | (15.1) |
| Opening cash and cash equivalents | 151.0 | 166.9 |
| Exchange rate changes | 3.5 | (0.8) |
| Closing cash and cash equivalents | 340.2 | 151.0 |

Cash flows generated from operations for the period were £181.9 million, an increase of 32.2% from 2006 as a result of higher proceeds from the sale of trading property developments. Cash flows generated from continuing operations were £147.8 million (2006: £74.7 million) and from discontinued operations were £34.1 million (2006: £62.9 million).

Dividends received were significantly lower than 2006, mainly due to a one-off dividend from the Group's joint venture with Tesco in 2006 which was not repeated in 2007. Finance costs of £124.6 million, net of interest income, were higher by £1.8 million due to property acquisitions in 2006 and 2007, partly offset by the interest paid in 2006 on the preference shares of £5.2 million, which were converted into ordinary shares during 2006 plus a benefit of £13.7 million from the proceeds of the sale of the US property business net

of the special dividend. A net tax refund of £4.1 million was received in the year (2006: £11.6 million tax paid) primarily due to a tax refund in the UK relating to prior years. In addition, tax of £87.2 million was paid on the profit on the sale of the US property business and REIT and SII conversion charges paid of £41.0 million and £3.5 million, respectively.

After payment of the dividend, there was a net funds inflow of £547.6 million (2006: £336.5 million outflow). Allowing for the decrease in borrowings in 2007, the net cash inflow for the period was £185.7 million (2006: £15.1 million outflow).

Proceeds from disposals amounted to £1,707.0 million including £1499.7 million from the sale of the US property business and Slough Heat & Power, and £207.3 million from the sale of investment and development properties.

Further analysis of acquisitions and disposals in the year is included on pages 26 and 32.

Financial position

At 31 December 2007 the Group's borrowings totalled £2,049.4 million (31 December 2006: £2,384.8 million). Cash balances totalled £348.3 million (2006: £161.4 million) resulting in reported net debt amounting to £1,701.1 million (2006: £2,223.4 million). The weighted average maturity of the debt portfolio was 10.5 years.

Unsecured borrowings represent 96 per cent of gross debt at the year end. Secured debt totalled £80.2 million representing some historical mortgage debt domiciled in the Group's overseas operations. £1,383.7 million of debt domiciled in the UK was unsecured and was issued by SEGRO plc without any supporting up-stream guarantees. £585.5 million of unsecured debt was issued by subsidiary companies located overseas.

Reported financial gearing was 57 per cent (2006: 66 per cent) or 56 per cent (2006: 61 per cent) after adding back deferred tax of £67.0 million (2006: £276.1 million). The loan to value ratio (net debt divided by property assets) of the Group at 31 December 2007 was 34 per cent (2006: 38 per cent).

Interest cover based upon adjusted profit before interest and tax and adjusted net finance costs was 2.6 times, or 2.4 times if capitalised interest is included. The market value of borrowings of the Group at the end of December 2007 was £2,004.5 million, £44.9 million lower than the book value.

Funds availability at 31 December totalled £1,136.5 million, comprised of £348.3 million of cash deposits and £788.2 million of undrawn bank facilities. Only £25 million of the Group's facilities are uncommitted overdraft lines with the balance of undrawn facilities being fully committed and with £738.9 million remaining available to 2010/12.

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Hedging policies

The Group has established policies on interest rate and foreign currency translation exposures, liquidity and funding. These policies state that around 85 per cent of the Group's debt portfolio should attract a fixed or capped rate of interest and that between 75 per cent – 90 per cent of foreign currency assets should be matched with liabilities of the same currency.

Interest rate exposure

As at 31 December 2007, 83 per cent (2006: 83 per cent) of the gross debt portfolio attracted a fixed or capped rate of interest at a weighted average rate of 5.6 per cent (2006: 6.0 per cent). Much of this debt was in the form of fixed rate debt issues raised through Sterling Eurobonds. Such fixed-rate debt issues are held in the balance sheet at amortised cost. Interest rate swaps, caps, collars and forward rate agreements are also used to convert variable rate bank debt to fixed rate. The 17 per cent of debt remaining at a variable rate of interest brought the overall weighted average cost of debt down to 5.5 per cent (2006: 5.8 per cent).

The Group has decided not to elect to hedge account its interest rate derivatives portfolio. Therefore movements in the fair value are taken to the Income Statement but, in accordance with EPRA recommendations, these gains and losses are eliminated from adjusted profit before tax and adjusted EPS.

Foreign currency translation exposure

Due to the nature of the Group's business it has no cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does have operations located overseas which transact business in the domestic currency of the country in which the business is located – mostly in Euros. The Group's main currency exposure therefore is the translation risk associated with converting net currency assets back into sterling in the Group consolidated accounts at each balance sheet date. As mentioned above, the policy is that between 75 per cent – 90 per cent of currency denominated assets must be matched with liabilities of the same currency. At 31 December 2007, £221.1 million or 7 per cent of currency denominated net assets were exposed to exchange movements. A 10 per cent movement in the value of sterling against all currencies in which the Group operates would change net assets by £25.2 million and net assets per share by 6 pence or 0.9 per cent.

ENVIRONMENT, SOCIAL AND GOVERNANCE

At SEGRO corporate responsibility is fundamental to the way in which we do business. Our strategy is to embrace our company policies and focus on our relevant financial, economic, social and environmental risks and opportunities. We continuously strive to enhance our relationships with stakeholders, treat our employees, suppliers and the communities where we operate as long-term partners, and achieve the highest possible safety standards whilst considering the sustainability impacts of what we do.

How we manage corporate responsibility

SEGRO has a corporate responsibility policy statement, and continuous improvement lies at the heart of our corporate responsibility management strategy. Our Group Risk and Responsibility Committee constantly reviews what we can do better to help our key stakeholders and maintain our competitive advantage. The components of our corporate responsibility management system are:



Ian Coull, Chief Executive is the Board member with overall responsibility for corporate responsibility. The committee consists of senior executives who are responsible for corporate responsibility management within their areas of responsibility.

SEGRO's commitment to corporate responsibility is to ensure that all business processes, procedures and reporting reflect current best practice wherever possible.

Each year we identify a number of targets to track our corporate responsibility progress, evaluate our success in managing material issues and, where possible, compare performance against industry peers.

Our performance against these targets will be disclosed in our forthcoming corporate responsibility report, both in print and on the SEGRO website. A full list of our targets for 2008 will also be available on our website.

SEGRO participates in several benchmarking indices such as FTSE4Good, Dow Jones and the Business in the Community (BITC) Environmental index.

We aim to behave ethically and strategically manage risk. We have a Business Ethics Code in place to strengthen our commitment to integrity and responsible business practice.

We are constantly working to improve corporate responsibility-related activities across the Group and, as SEGRO continues to expand, we seek to address challenges by further embedding our corporate responsibility commitments across the business. We have recently appointed a Head of Sustainability to lead a new, dedicated function. The aim of this function is to raise sustainability to a new level, embedding it in all aspects of the way we do business – Environmental, Health & Safety, Corporate and Social Responsibility and beyond.

Sustainability and Environment

The Group takes a considered approach to the important issue of sustainability and the management of our environmental impacts. We have implemented an Environmental Management System across our Continental European operations to ensure a uniform approach in the management of our environmental impacts such as energy use, waste management, use of natural resources and bio-diversity.

In collaboration with the Carbon Trust we have produced a measurement tool to evaluate the carbon footprint of our industrial estates with a view to setting ongoing improvement targets. We also participated in the Carbon Disclosure Project, disclosing our Group-wide carbon emissions.

With the implementation of the new European Energy Performance of Buildings Directive, we continue to look at innovative technologies to improve the energy performance on our new developments and also our existing properties. We will do this by measuring and recording the energy performance of all our buildings, which is over and above that required by the European Energy Performance of Buildings Directive.

Incorporating technologies such as photovoltaic panels, the use of ground source heat pumps and green roofs, we are working to ensure our buildings are both sustainable and energy efficient in the future.

Together with our customers we are ensuring that our buildings are used in the most energy efficient manner. With the Carbon Trust, we will arrange energy audits for our high energy dependent customers' with advice on how to make improvements.

We also engage with our frontline suppliers (consultants and contractors) to raise awareness of our approach to environmental issues. We do this by holding environmental workshops annually and agreeing a consistent approach with our suppliers throughout our development programme.

Our most significant sustainability and environmental impacts arise from the built environment. We therefore give particular emphasis to the following aspects of our projects:

- Improving the energy efficiency of our new and existing buildings by cost effective and innovative design solutions
- Integrating flexibility and adaptability into design, thereby ensuring our developments meet or exceed planned life expectancy
- Minimising pollution to air, land and water throughout the construction process
- Improving natural resource efficiency by reducing the use of non-renewable natural resources, both in construction and in use
- Throughout our construction activities, we have committed to reduce waste to landfill by 50 per cent by 2012

More details are available in our separate Corporate Responsibility Report.

Health and Safety

Health and Safety remains one of our highest priorities. We focus on continuous improvement by ensuring that safety performance is reported and recognised across the Group. Our policies, procedures and standards are under constant review to ensure that our employees and visitors operate in a safe and healthy environment.

2007 saw a complete review of our Health and Safety policy. As part of this review we introduced a Health and Safety management system, which can be audited to ISO 18001 standards, across our UK operations. A SEGRO Health and Safety policy booklet was issued to all employees. A computer-based Health and Safety awareness training system was introduced to the UK and all employees completed the training (see graph). We continue to ensure a positive Health and Safety culture by auditing our performance and sharing information and best practice across the Group, focusing on communication and by active involvement of our senior executives. Ian Coull is the appointed main Board Director with responsibility for Health and Safety.

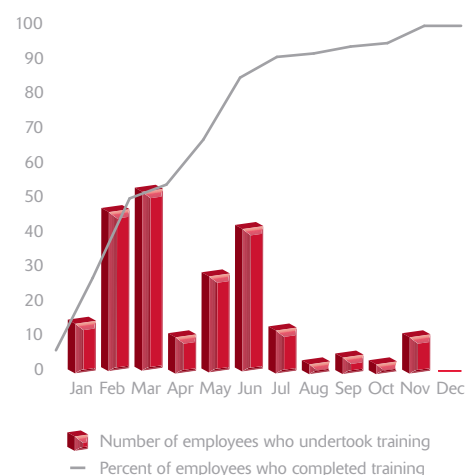
In 2007 there was a considerable focus on Health and Safety standards throughout our Continental European operations. This required a detailed review of European Health and Safety legislation and how it should be applied across countries. We undertook a Health and Safety audit across all Continental European operations and the results of this have helped us to set Health and Safety targets and priorities for 2008. A Health and Safety representative has been appointed for each country. This has enabled a local focus for Health and Safety whilst allowing improved communication between Continental Europe and the UK.

SEGRO's Annual Accident Incident Rate



Number of reportable accidents per 100,000 employees

UK Health and Safety Awareness Training 2007



Sustainability Targets

1. Improve energy ratings of existing stock during major refurbishments
2. Reduce construction waste to landfill by 50 per cent by 2012 (with an interim target of 25 per cent by 2010)
3. Trial the use of photovoltaic panels on two SEGRO properties across Continental Europe
4. Ensure zero pollution incidents during construction activities

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We continue to measure ourselves against targets for work related fatalities, reportable incidents, and instances of non-compliance with Health and Safety legislation.

People

2007 has been a busy year in terms of our people agenda. It has seen significant progress in terms of our learning and development programme, the expansion of Human Resources best practice across our Continental European operations and also some significant business changes, which has resulted in a reduction in the number of employees within the Group.

As we have previously reported, during 2007 we disposed of our business in the USA and sold our interest in the Slough power station. In the USA, all of our employees transferred to the new owner HCPI. At the end of December we completed the sale of Slough Heat & Power to Scottish and Southern Energy plc (SSE). Whilst we have always offered personal and development opportunities to Slough Heat & Power employees, in SSE they have joined a key player in the energy industry who can offer them a far wider range of opportunities.

As a result of the sale of Slough Heat & Power, in the UK employee numbers reduced by more than a third.

Across our operations in Continental Europe we have made significant progress with our people agenda in 2007. We have now established a Human Resources function based in our Continental European head office in Paris. This function is responsible for providing specialist human resources advice and support to those countries where we have a presence. We believe this is a key development given the expansion we have planned for Continental Europe in the coming years.

We now have a Group-wide approach to how we reward our employees having successfully extended our remuneration policy to our European operations during 2007. In previous years' bonuses were paid to Continental European employees on a discretionary basis. Most of our Continental European employees now participate in our Group bonus arrangements. Bonuses are only paid to employees on achievement of a number of performance based targets. We consider this to be a key step forward in continuing to develop a performance driven culture across our business which helps to keep employees focused on achieving targets as well as managing costs.

During 2007 we started to benchmark the salaries paid to our Continental European employees against market and country specific data. This is consistent with the arrangements we have had in place in the UK for a number of years. In order to ensure that this data is robust we participate in an annual survey which

captures the salary data for employees working in property development roles in countries across Continental Europe.

Leadership development continued to be a significant theme for us during 2007. In 2006 we introduced our new Leadership Development programme. This bespoke programme focuses on the development of leaders rather than managers and provides our leaders with the necessary skills to drive our business forward. We feel this is fundamental to the overall success and profitability of our business. In 2007 we continued to run this programme and further courses are scheduled for 2008.

At SEGRO we take succession planning very seriously and seek to identify individuals who we believe have the skills and aptitude to develop further within the organisation. We help to identify their development needs and through mentoring and coaching we provide them with the opportunities to develop their career paths.

In our business we commit to measuring employee engagement at least every two years. We conducted our last employee engagement survey in autumn 2006 when the overall employee engagement was 57 per cent – this is against a benchmark figure of 37 per cent for UK companies (Source: Hewitts). We have focused on taking forward the results of the 2006 survey and used these results to actively inform our people agenda.

As a result of the survey we are now much more active in helping employees to plan and manage their career development. This is supported by our annual performance review process, attendance on the leadership programme and the recent restructure in the UK business has created a number of opportunities for career progression.

The engagement survey also identified that employees would like more information about the business with regards to its organisational goals, direction and performance. To address this, Ian Coull hosts an all-employee briefing four times a year. These presentations have been well received and will continue to form a key part of our employee communications in 2008.

2007 was a year of significant progress for our business which would not have been achieved without the drive, commitment, loyalty and energy of our employees.

Suppliers

SEGRO works with a broad number of suppliers ranging from property managers to building contractors. Our relationships with our suppliers are built on honesty, fairness and mutual trust.

We are currently undertaking a review of our approach to procurement. It is a key business activity and a key

enabler to helping us deliver even greater efficiency and productivity within the business.

We have developed a Code of Business Ethics which extends to our relationship with suppliers. We are committed to strengthening our relationships with our suppliers. In 2008 we plan to introduce electronic procurement technologies and modernise the way in which we purchase goods and services from suppliers. These changes should improve efficiency and effectiveness for both SEGRO and our suppliers' business operations, as well as demonstrating how much we value our relationships with them.

At all times we respect the confidentiality between the Group and its suppliers. We actively promote and encourage developing relationships with suppliers who demonstrate a commitment to meeting socially and environmentally responsible behaviours.

Several times a year we hold workshops with our suppliers to explain the standards we expect them to meet in terms of our commitment to the environment. These workshops have proved exceptionally popular and help to generate a better understanding between all parties.

Additionally we expect our suppliers to ensure they uphold high standards of corporate and ethical behaviours at all times.

In 2008 we will continue to develop our capabilities to verify that our suppliers are commercially sound, legally compliant, and maintain appropriate health and safety certification to minimise Group supply risks. Compliance and delivery of a consistent quality of goods and services are important to ensure that we maintain our reputation and are able to meet our business requirements. Our aim in 2008 is to collaboratively agree targets with our suppliers to embed sustainability and continuous improvement in our supply base as much as is practical.

Community

The Group continues to recognise its responsibilities towards the communities in which it operates in the UK and Continental Europe. Although historically we have concentrated our community support in the Slough area, we began in 2007 to reallocate resources further afield. The Charitable budget for 2007 was £400,000.

Our community programme includes building long-term relationships with local partners to deliver a shared objective; establishing strong, safe and healthy communities by investing time and resources into projects that directly address local needs. Amongst the programmes we have supported were the Kings Norton Restoration Project in Birmingham, PITSTOP in Slough and Young Enterprise in Hampshire. The Group was a

major sponsor and helped organise the Slough Skills Summit part of the Skills Strategy for Slough campaign; the keynote speaker was Rt Hon John Denham MP, Secretary of State for Innovation, Universities and Skills.

During the year Business in the Community facilitated a 'Seeing is Believing' programme in Slough for our senior executives. Amongst the organisations visited were Herschel Grammar with whom the Group has been working for many years, PITSTOP an intervention project based on the Slough Trading Estate and SHOC (Slough Homeless Our Concern) a homeless centre in Slough. As a result of the visit the Group is now committed to support these organisations both financially and in kind.

Many of our employees take part in a number of our Employee Volunteering Schemes. These included work on a Willow Garden at Thames Valley Adventure Playground- a project for children with special needs, help at the Rainbow Centre at Fareham-a specialist centre for children with cerebral palsy and a project with Groundwork to renovate a garden at a residential home in Slough for adults with learning disabilities.

The Group continued to support programmes that help young people such as The Prince's Trust and the Outward Bound Trust and through our support for the Construction Youth Trust the disadvantaged who wish to enter the construction and built environment sectors. Towards the end of 2007, we launched with Creative Junction the SEGRO Young Artists programme for schools in the Thames Valley. Five schools have been picked to be paired with a professional artist who will work with teachers and students to develop art work with a 'world of work' theme. Our aim is to widen our partnership nationally over the next two years.

In 2007 we distributed £24,000 to four charities: the Slough & London Run, Padstones, Slough District Scouts and the Acorns Children's Hospice in the Midlands.

In 2008 the Group will continue with its community programme with an increased emphasis in areas away from Slough and in Continental Europe. Much of the community programme will be devolved to Regional Directors and Country Managers in Continental Europe. We have redrafted our policy for charitable giving that is now more focussed on a smaller number projects and encourages a more active participation from our employees. The 2008 Charity of the Year will be Dogs for the Disabled.

DIRECTORS' BIOGRAPHIES

46.



01. Nigel Rich CBE

Chairman of the Board of Directors

Chairman of the Nomination Committee

Appointed as a Non-Executive Director on 1 July 2006, he became Chairman on 1 October 2006. He is Deputy Chairman of Xchanging Ltd, a Non-Executive Director of Pacific Assets Trusts and KGR Absolute Return PCC, and Deputy Chairman of Asia House, a charity promoting cultural and other links with Asia. He was previously Chairman of Exel PLC, CP Ships and Hamptons Group Ltd and in his career he was Managing Director of Hongkong Land and then Jardine Matheson. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

02. Ian Coull

Chief Executive

Member of the Nomination Committee

Appointed as Chief Executive on 1 January 2003. He is also on the London Regional Board of Royal & SunAlliance and chairs the British Property Federation's (BPF) REITs task force, having been President of the BPF from June 2005 until July 2006. Prior to joining SEGRO he was a Director at J Sainsbury plc and held Board and Senior Management positions at Ladbroke's, Texas Homecare and Cavenham Foods. He is a Fellow of the Royal Institution of Chartered Surveyors.

03. John Heawood

Group Executive Director, UK Property

Appointed as a Group Executive Director on 4 November 1996. He is responsible for the UK property portfolio. Prior to joining SEGRO, he was a Director at DTZ Debenham Tie Leung. He is a Member of the Royal Institution of Chartered Surveyors.

04. Andrew Palmer

Non-Executive Director

Chairman of the Audit Committee

and member of the Nomination Committee

Appointed as a Non-Executive Director on 26 January 2004. He is Group Finance Director of Legal & General Group plc where he has held a number of financial and operational roles in the asset management, insurance and international businesses. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

05. Christopher Peacock

Non-Executive Director

Member of the Nomination Committee and the Remuneration Committee

Appointed as a Non-Executive Director on 28 January 2004. He is a Director of Howard De Walden Estates Limited, a Director of Land Locator Company, and a member of the Strategic Advisory Board of Benson Elliot Real Estate Partners 11, L.P. He was previously President & Chief Executive Officer of Jones Lang LaSalle. He is a Fellow of the Royal Institution of Chartered Surveyors.

06. Lesley MacDonagh

Non-Executive Director

Member of the Nomination Committee and the Remuneration Committee

Appointed as a Non-Executive Director on 1 January 2007. She is a Director of Bovis Homes Group. She was previously the worldwide Managing Partner of Lovells, the International Law Firm, a Governor of the London School of Economics, a member of the Property Advisory Group for the UK Government and a Council Member of the Law Society.



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10. 11.

07. Lord Blackwell

Senior Independent Non-Executive Director

Member of the Nomination Committee, the Audit Committee and the Remuneration Committee

Appointed as a Non-Executive Director on 1 April 2001. He is Chairman of Interserve plc, a Non-Executive Director of Standard Life plc, a senior adviser to KPMG's Corporate Finance practice, a Non-Executive Board Member of the Office of Fair Trading Limited, and Chairman of the Centre for Policy Studies. He was previously a partner with McKinsey & Company, Head of the Prime Minister's Policy Unit from 1995-97, Director of Group Development at NatWest Group, and a Non-Executive Director of The Corporate Services Group plc and Smartstream Technologies Ltd. He became a Life Peer in 1997.

08. Stephen L Howard

Non-Executive Director

Chairman of the Remuneration Committee, member of the Nomination Committee and the Audit Committee

Appointed as a Non-Executive Director on 16 May 2001. He is a Non-Executive Director of Balfour Beatty plc, holds memberships of the advisory councils of various private and non-profit organisations, and is the Chief Executive of Business in the Community. He was previously Group Chief Executive of Cookson Group plc and then Novar plc.

09. Thom Wernink

Non-Executive Director

Member of the Nomination Committee and the Audit Committee

Appointed as a Non-Executive Director on 23 May 2005. He is a Non-Executive Director on a number of property and investment companies based in Continental Europe. He was previously Chairman of the European Public Real Estate Association and of Corio NV, a Netherlands-based property company with retail, office and retail interests across Europe.

10. Walter Hens

Director of Group Business Development

Appointed as a Group Executive Director on 1 January 2007. He is responsible for the Group Business Development function, which focuses on our major customers and market segments, generating and securing significant large scale opportunities for profitable growth across the Group. He joined SEGRO in 1989, was responsible for Belgian operations until 2004. He was responsible for the European Operations from 2004 until the end of 2007. He joined the Executive Committee in September 2005. Prior to joining SEGRO, he was with Imofa (now Banimmo). He is a Fellow of the Royal Institution of Chartered Surveyors.

11. David Sleath

Group Finance Director

Appointed as Group Finance Director on 1 January 2006. Previously, he was Finance Director of Wagon plc, the international automotive engineering group from 1999 to 2005. From 1982 to 1999 he worked for Arthur Andersen, latterly as a partner and Head of Audit & Assurance for the Midlands. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a non-executive director of Bunzl plc.

EXECUTIVE COMMITTEE

48.



01. Inès Reinmann

Chief Operating Officer, Continental Europe

Appointed to the Executive Committee on joining SEGRO in October 2007. She is responsible for the Continental Europe property portfolio. Prior to joining SEGRO, she was Chief Executive Officer (CEO) of ICADE EMGP, Business Property Market Director (ICADE), CEO (Icade Tertial), and Managing Director (ICADE). Prior to ICADE she held senior management positions with responsibility for development, operations and corporate real estate at Coprim. She was Chairperson and CEO of ICADE EMPG of ICADE EUROGEM.

02. John Probert

Group Company Secretary

Appointed to the Executive Committee in August 2003. He is responsible for Company Secretariat, insurance and business continuity planning. He joined SEGRO in 1986 as Assistant Company Secretary and became Company Secretary in 1990. Prior to joining SEGRO, he was with Metal Box.

03. Jennifer Titford

Group Director of Human Resources

Appointed to the Executive Committee on joining SEGRO in June 2003. She is responsible for Group Human Resources. She is also a Board member for the Council of Management of Corporate Health Ltd, a charitable trust. Prior to joining SEGRO, she was Head of Human Resource for the property company of J Sainsbury plc, and Head of Human Resources for UK Store Development, Operations and Group Estates at Marks & Spencer.

04. Michael Waring

Director of Corporate Communications

Appointed to the Executive Committee on joining SEGRO in October 2005. He set up SEGRO's first in-house Communications function and his responsibilities include Investor Relations. Prior to joining SEGRO, he was global Director of Communications for United Business Media and prior to that he held a range of strategy, regulatory and international business development roles at BAA. He trained in Chartered Accountancy at KPMG Peat Marwick.

05. Roger Bell

Director of Group Strategy

Appointed to the Executive Committee in October 2005. He is responsible for development of the Group strategic framework, Group marketing and SEGRO brand management. He joined SEGRO in 1986 and in 1997 he moved to the UK property business. In 2003 he joined the Strategy Unit and in 2005 was appointed Head of Group Strategy. Prior to joining SEGRO, he trained with Coopers & Lybrand.

06. Andrew Gulliford

Director of Logistics

Appointed to the Executive Committee on joining SEGRO in July 2004. He is responsible for growing SEGRO's Logistics business across the Group and is a director of HelioSlough, the Company's logistics joint venture. Prior to joining SEGRO, he was European Director for Industrial Services at Jones Lang LaSalle.

Statement of Compliance

The Company complied with the provisions of The Combined Code on Corporate Governance (the Code) throughout the year ended 31 December 2007. The Company's application of the principles of the Code is set out in this report and the Remuneration Report.

The Board

The Board of Directors represents the shareholders' interests in maintaining and growing a successful business including optimising consistent long-term financial returns. The Board has a responsibility to the Group's customers, employees and suppliers and to the communities where it operates and invests.

The Board has a schedule of matters reserved to it including, but not limited to, strategy and management, structure and capital, financial reporting controls, internal control, Board membership and other appointments, remuneration, delegation of authority, corporate governance, major acquisitions and disposals and development approvals.

Board meetings are held on a regular basis with meetings being programmed throughout the year. Additional ad-hoc meetings are arranged when necessary. Board papers are circulated one week in advance of Board meetings. The Chairman, with the assistance of the Company Secretary, is responsible for ensuring that the Board receives timely advice on all material information about the Company, its subsidiaries, activities, performance, projects and any significant variances from a planned course of progress.

All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with. Directors have the right to consult with the Company's professional advisers and to seek independent professional advice at the Company's reasonable expense.

The Board has delegated a number of its responsibilities to the Executive, Audit, Remuneration and Nomination Committees. The terms of reference of these committees can be found at www.SEGRO.com as can the terms of appointment for the Non-Executive Directors, Chairman and Chief Executive. One and a half days are set aside each year primarily for the development of the Group strategy.

Board Composition

The biographical details of the members of the Board are contained on pages 46 to 47. The Board comprises a balance of skills and experience which are appropriate for the requirements of the business. The division of responsibilities between the Chairman and Chief Executive is clearly established, set out in writing and agreed by the Board.

In addition to the Chairman, there are six Non-Executive Directors, Lesley MacDonagh having been appointed as a Non-Executive Director on 1 January 2007. Lord Blackwell is the Senior Independent Non-Executive Director. There are four Executive Directors, Walter Hens having been appointed as an Executive Director on 1 January 2007 and Marshall Lees having resigned on 1 August 2007, following the disposal of the US business. The appointment of Walter Hens, Executive Director Group Business Development,

complements SEGRO's strategy for further development in Continental Europe. Lesley MacDonagh brings a wealth of experience to the Board as a highly regarded City lawyer.

The Board considered the independence of all of the Non-Executive Directors against the Code and determined that each remained independent. The Chairman was considered independent on appointment.

There is a formal and rigorous procedure for the appointment of new Directors to the Board. All Directors are subject to periodic re-appointment by the shareholders at three-yearly intervals and are required to submit themselves for election at the Annual General Meeting (AGM) following their appointment. The Articles of Association of the Company provide for a minimum number of Directors who must retire by rotation.

Table of Attendance

Directors who were unable to attend meetings received the papers for those meetings, enabling them to send their comments to the Chairman prior to the meeting as appropriate.

| Name | Board | Remuneration Committee | Audit Committee |
|--------------------------|-------|------------------------|-----------------|
| Nigel Rich* | 10 | 2 | 1 |
| Lord Blackwell | 10 | 4 | 4 |
| Stephen Howard | 10 | 4 | 5 |
| Lesley MacDonagh | 10 | 4 | n/a |
| Christopher Peacock | 10 | 4 | n/a |
| Andrew Palmer | 9 | n/a | 5 |
| Thom Wernink | 9 | n/a | 4 |
| Ian Coull | 10 | n/a | n/a |
| John Heawood | 10 | n/a | n/a |
| Walter Hens | 10 | n/a | n/a |
| David Sleath | 10 | n/a | n/a |
| Marshall Lees** | 4 | n/a | n/a |
| Total number of meetings | 10 | 4 | 5 |

* Nigel Rich stepped down from the Audit and Remuneration Committee with effect from 14 May 2007.

** Marshall Lees resigned from the Board on 1 August 2007.

There were no meetings of the Nomination Committee in 2007. The Committee met on 30 January 2008.

Board Development

On appointment, new Directors are given a comprehensive, formal and tailored introduction to the Group's business including visits to the Group's operations and meetings with senior management. Directors are encouraged to continually update their professional skills and capabilities, together with their knowledge of the Company's business. During 2007, briefings by senior management and the Company's legal advisors were provided in respect of the changes introduced by Companies Act 2006, including those related to directors' duties and conflicts of interest and in respect of the new offence of corporate manslaughter. Briefings were also provided on the operation, drivers, key risks and economic outlook for the property market in the UK and Continental Europe and the key risks and economic outlook facing the sector. A number of papers supporting these briefings were provided by external property market analysts.

Corporate Governance

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Board Performance Evaluation

The Board undertakes a formal evaluation of its own performance. The Chairman, assisted by the Company Secretary, leads this process. The performance evaluation consists of each Director completing a wide ranging appraisal questionnaire which is based on the process and questions outlined in the Code. The questionnaire provides a forum for giving feedback on the running of the Board, any weaknesses which need to be addressed and where the Board is performing well. The responses to the questionnaire are reviewed by the Chairman and the Board.

As a result of the 2007 review, the Chairman recommended the following changes: a more frequent review of strategy in difficult times; the commissioning of a review as to how the Company adds value; suggestions as to the content of Board agendas; and the provision of Audit and Remuneration Committee questionnaires constructed on a similar basis to those used for the Board performance evaluation. It has been agreed that the 2008 Board performance review will be conducted by a third party.

The Senior Non-Executive Director chaired a meeting of the Non-Executive Directors in the absence of the Chairman to appraise the Chairman's performance taking into account the views of the Executive Directors. A similar review of the Chief Executive took place with the Chairman present. The Chairman and the Non-Executive Directors met during the year with the Chief Executive and Director of Human Resources to discuss succession planning.

Committees of the Board

The Board is responsible for monitoring the following Committees and the minutes of the meetings of these Committees are made available to the Board on a timely basis:

Executive Committee

During 2007, the Executive Committee comprised Ian Coull, John Heawood, Walter Hens, Marshall Lees (until 1 August 2007), David Sleath, Andrew Gulliford, John Probert, Jennifer Titford, Michael Waring, Roger Bell and Inès Reinmann, who was appointed to the Committee with effect from 29 October 2007. The Executive Committee is chaired by the Chief Executive and met ten times in 2007. The Executive Committee is responsible for the day-to-day management of the Group, the development of operational plans and strategy, assessment of risk and the allocation of resource where those matters are not reserved for the Board.

Audit Committee

The Audit Committee comprised Andrew Palmer (Chairman), Lord Blackwell, Stephen Howard, Thom Wernink and Nigel Rich, who resigned from the Committee with effect from 14 May 2007. Andrew Palmer, the Finance Director of a FTSE 100 company is identified as having recent and relevant financial experience as required by the Code. The Committee reviews the clarity and completeness of the disclosures made in the financial statements of the Company and considers significant accounting policies, any changes to them and any significant judgements and estimates. The Committee also considers the appointment, compensation, independence and performance of the external auditors.

During the year, the Audit Committee ran a tender process for the role of external auditors to the Group. As a result of the tender process, Deloitte & Touche LLP were appointed by the Board as external auditors in June 2007. A resolution will be put to shareholders at the forthcoming AGM proposing the formal appointment of Deloitte & Touche LLP as auditors.

The Committee met regularly with the internal and external auditors during the year. The Committee discharged its responsibilities as set out in its terms of reference.

The Committee is authorised by the Board to:

- investigate any activity within its terms of reference;
- seek any information that it requires from any employee of the Company and all employees are directed to co-operate with any request made by the Committee; and
- obtain outside legal or independent professional advice and such advisors may attend meetings as necessary.

The types of non-audit work that the auditors may undertake has been restricted and other categories of non-audit work are subject to pre-clearance, as are assignments over certain financial limits. The external auditors have confirmed their independence to the Committee in writing.

Risk Management

Details of the Group's risk management processes are provided on pages 20 and 21.

Nomination Committee

The Nomination Committee consisted throughout the year of Nigel Rich (Chairman), Ian Coull, Andrew Palmer, Christopher Peacock, Lord Blackwell, Stephen Howard and Thom Wernink. Lesley MacDonagh joined the Committee with effect from 31 January 2008. The Committee has responsibility for making recommendations for new appointments to the Board and for ensuring that the process for all appointments is formal, rigorous and transparent. The Committee prepares a job description for the role required in light of the experience and capabilities of the Board and the requirements of the role. Candidates are then assessed by reference to that job description. External search consultancies are engaged by the Committee, as necessary, to provide candidate lists in respect of Board appointments. The Committee is also responsible for succession planning, ensuring the continuity of the Board and ensuring that the Board comprises the appropriate skills and experience appropriate for running the Company.

The Remuneration Committee

The composition of the Remuneration Committee, its activities during 2007 and the way it applied the principles of the Code are described in the Remuneration Report which can be found on pages 55 to 63.

Going Concern

After making enquires, at the date of this report, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Internal Control & Internal Audit

The Board is responsible for monitoring and maintaining a robust and effective internal controls framework across the Group and for identifying, evaluating and managing the Group's significant risks, in compliance with principle C.2 of the Code and the revised guidance on internal control issued by the Financial Reporting Council in October 2005. This framework and system has been developed in compliance with the Turnbull guidance and is continuously reviewed by the Board, who confirm that it has been in place throughout the year and to the date of this report. The framework and internal controls system are designed to manage but not to eliminate the risk of failure of the Group to meet its business objectives and as such only provide reasonable but not absolute assurance against material misstatement or loss.

The key features of the internal control framework include:

- the establishment of an organisational structure with clearly defined levels of authority and division of responsibilities;
- a comprehensive system of reporting, budgeting and planning against which performance is monitored;
- the formulation of policies and of approval procedures in a number of key areas such as treasury operations, capital expenditures and environmental matters. These are reviewed from time to time by the Board to confirm their adequacy and effective operation;
- the provision of a code of conduct for employees and the monitoring of the quality of personnel through an annual performance appraisal process;
- a regular and ongoing risk assessment process, undertaken at both Group and subsidiary levels which includes identification and evaluation of the likelihood of key risks materialising and assessment of the controls and other processes in place to manage such risks;
- a Group Risk Committee, with the responsibility to oversee the identification, assessment and management of all the risks faced by the Group;
- an internal audit function, with a risk-based programme of work aimed at improving processes and the controls; and
- an annual control self-assessment and certification exercise whereby managers throughout the business carry out an assessment of the controls in their area of responsibility and certify whether such controls have been operating effectively throughout the year.

During the year, the Audit Committee reviewed the arrangements put in place whereby employees may raise, in confidence, any concerns which they may have in respect of financial reporting or other matters and the arrangements for the independent investigation of those matters.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the systems of internal control and risk management. This review covered all material areas of the business including financial, operational and compliance controls and risk management.

In performing its review of effectiveness, the Audit Committee took into account the following reports and activities:

- internal audit reports on reviews of business processes and activities, including action plans to address any identified control weaknesses;
- management's own assessments of the strengths and weaknesses of the overall control environment in their area, and the action plans to address the weaknesses;
- external auditor reports on any recommendations for improvements in controls or processes identified in the course of their work, including the follow-up of previous recommendations; and
- risk management reporting, including the status of actions to mitigate major risks.

The Board and the Audit Committee monitor management's action plans designed to address weaknesses in internal controls which have been identified as a result of the above procedures. The Board confirms that it has not been advised of any failings or weaknesses which it regards to be significant.

Relations with Shareholders

The Chief Executive and Directors are the Company's principal spokesmen with investors, fund managers, the press and other interested parties. The Chairman and Senior Independent Non-Executive Director are available to shareholders, together or separately, should they have concerns which contact through the usual channels has failed to resolve or is otherwise inappropriate. The Board is kept informed as to the detail of any such discussions with shareholders.

There are regular meetings with institutional shareholders held by the Chief Executive and Finance Director which are reported to the Board. The Chairman and the Senior Independent Non-Executive Director make themselves available for meetings with institutional shareholders and should these occur, the discussions will be reported to the Board.

Constructive Use of the AGM

At the AGM shareholders and investors are given the opportunity to question the Board and to meet with them afterwards. They are encouraged to participate in the Meeting.

The Chief Executive gives a presentation to shareholders at the AGM on the performance of the Company.

Photographic displays and literature are available to illustrate the Company's developments.

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Directors' Report

52. The Directors submit their annual report together with the audited accounts for the year ended 31 December 2007 which were approved by the Board on 5 March 2008.

Business Review

The principal activities of the Group continued throughout 2007 to be commercial property development, construction and investment and the provision of services associated with such activities. The Group also provided utility services prior to the disposal of Slough Heat & Power.

The Business Review on pages 14 to 48, which is incorporated into the Directors' Report by reference, provides a fair review of the business of the Company and the description of the principal risks and uncertainties facing the Company along with risk management and financial risk management policies and the future developments the Company. The Business Review also contains details of the Company's health and safety policies and its corporate responsibility activities.

Results

The results for the year are set out in the Group income statement on page 65. The Group's pre-tax profits were £242.9 million (as detailed on page 73 of the financial statements) (2006: £690.1 million). Loss after tax from continuing operations amounted to £244.4 million (2006: profit £811.6). After allowing for minority interests of £1.1 million, the loss attributable to ordinary shareholders was £74.9 million (2006: £916.5 million profit). Basic earnings per ordinary share excluding exceptional items and deferred tax amounted to 32.3 pence (2006: 25.1 pence) and a loss of 16.4 pence (2006: 201.8 pence earnings) including exceptional items and deferred tax.

Adjusted diluted net assets per ordinary share excluding deferred tax relating to investment properties reduced to 704 pence (2006: 775 pence).

Post Balance Sheet Events

There were no post balance sheet events to the date of this report.

Property Income Distribution and Ordinary Dividends

On 1 January 2007 the Group assumed UK Real Investment Trust (REIT) status. Under the REIT regime SEGRO plc will, in the normal course of business, pay Property Income Distributions (PIDs) but may also make regular dividend payments in addition to the payment of the PID. Following the disposal of the Group's US business the Company paid, on 31 August 2007, a special dividend of 53.0 pence per share to shareholders.

An interim PID of 8.3 pence per share was paid to shareholders on 5 October 2007.

The Board recommends a final dividend of 14.7 pence per share in respect of the year ended 2007, giving a total dividend for the year of 23.0 pence (2006: 19.0 pence). The total dividend comprises 14.0 pence paid as a PID and 9.0 pence paid as a regular dividend.

Subject to authorisation at the AGM to be held on 20 May 2008, the final PID, in respect of 2007, will be payable on 23 May 2008 and the record date will be 18 April 2008. A property income distribution reinvestment plan was introduced in January 2008 which enables ordinary shareholders to invest their PIDs in the ordinary shares of the Company.

Property Valuations

The valuation of the Group's investment and development properties which was carried out by external valuers as at 31 December 2007, amounted to £4,740.0 million, a decrease of £876 million over last year's £5,616.3 million. After taking into account expenditure on investment and development properties of £774 million, the book value of property disposals of £1,350 million, exchange gains of £45 million, the deficit transferred to revaluation reserve amounted to £345 million.

Further details concerning the valuation are set out in note 15 to the accounts.

The property assets of Slough Heat & Power Ltd were excluded from the valuation.

Directors

The present Directors who held office throughout the year are named on pages 46 and 47.

Lesley MacDonagh and Walter Hens were appointed as Directors on 1 January 2007. Marshall Lees resigned from the Board as at 1 August 2007, following the sale of the US business.

Details of Directors' remuneration, pension rights, service contracts and Directors' interests in the ordinary shares of the Company are included in the Remuneration Report on pages 55 to 63.

The appointment and replacement of the Directors is subject to shareholder approval at the AGM and governed by the Code, the Companies Acts and other prevailing legislation and also by the Articles of Association, which are available on request.

In accordance with the Articles of Association, Lord Blackwell, Ian Coull, David Sleath and Thom Wernink will stand for re-election at the forthcoming AGM. The Nomination Committee has confirmed that the Directors subject to re-election continue to perform effectively and have demonstrated commitment to their respective roles. The Board, excluding the Directors subject to re-election, has recommended those Directors for re-election.

Share Capital

Following the disposal of the US business in August 2007, the share capital of the Company was consolidated on a 12 for 13 basis (the nominal capital being re-denominated from 25 pence per share to 27¹/₁₂ pence per share) and approximately £250 million was returned to shareholders by way of a special dividend. Further details are provided in note 29 to the accounts.

At the 2007 AGM, shareholders gave the Company renewed authority to repurchase, in the market, ordinary shares representing up to 10 per cent of the issued share capital at that time with such authority to expire at the 2008 AGM. No shares were repurchased in the year to 31 December 2007. A resolution to renew this authority in respect of up to 10 per cent of the issued share capital will be proposed at the 2008 AGM. Under the proposed authority, shares repurchased may be either cancelled or held in Treasury. The Company's authorised and issued share capital as at 31 December 2007, together with details of the share consolidation conducted in August 2007 and shares issued during the year, is set out in note 29 to the accounts.

The Company has one class of ordinary share. Each ordinary share carries the right to one vote at general meetings of the Company and all issued shares are fully paid. The shares of the Company do not carry the right to a fixed income. The Articles of Association do not create any restrictions in respect of the size of any particular holding, nor, in respect of the transfer of shares. The Directors are not aware of any agreements which limit the transfer of shares or curtail the voting rights attaching to those shares. The Trustees of the Share Incentive Plan vote the shares held in trust for the purposes of the plan only upon the instruction of the participants in the plan. The Trustees of the executive share plans do not vote the shares. As at the date of this report, 81 per cent of the authorised capital was issued. As is the established practice, resolutions will be put to shareholders giving the authority to the Directors to allot the unissued capital of the Company which amounts to 24 per cent of the issued capital, and within defined limits, to dis-apply pre-emption rights in continuance of the Company's existing practice. There exists no current intention to allot capital save for purposes of the employee and executive share schemes however, the Directors may consider allotting capital should business opportunities become apparent that are consistent with the Company's strategic objectives.

Directors' Interests in Share and Loan Capital

The Directors of the Company who were in office at 31 December 2007 and the beneficial and non-beneficial interests of these Directors and their families in the share

and loan capital of the Company, are shown in the Remuneration Report on pages 55 to 63.

Save as disclosed in the Remuneration Report, no Director had any holding or interest in the Company's shares or in any of the Company's debenture or unsecured loan stocks, or unsecured bonds and none of the Directors had any beneficial interest in the share or loan capital of any subsidiary of the Company and no Director had a material interest in any contract, transaction or arrangement with the Company, or any of its subsidiaries at, or during the year ended, 31 December 2007.

Provisions on Change of Control

There are a number of agreements which take effect, alter or terminate upon a change of control, none of these are considered significant in relation to the Company. The Company's share schemes contain provisions which take effect in the event of a change of control. The provisions in relation to share schemes do not entitle participants to a greater interest in the shares of the Company than that created by the initial grant or award under the relevant scheme.

Directors' Indemnities

Directors of the Company are entitled to be indemnified by the Company against any liability, loss or expenditure incurred in connection with their duties, powers or office, to the extent permitted by statute.

The contracts of employment of the Directors and employees of the Company do not provide for compensation for the loss of office that occurs because of takeover.

Payment of Suppliers

It is the Company's and the Group's payment policy, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders and suppliers are made aware of these payment conditions. Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with relevant contractual conditions. The Group's trade creditors as a proportion of amounts invoiced by

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Major Interests

At 3 March 2008 the following major interests (3 per cent or more) in the ordinary share capital of the Company had been notified to the Company:

| Shareholder | Direct Voting Rights | Indirect Voting Rights | Aggregate Voting Rights | Percentage |
|---------------------------------------|-------------------------|---------------------------|----------------------------|--------------------|
| The AXA Group and its subsidiaries | 16,549,379 | 4,621,412 | 21,170,791 | 4.85 |
| Legal & General Investment Management | 18,806,556 | 1,919,596 | 20,726,152 | 4.75 |
| Barclays plc | 8,008,295 | 10,886,113 | 18,894,408 | 4.33 |
| Cohen & Steers Inc | – | 18,646,053 | 18,646,053 | 4.27 |
| ABP Investments | 17,043,599 | – | 17,043,599 | 3.91 |
| M&G Investment Management | 13,211,510 | – | 13,211,510 | 3.03 |
| Issued capital at 3 March 2008 | | | | 436,243,891 |

Directors' Report

54. suppliers represented 12 days at 31 December 2007 (2006: 19 days). The Directors do not consider that there is any one supplier (or person) with whom the Company has a contractual arrangement which is essential to the business.

Charitable, Political and Other Donations

There were no political donations during the year and it is the Group's policy not to make cash donations to political parties. However, the definition of political donations used in the Political Parties Election and Referendums Act 2000 is very broad and as a result could cover activities that form part of the relationships between the Group and bodies with political affiliations. These activities are not designed to support any political party nor to influence public support for a particular party. Therefore, authority from shareholders will be sought at the AGM to ensure that the Group acts within the provisions of the current UK law when carrying out its normal business activities.

The charitable amounts given by the Company in 2007 were as follows:

| | £ |
|---|---------|
| Charitable Donations | 630,558 |
| The main donations made were as follows:- | |
| Slough Social Fund | 363,188 |
| Corporate Health (benefit in kind) | 199,370 |
| In kind support | 68,000 |

Donations are made to a variety of community and social charities and in particular to charities connected to localities in which the Group is represented. Slough Social Fund is a charity which provides financial support to local charities in the Slough and South Bucks area. The benefit in kind provided to Corporate Health includes the provision of a rent-free building which Corporate Health (a registered charity) uses to provide occupational health services to the Slough Trading Estate.

Environment and Corporate Responsibility

The Group's environmental policy is published on the Company's website www.SEGRO.com. We report on our environmental activities in more detail in the Business Review pages 42 and 43. We report on corporate responsibility matters including employees, health, safety and the environment both in this report and in our separate 2007 Corporate Responsibility Report.

Employment Policy

The Group recognises, values and promotes the involvement of its employees and strives to further honest two-way communication. It looks to keep employees informed on areas affecting their employment, as well as the financial and economic factors affecting the Group's performance. Employees are encouraged to participate in the Group's all-employee share schemes. The Group also encourages employee involvement in the development of the employment standards and policies which shape our culture and way of working.

The Group is committed to following an equal opportunities policy throughout an employee's career with the Company, from recruitment and selection, through training and development, promotion and retirement.

Disabled Employees

The Group welcomes applications for employment by disabled persons. These are always fully and fairly considered, bearing in mind the aptitudes of the applicant concerned. In the event of an employee becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should as far as possible be identical to that of other employees.

Auditors to the Company

Deloitte and Touche LLP were appointed by the Board as auditors to the Company following the resignation of PricewaterhouseCoopers LLP on 21 June 2007. Deloitte and Touche LLP has expressed their willingness to act as auditors to the Company and accordingly, resolutions to formally appoint Deloitte & Touche LLP as auditors to the Company and to authorise the Directors to fix the remuneration of the auditors will be proposed at the forthcoming AGM.

Disclosure of Information to the Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

By order of the Board

J R Probert

Secretary
5 March 2008

Unaudited information

The Remuneration Committee

The Committee comprises only Independent Non-Executive Directors and is chaired by Stephen Howard. The members of the Committee are Lord Blackwell, Christopher Peacock and Lesley MacDonagh. Nigel Rich stepped down from the Committee with effect from 14 May 2007. The Committee operates within written terms of reference which are available on the Company's website, www.SEGRO.com. The role of the Committee is to set a remuneration policy which attracts and retains high-calibre senior executives and which aligns the rewards of senior executives with the creation of long-term shareholder value. The Remuneration Report will be submitted at the 2008 AGM for the approval of shareholders. The Committee has access to the advice and services of the Director of Human Resources (Jennifer Titford) and the Company Secretary (John Probert). The Chairman and Chief Executive can be invited to attend meetings except where their remuneration is discussed. The Committee may also engage independent remuneration consultants, at the Company's expense, as it deems appropriate. The Committee met four times during the year.

Advice

Watson Wyatt LLP acted as advisor to the Committee for the duration of the year having been appointed, by the Committee, in 2006. Watson Wyatt provided advice to the Committee on a range of issues related to remuneration including executive remuneration, a proposed new long-term incentive plan and changes to the operation of the Share Incentive Plan. Watson Wyatt provided advice to the Company in respect of matters relating to the remuneration of employees to ensure a consistent approach to reward across the Group. Lovells LLP, one of the Company's legal advisors, has provided advice to the Committee on all-employee and executive share plans. Lovells also acts for the Company and has provided legal advice to the Company during the year on a range of other matters including advice on corporate, employment, litigation, real estate, tax and pension issues. Hewitt Bacon and Woodrow Ltd, which was appointed by the Company, provided information to the Committee in respect of pension related matters.

Remuneration Policy and Framework

In order to align the interests of the Executive Directors and shareholders, the Committee sets the remuneration policy and framework such that a large proportion of remuneration is performance related. The performance related elements of remuneration are constituted of both short and long-term reward mechanisms which are designed to align executive reward with the delivery of long-term shareholder value. The Committee considers that the targets it sets in relation to performance based pay are stretching and the Committee will, in accordance with the remuneration framework, only make bonus or share awards in line with strict performance criteria as applicable. In setting the performance targets, the Committee also takes into consideration the maximum amount of remuneration the Directors could receive should all targets be met.

Executive Directors and other senior Executives are encouraged to acquire and retain ordinary shares in the Company to the value of one times their annual salary within

a five year period of joining the Group. The Chief Executive is encouraged to acquire and retain shares to the value of one and a half times his annual salary within a five year period.

The Committee regularly reviews the remuneration policy to ensure the Group's reward programmes remain competitive and provide appropriate incentive for performance. The Committee takes into account institutional investor guidelines in relation to the operation of the performance conditions, the proportion of shares that vest and acceptable levels of dilution.

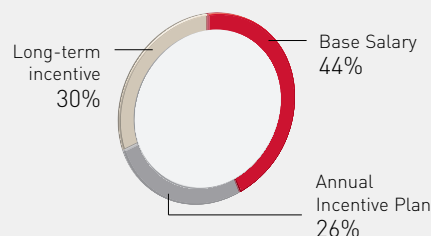
Components of Executive Remuneration

The remuneration packages for the Executive Directors comprise the following elements which are all taken into account by the Committee when setting remuneration.

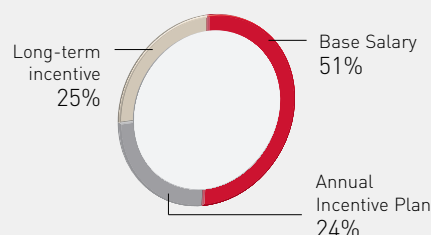
- Base salary
- Annual Incentive Plan (bonus)
- Long-term share incentive
- Save as you earn
- Share Incentive Plan
- Pension contributions
- Company car or company car allowance
- Other benefits (e.g. health and life insurance)

The Committee considers that all elements of the package are of equal importance in supporting the Group's remuneration policy. An appropriate balance is maintained between fixed and performance-related remuneration and between elements linked to short-term financial performance and those linked to longer-term shareholder value creation (see illustrative charts below). Base salary is the only component of remuneration that is pensionable. The charts indicate the target level of long-term incentives as a proportion of executives' total remuneration.

Chief Executive



Other Executive Directors



Remuneration Report

56. **Base Salary and Benefits**

Each Executive Director receives a salary which reflects his responsibilities, experience and performance and taking into consideration market salary level for similar roles. Salaries and benefits are reviewed annually in April. Details of the Directors' remuneration are given on page 59.

Annual Incentive Plan (the Plan)

The Plan extends to all employees including the Executive Directors. The Plan consists of a cash bonus payable based on the performance of the Group, the performance of the operating area of the individual and the performance of the individual. Any payments made under the Plan to the Chief Executive, Executive Directors and Executive Committee members are at the discretion of and approved by the Committee.

Performance is measured over the financial year and payment is made after the financial year end. For Executive Directors and the Chief Executive the principal financial measure is the delivery of the annual budget. The Plan also contains an element of reward for the achievement of individual objectives and for the attainment of environmental, social and governance objectives. Actual targets are not disclosed for reasons of commercial sensitivity.

In respect of 2007, Executive Directors could earn a cash bonus of up to a maximum of 80 per cent of base salary if they met stringent performance criteria set by the Committee. This bonus was based on Group profit adjusted for one-off and certain other items (40 per cent), divisional performance (24 per cent) and individual performance (16 per cent). The Chief Executive had the opportunity to earn a cash bonus of up to 100 per cent of base salary. His bonus is based on Group profit adjusted for one-off and certain other items (80 per cent) and individual performance (20 per cent).

Marshall Lees, who was based in the USA and who resigned from the Board as at 1 August 2007, had the opportunity of earning a cash bonus of up to 100 per cent of salary, in line with market conditions in the USA.

Long-Term Share Incentive Scheme (the LTIS)

The Committee believes that long-term incentives are an effective way to align the interests of shareholders and reward long-term performance. SEGRO has one long-term share incentive plan in operation, the LTIS, in which Executive Directors and members of the Executive Committee participate. There is no current intention to make further awards under the existing LTIS arrangements, the last award having been made in 2007.

Awards were made annually and were determined by an assessment of both corporate and individual performance. The maximum value of the annual award to the Chief Executive was 175 per cent of salary and a maximum of 140 per cent of salary for other executives. Details of awards granted to the Executive Directors under the LTIS in 2007 are set out in the table on page 60.

Awards vest after three years subject to the achievement of performance targets and approval of the Committee. The performance targets are based on achievement of real growth in adjusted diluted earnings per share (EPS), weighted 60 per cent, and adjusted diluted net asset value (NAV), weighted 40 per cent, over the three years between grant and vesting:

| | Vesting | Adjusted diluted EPS growth | Adjusted diluted NAV growth Per share |
|-------------|---------|-----------------------------|---------------------------------------|
| Low Hurdle | 20% | 4.0% p.a. | 4.0% p.a. |
| High hurdle | 100% | 11.0% p.a. | 8.0% p.a. |

Adjusted diluted EPS is used to reflect the importance of earnings for our shareholders whilst adjusted diluted NAV reflects the growth in value of SEGRO's property assets. Actual performance is initially calculated by the Finance Director and based on the figures for adjusted diluted EPS and adjusted diluted NAV included in the accounts. These figures are reviewed by the auditors and are then submitted to the Committee for approval.

Executive Directors are encouraged, as part of the Company's shareholding guidelines, to hold their LTIS shares for a three year period after vesting.

In the event of a change of control of the Company, the Committee would have discretion to determine if any awards vest and if so, over how many shares. In exercising this discretion the Committee would refer to current institutional investor guidelines, the financial performance of the Company and the portion of the performance period elapsed.

New Long-Term Incentive Plan (the 2008 LTIP)

As a result of the growth and development of our business, our change to REIT status and the changes in the property sector, the Committee, assisted by Watson Wyatt, conducted a review of executive long-term share incentive arrangements. Following this review, it was decided that, subject to shareholder approval, a new plan, the 2008 LTIP, would be implemented. The proposed 2008 LTIP reflects current investor guidelines and best practice whilst encouraging our executives to maximise shareholder returns. Earnings per share will remain in the new plan. A new measure of Total Property Return will be introduced to more accurately reflect our sector.

Details of the proposed operation and the performance conditions applicable to any release of shares under the first grant of awards under the 2008 LTIP are provided in the Company's Notice of Meeting for the 2008 AGM and a resolution will be put to shareholders at that meeting to approve the 2008 LTIP arrangements. Subject to shareholder approval, awards will be made during 2008 under the 2008 LTIP.

Executive Share Option Plans (the Plans)

All executive long-term share incentive arrangements are currently delivered through LTIS. As reported in the 2005 Report and Accounts, the Committee suspended the granting of options under the Plans to Executive Directors and the Executive Committee in 2005. There is no current intention to make further grants under the Plans. Details of options which were exercised or lapsed in the year and the performance conditions which applied to those options can be found on page 61 of this report. As at the year end, no Directors held any options under the Plans.

Summary of Employee Share Plans

1981 Savings-Related Option Scheme (the SAYE Scheme)

The Company has operated a HM Revenue & Customs (HMRC) proved SAYE Scheme since 1981 which is open to all eligible employees within SEGRO. Each participant may save up to £250 a month to buy shares under option at the end of the option period. Savings contracts can be for a three, five or seven year period. The exercise price for options granted in 2007 included a discount of 20 per cent to the market value of the shares at the time of grant. The Board intends to operate the SAYE Scheme on similar terms in 2008. Options granted to Executive Directors under the SAYE Scheme are not subject to performance conditions.

Details of options granted to Executive Directors under the SAYE Scheme are set out in the table on page 61.

Share Incentive Plan (the SIP)

The SIP is a HMRC approved all-employee share plan open to all eligible employees of participating Group companies. During 2007, participating employees were awarded shares annually based on 7 per cent of gross annual salary, up to a maximum amount of £3,000.

In January 2008, the Board approved amendments to the operation of the SIP so that participating employees will be awarded shares not only in relation to their salary, but also by reference to the Company's prior year performance, which is currently measured through Group profit before tax.

In previous years shares were held by the SIP Trustees for a period of five years before they may be released to a participant. Going forward, employees will be able to opt to receive their shares from three years after the date of award. If they opt to receive their shares between three and five years the employee will be responsible for all tax liabilities. The Trustees of the SIP during 2007 were John Heawood, John Probert and Jennifer Titford.

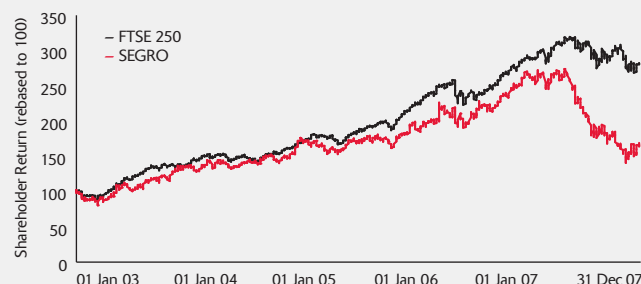
A scheme designed on a similar basis, but not HMRC approved, will be operated for employees in Continental Europe.

The Executive Directors' holdings under the SIP are included in the table showing Directors' interests in shares on page 59.

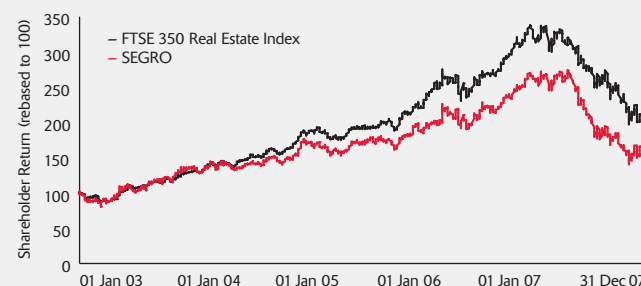
Total Shareholder Return

Below are charts showing total shareholder returns for the Company for each of the last five financial years compared to the FTSE 250 Index and the FTSE 350 Real Estate Index. The Company is a constituent of both the FTSE 250 Index and the FTSE 350 Real Estate Index and considers that both these indices provide an appropriate illustration of the Company's relative performance.

Total Shareholder Return – value of hypothetical £100 holding of shares



Total Shareholder Return – value of hypothetical £100 holding of shares



External Appointments

An appointment of an Executive Director to the Board of a non-Group company requires the approval of the Board and any such approval is subject to consideration of the time commitment the proposed appointment may require. Executive Directors who are Non-Executive Directors of non-Group companies may retain any fees payable to them with the consent of the Committee, except in cases where the directorship is as a representative of the Company. During the year Ian Coull was a Non-Executive Director of the London Regional Board of Royal SunAlliance plc and David Sleath was a Non-Executive Director of Bunzl plc. Walter Hens was up until May 2007, a Non-Executive Director of Intervest Offices, a Belgian property company from which he did not receive any fees in respect of his service during 2007. Details of the fees paid in respect of these appointments are disclosed on page 59 of this report.

Remuneration Report

58. **Policy on Service Contracts**
Executive Directors

Service agreements for the Executive Directors are on a 12 month rolling basis, with the exception of Walter Hens, who transferred from a 24 month rolling contract to a 12 month rolling contract with effect from 1 January 2008. Executive Directors may now opt to continue in employment until age 65. The service agreement for John Heawood, which may be terminated by either party giving one year's notice, will terminate on 4 July 2008. Ian Coull, David Sleath and Walter Hens are required to give six months' notice to the Company.

The appointment and contract commencement dates for the Executive Directors are as follows:

| Name | Date of Appointment | Date of Contract |
|--------------|---------------------|------------------|
| Ian Coull | 1 January 2003 | 1 January 2003 |
| John Heawood | 4 November 1996 | 4 November 1996 |
| Walter Hens | 1 January 2007 | 5 March 2008 |
| David Sleath | 1 January 2006 | 31 March 2005 |

Any proposals for the early termination of the service contracts of Directors and senior executives are considered by the Committee taking into account contractual terms and the principles of mitigation.

John Heawood will leave the Company on 4 July 2008. The payments made at this time will be made in accordance with his contractual entitlements.

Non-Executive Directors

The fees payable to Non-Executive Directors are set by reference to those paid by comparable organisations for similar appointments.

The Non-Executive Directors do not participate in any of the Company's employee share plans nor do they receive any other benefits or pension rights under the pension scheme. While the Non-Executive Directors do not have service contracts, they have signed letters of engagement that inter alia prescribe their duties and obligations. The terms and conditions in respect of the appointment of the Non-Executive Directors are available at www.SEGRO.com.

The appointment dates and service commencement/renewal dates of the Chairman and the Non-Executive Directors are as follows:

| Name | Date of Appointment | Date of Service Agreement |
|---------------------|---------------------|---------------------------|
| Nigel Rich | 1 July 2006 | 1 July 2006 |
| Stephen Howard | 16 May 2001 | 29 January 2004 |
| Lord Blackwell | 1 April 2001 | 29 January 2004 |
| Lesley MacDonagh | 1 January 2007 | 1 January 2007 |
| Andrew Palmer | 28 January 2004 | 28 January 2004 |
| Christopher Peacock | 28 January 2004 | 28 January 2004 |
| Thom Wernink | 23 May 2005 | 27 May 2005 |

Retention arrangements for Marshall Lees

The continuing retention of Marshall Lees during 2007 was critical for the realisation of a high sale price for Slough Estates USA Inc. To ensure Marshall Lees' retention and commitment during this period of uncertainty the Committee determined to incentivise Marshall Lees through an additional bonus opportunity and the application of discretion in determining share plan vesting.

Audited Information
Directors' Emoluments

59.

| | Salaries and fees £000 | Benefits £000 | Annual Incentive Plan £000 | Total 2007 £000 | Total 2006 £000 |
|---|------------------------------|------------------|-------------------------------------|-----------------------|-----------------------|
| Nigel Rich Chairman | 220 | – | – | 220 | 83 |
| Executive Directors | | | | | |
| Ian Coull Chief Executive | 529 | 48 | 540 | 1,117 | 908 |
| John Heawood | 314 | 17 | 252 | 583 | 437 |
| David Sleath• | 337 | 101 | 280 | 718 | 479 |
| Marshall Lees* (resigned 1 August 2007) | 191 | 17 | 1,025 | 1,233 | 367 |
| Walter Hens# (appointed 1 January 2007) | 298 | 59 | 288 | 645 | – |
| Non-Executive Directors – Fees | | | | | |
| Lord Blackwell Senior Independent Director | 44 | – | – | 44 | 43 |
| Stephen Howard Chairman of the Remuneration Committee | 44 | – | – | 44 | 43 |
| Andrew Palmer Chairman of the Audit Committee | 44 | – | – | 44 | 40 |
| Christopher Peacock | 38 | – | – | 38 | 37 |
| Thom Wernink | 38 | – | – | 38 | 36 |
| Lesley MacDonagh (appointed 1 January 2007) | 38 | – | – | 38 | – |
| Total | 2,135 | 242 | 2,385 | 4,762 | 2,473 |

• David Sleath was paid a one off fee of £72,929, for the transaction costs associated with the identification and purchase of a suitable property, nearer to the London and Slough offices, that would help him reduce the time spent commuting, particularly during heightened business activity.

* Marshall Lees was, until its sale on 1 August 2007, Chief Executive of Slough Estates USA Inc. and was resident and remunerated in the USA. He received an incentive award of £191,498 in respect of 2007 performance together with a performance and retention bonus of £833,333. (Exchange rate used was \$1.98 which is an average calculated from 1 January 2007 to 1 August 2007, the date at which Marshall left the Company).

In respect of his responsibilities across Europe, Walter Hens received the exclusive use of a leased flat in Paris. This arrangement will cease with effect from October 2008. As a result of changes to his accountabilities, Walter Hens' contract was changed on 1 January 2008. Certain benefits paid in 2007, which applied to accountabilities discharged in France, Germany and Belgium ceased from that date.

All the Executive Directors receive benefits comprising the provision of health insurance, life insurance and a company car.

Ian Coull was paid a fee of £1,300 in respect of his services as a Non-Executive Director of the London Regional Board of Royal & SunAlliance plc, David Sleath was paid a fee of £19,333 as a Non-Executive Director of Bunzl plc and Walter Hens received no fees in respect of his services as a Non-Executive Director of Intervest offices.

Directors' Interests in Shares

The interests of the Directors and their immediate families in the ordinary shares of the Company at 1 January 2007 and 31 December 2007 were:

| Number of ordinary shares | Beneficial interests | |
|---------------------------|---|------------------------------------|
| | 31.12.07 Ordinary 27 1/12p shares** | 01.01.07 Ordinary 25p shares |
| Nigel Rich | 27,001 | 25,000 |
| Lord Blackwell | 5,807 | 2,500 |
| Ian Coull | 128,763 | 72,571 |
| John Heawood | 67,385 | 75,526 |
| Walter Hens | 23,822 | 25,808 |
| Stephen Howard | 6,923 | 7,500 |
| Marshall Lees* | 67,073 | 61,379 |
| Lesley MacDonagh | 5,000 | – |
| Andrew Palmer | 3,692 | 2,500 |
| Christopher Peacock | 7,972 | 2,500 |
| David Sleath | 17,708 | 10,000 |
| Thom Wernink | 9,230 | – |

* Marshall Lees left the Company on 1 August 2007. The above reflects the shareholding as at 1 August 2007.

** On 20 August 2007, there was a share consolidation on a 12 for 13 basis, details of which are provided in note 29 to the accounts.

Beneficial interests in the table above represent shares beneficially held by each Director, they include any ordinary shares held on behalf of Directors by the Trustees of the Share Incentive Plan (interests created as a result of acting as a Trustee to the Share Incentive Plan are shown separately in the following table) and shares beneficially owned by spouses and children under 18 of the Directors.

Between 31 December 2007 and 5 March 2008 there were no changes in respect of the Directors' shareholdings.

Remuneration Report

60. As at 31 December 2007, 2,344,136 shares (2006: 1,754,937 shares) were held by the Trustees of the 1994 SEGRO plc Employees' Benefit Trust. There have been no changes to this holding since year end. As with other employees, the Directors are deemed to have a potential interest in those shares, being beneficiaries under the trust.

The table below shows the non-beneficial interests of the SIP Trustees in their respective capacities as Trustees of the SIP.

| | 31.12.07 Ordinary 27 ¹ / ₁₂ p shares | 01.01.07 Ordinary 25p shares |
|---|--|------------------------------------|
| Number of ordinary shares | | |
| John Heawood, John Probert and Jennifer Titford (as Trustees of the SIP) | 511,464 | 494,170 |

The Trustees of the SIP transferred 244,183 ordinary shares between 31 December 2007 and 5 March 2008.

LTIS

Long-Term Share Incentive Scheme

| | Number of shares under award 01.01.07 | Number of shares lapsed/ number of shares not released | Number of shares over which awards granted | Market value of shares on grant £ | Number of shares released | Market value on date of release £ | Number of shares under award 31.12.07 | End of performance period over which performance conditions have to be met |
|-----------------------|--|---|--|--------------------------------------|---------------------------|--------------------------------------|--|--|
| Ian Coull | | | | | | | | |
| 14.05.04 | 55,395 | 33,237 | | 4.28 | 22,158 | 6.415 | | |
| 04.05.05 | 123,421 | | | 4.80 | | | 123,421 | 31.12.07 |
| 25.05.06 | 108,112 | | | 6.01 | | | 108,112 | 31.12.08 |
| 29.06.07 | | | 136,223 | 6.25 | | | 136,223 | 31.12.09 |
| Total | 286,928 | | | | | | 367,756 | |
| John Heawood | | | | | | | | |
| 14.05.04 | 23,081 | 13,849 | | 4.28 | 9,232 | 6.415 | | |
| 04.05.05 | 53,305 | | | 4.80 | | | 53,305 | 31.12.07 |
| 25.05.06 | 45,824 | | | 6.01 | | | 45,824 | 31.12.08 |
| 29.06.07 | | | 46,390 | 6.25 | | | 46,390 | 31.12.09 |
| Total | 122,210 | | | | | | 145,519 | |
| Walter Hens | | | | | | | | |
| 25.05.06 | 34,385 | | | 6.01 | | | 34,385 | 31.12.08 |
| 29.06.07 | | | 60,707 | 6.25 | | | 60,707 | 31.12.09 |
| Total | 34,385 | | | | | | 95,092 | |
| Marshall Lees* | | | | | | | | |
| 14.05.04 | 23,726 | | | 4.28 | 9,490 | 6.415 | | |
| | | | | 4.28 | 14,236 | 5.14 | | |
| 04.05.05 | 53,390 | | | 4.80 | 53,390 | 5.14 | | |
| 25.05.06 | 73,044 | | | 6.01 | 73,044 | 5.14 | | |
| 29.06.07 | | | 47,854 | 6.25 | 47,854 | 5.14 | | |
| Total | 150,160 | | | | | | nil | |
| David Sleath | | | | | | | | |
| 04.05.05 | 51,254 | | | 4.80 | | | 51,254 | 31.12.07 |
| 25.05.06 | 50,916 | | | 6.01 | | | 50,916 | 31.12.08 |
| 29.06.07 | | | 66,047 | 6.25 | | | 66,047 | 31.12.09 |
| Total | 102,170 | | | | | | 168,217 | |

* Marshall Lees left the Company on 1 August 2007; his LTIS awards vested on 6 August 2007.

No variations have been made to the terms and conditions of any of the awards. The performance targets are based on the achievement of real growth in adjusted EPS and adjusted diluted NAV over a period of three years.

Options under The Plans and SAYE Scheme

61.

| | | No of shares under option at 01.01.07 | No of shares over which options granted | No of shares cancelled/ lapsed | No of shares under which options exercised | Option price £ | Mid market value on day of exercise £ | No of shares under option at 31.12.07 | Period in which options can be exercised |
|----------------|---|---|--|---|---|----------------------|---|---|--|
| Ian Coull | 3 | 8,720 | | | 8,720 | 3.44 | 6.25 | | |
| | 2 | 107,559 | | | 107,559 | 3.44 | 6.25 | | |
| | 2 | 85,515 | | 85,515 | | 4.6775 | | | |
| | 4 | 4,726 | | | | 3.724 | | 4,726 | 01.05.11-31.10.11 |
| Total | | 206,520 | | | | | | 4,726 | |
| John Heawood | 2 | 53,447 | | 53,447 | | 4.6775 | | | |
| | 4 | 1,769 | | 1,769 | | 5.284 | | | |
| | 4 | | 2,298 | | | 4.112 | | 2,298 | 01.10.10-31.03.11 |
| Total | | 55,216 | | | | | | 2,298 | |
| Walter Hens | | nil | | | | | | nil | |
| Total | | nil | | | | | | nil | |
| Marshall Lees* | 1 | 28,662 | | | | 3.565 | | 28,662 | 28.03.04-27.03.08 |
| | 2 | 86,742 | | | | 2.90 | | 86,742 | 20.03.06-19.03.13 |
| | 2 | 54,940 | | 54,940 | | 4.6775 | | | |
| Total | | 170,344 | | | | | | 115,404 | |
| David Sleath | 4 | 3,046 | | 3,046 | | 5.284 | | | |
| | 4 | | 3,982 | | | 4.112 | | 3,982 | 01.10.12-31.03.13 |
| Total | | 3,046 | | | | | | 3,982 | |

* Marshall Lees left the Company 1 August 2007.

1 – Unapproved 1994 Scheme
2 – 2002 No 2 Plan
3 – 2002 Plan
4 – SAYE Scheme

The aggregate gross gain on exercise of options by Ian Coull was £326,744.

No payment is required for the grant of an option under the Unapproved 1994 Scheme, 2002 Plans and the SAYE Scheme.

There have been no changes to the terms and conditions of the 2002 Plans, the Unapproved 1994 Scheme and the SAYE Scheme during the year. The exercise of options granted under the 2002 Plans and the Unapproved 1994 Scheme were subject to performance conditions. Options granted under the Unapproved 1994 Scheme were only exercisable if the growth in the Company's adjusted EPS exceeded the increase in the RPI over any three year period from the date of grant plus 6 per cent. Options granted under the 2002 Plans were only exercisable if the Company's adjusted EPS exceeded the growth in the RPI by at least 3 per cent per annum measured over three financial years beginning with the financial year in which the option was granted.

The market price of the shares as at 31 December 2007 was 470.0 pence. The highest and lowest market prices of ordinary shares during the financial year were 801.5 pence and 390.75 pence.

Between 31 December 2007 and 5 March 2008 there were no changes to the above option figures.

Remuneration Report

62. Pension and Retirement benefits

The pension provided for Ian Coull comes from two sources. In respect of his salary up to the HMRC Notional Earnings Cap (currently £112,800) Ian Coull accrues pension in the SEGRO Pension Scheme, formerly the Slough Estates (1957) Pension Scheme (the SEGRO Scheme). The remaining pension is accrued via the UURB which is detailed on page 63.

Pension policy for Executive Directors has not been changed during 2007. Pensions for John Heawood and David Sleath are provided through the SEGRO Scheme. Both John Heawood and David Sleath may retire at age 62 or any time up to age 65. Their pension benefits were agreed to broadly target a pension at age 62 of two-thirds of final pensionable salary less any retained benefits from previous employment. Depending on future experience, the pensions that they actually receive may be higher or lower than this. Upon reaching the target, John Heawood and David Sleath may then accrue a 1/60th of final pensionable salary for every completed year of subsequent service, which is in line with ordinary members of the SEGRO Scheme.

The SEGRO Scheme is contracted-out of the State Second Pension and is HMRC registered. It has been registered with the Pensions Regulator.

Set out below are details of the pension benefits to which each of the Executive Directors are entitled in respect of the disclosure required by paragraph 12 (2) Schedule 7A to the Companies Act 1985. The values given below include the effect of inflation in their calculation.

| Director | Additional accrued pension earned in the year £ p.a. | Accrued pension at 31.12.07 £ p.a. | Transfer value at 31.12.06 £* | Transfer value at 31.12.07 £* | Increase in transfer value less Directors' contributions £ |
|-----------------|---|---------------------------------------|----------------------------------|----------------------------------|---|
| Ian Coull | 32,007 | 116,381 | 1,257,208 | 1,776,736 | 487,803 |
| John Heawood | 11,192 | 45,802 | 484,427 | 638,173 | 135,146 |
| Marshall Lees** | 2,959 | 138,008 | 2,065,244 | 1,864,697 | (200,547) |
| David Sleath | 9,974 | 18,757 | 76,268 | 164,747 | 68,229 |

* Transfer values have been calculated in accordance with Actuarial Guidance note GN11. They do not represent sums payable to individual Directors.

** The figures shown in the table above for Marshall Lees have been calculated in a consistent manner with previous years' disclosures. However, Marshall Lees left the Company on 1 August 2007 following the sale of Slough Estates USA. The figures in the table above are therefore shown at 1 August 2007 rather than 31 December 2007. On leaving the Company, Marshall Lees' total benefit entitlement was as follows:

- An annuity with a cost of \$4,630,366 (of which \$1,791,026 is in respect of a tax gross-up)
- United of Omaha Life Insurance Company deferred annuity at normal retirement date of \$28,951 per annum;
- Slough Parks Incorporated Money Purchase Pension Plan fund value of \$242,246 Slough Parks Incorporated 401(k) Profit Sharing Plan fund value of \$104,052; and
- A deferred pension from the SEGRO Scheme of £7,866 p.a. (plus future revaluation) payable from normal retirement date.

The accrued pension entitlement is the amount of retained benefit that the Executive Directors would be entitled to if they left service at the year end. Retained benefits are payable from normal retirement age.

The Group had provided Marshall Lees, a resident of the USA, with a pension entitlement broadly equivalent to the benefit that he would receive had he continued to be a member of the SEGRO Scheme until his date of leaving, 1 August 2007. His entire pension liability, excluding his UK liability, was met following the completion of the sale of Slough Estates USA and he resigned from his position on the Board. There are no further liabilities in respect of Marshall Lees pension other than his retained pension in the SEGRO Scheme. Marshall Lees has a deferred pension under the SEGRO Scheme but is no longer accruing any additional benefits.

Walter Hens participates in the pension plan which is established for Belgian employees. This arrangement is a defined contribution arrangement which is based with an insurance company. As a participant in this plan the Company makes a contribution on behalf of Walter Hens of 9.725 per cent of salary and Walter Hens is required to contribute 4.8 per cent of salary. He has no pension benefits under the SEGRO Scheme.

In addition to participating in a defined contribution arrangement there is a deferred compensation arrangement, held in Belgium, in respect of Walter Hens which he will be the beneficiary of in 2013 or earlier if he should choose to take his Belgian State Pension sooner than 2013. The contributions to this arrangement were bonus payments which Walter Hens has been awarded in previous years' of service. No contributions to this arrangement have been made since 2004 and no further contributions will be made.

Set out below are details of the pension benefits for each of the Executive Directors for the disclosure required under Rule 9.8.8 (12) of the Listing Rules which are not shown above. The values given below exclude the effect of inflation from their calculation.

| Director | Additional accrued pension in the year excluding inflation £p.a. | Transfer value of increase in accrued pension less Directors' contributions £ |
|---------------|--|---|
| Ian Coull | 28,970 | 385,578 |
| John Heawood | 9,946 | 102,245 |
| Marshall Lees | (1,903) | (25,760) |
| David Sleath | 9,657 | 62,143 |

Ian Coull's Unfunded Unapproved Retirement Benefits Scheme (UURBS) Arrangement

Ian Coull will be entitled at age 62 to a total pension of two-thirds of his final pensionable salary less any retained benefits from prior employment. Final pensionable salary and retained benefits will be as defined in the rules (as modified by the UURBS) of the SEGRO Scheme, of which he is a member.

His entitlement to a pension from the Company will consist of a pension from the SEGRO Scheme and a company pension for which provision is being made in the accounts. The scheme pension will be the maximum that could be paid from the SEGRO Scheme without prejudicing the former HMRC approval limits (subject to a maximum of his total pension entitlement). The Company pension will be the balance of the total pension over and above the SEGRO Scheme pension.

The Company will provide the company pension by means of the UURBS. It may be provided either as a regular monthly income in retirement, or a cash lump sum in lieu of the pension which would otherwise have been payable.

Pension Entitlement in the Event of Severance

On leaving service before retirement age, the Executive Directors (with the exception of Marshall Lees and Walter Hens – see above) are entitled to either a deferred pension calculated at the date of leaving and which is payable from Normal Retirement Age or a transfer value payable to another pension scheme in respect of those benefits.

Former Directors

Ex-gratia payments to former Directors and their dependants were £65,148 (2006: £84,740).

Lord MacGregor, a former Director, was appointed as a Company nominated Trustee of the SEGRO Scheme on 1 June 2006. He received fees from the Company of £30,000 (2006: £15,703). Richard Kingston, a former Director, was appointed as a Company nominated Trustee of the SEGRO Scheme on 1 January 2007. He received fees from the Company of £15,000.

Approval

At the AGM of the Company to be held on 20 May 2008 an ordinary resolution approving this report will be proposed. This report was approved by the Board of Directors on 5 March 2008 and signed on its behalf by order of the Board.

S L Howard

Chairman of the Committee
5 March 2008

Note: Lovells LLP, Watson Wyatt LLP and Hewitt Bacon & Woodrow Ltd have given and not withdrawn their written consent to issue this document with the inclusion of references to their names in the form and context in which they appear.

63.

Statement of Directors' Responsibilities

For the preparation of financial statements

64. The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the consolidated and parent financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with applicable law. The Group and parent company financial statements are required by law to present fairly the financial position and performance of the Company and the Group and of the profit or loss of the Group for that year. In preparing the financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- State that the financial statements comply with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at the time, the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for maintaining the integrity of the corporate and financial information, including the Annual Report, included on the Company's website.

Note: Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

J R Probert
Secretary
5 March 2008

| | | 2007 | | | 2006 | | |
|--|-------|--|--------------------------------|------------------------------|--|--------------------------------|------------------------------|
| | | Adjusted income & expense ¹ £m | Adjustments ² £m | Total income & expense £m | Adjusted income & expense ¹ £m | Adjustments ² £m | Total income & expense £m |
| Continuing operations | Notes | | | | | | |
| Revenue | 3 | 342.8 | – | 342.8 | 264.4 | – | 264.4 |
| Gross property rental income | 3 | 258.8 | – | 258.8 | 228.6 | – | 228.6 |
| Property operating expenses | | (54.9) | 0.9 | (54.0) | (39.8) | – | (39.8) |
| Net property rental income | | 203.9 | 0.9 | 204.8 | 188.8 | – | 188.8 |
| Profit on sale of trading properties less provisions | 2 | 22.0 | – | 22.0 | 5.9 | – | 5.9 |
| Share of profits from property joint ventures and associates after tax | 7 | 4.0 | 1.6 | 5.6 | 5.5 | 4.2 | 9.7 |
| Other investment income | 4 | 18.4 | – | 18.4 | 8.5 | – | 8.5 |
| Administration expenses | 5 | (34.5) | – | (34.5) | (25.5) | – | (25.5) |
| Property (losses)/gains | 6 | – | (382.2) | (382.2) | – | 397.5 | 397.5 |
| Operating profit/(loss) | | 213.8 | (379.7) | (165.9) | 183.2 | 401.7 | 584.9 |
| Finance income | 8 | 17.6 | 3.5 | 21.1 | 28.4 | 4.7 | 33.1 |
| Finance costs | 9 | (100.1) | (1.6) | (101.7) | (112.0) | (0.5) | (112.5) |
| Profit/(loss) before tax | | 131.3 | (377.8) | (246.5) | 99.6 | 405.9 | 505.5 |
| Tax (charge)/credit – current | | (2.4) | (13.9) | (16.3) | (12.1) | (71.1) | (83.2) |
| – deferred | | 0.5 | 17.9 | 18.4 | (1.8) | 391.1 | 389.3 |
| Total tax | 10 | (1.9) | 4.0 | 2.1 | (13.9) | 320.0 | 306.1 |
| Profit/(loss) from continuing operations | | 129.4 | (373.8) | (244.4) | 85.7 | 725.9 | 811.6 |
| | | | | | | | |
| Discontinued operations | | | | | | | |
| Profit after tax from discontinued operations | 46 | 18.7 | 151.9 | 170.6 | 29.2 | 78.3 | 107.5 |
| Profit/(loss) for the year | | 148.1 | (221.9) | (73.8) | 114.9 | 804.2 | 919.1 |
| Attributable to equity shareholders | | 147.6 | (222.5) | (74.9) | 113.9 | 802.6 | 916.5 |
| Attributable to minority interests | | 0.5 | 0.6 | 1.1 | 1.0 | 1.6 | 2.6 |
| | | 148.1 | (221.9) | (73.8) | 114.9 | 804.2 | 919.1 |
| | | | | | | | |
| Earnings per share | | | | | | | |
| From continuing and discontinued operations | | | | | | | |
| Basic (loss)/earnings per share | 12 | | | (16.4p) | | | 201.8p |
| Diluted (loss)/earnings per share | 12 | | | (16.4p) | | | 196.0p |
| From continuing operations | | | | | | | |
| Basic (loss)/earnings per share | 12 | | | (53.6p) | | | 178.6p |
| Diluted (loss)/earnings per share | 12 | | | (53.6p) | | | 173.6p |

Notes

1. 'Adjusted income & expense' relates to the Group's income and expense after EPRA adjustments and excluding exceptional items.
2. EPRA adjustments arise from adopting the recommendations of the Best Practices Committee of the European Public Real Estate Association (EPRA) as appropriate. Exceptional items are disclosed separately due to their size or incidence to enable a better understanding of performance. Both these types of adjustments are described in Note 13.

Statements of recognised income and expense (SORIE)

For the year ended 31 December 2007

66.

| | | Group | | Company | |
|--|-------|---------------|--------------|--------------|--------------|
| | | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Continuing and discontinued operations | Notes | | | | |
| Revaluation gains on properties in the course of development | 6 | 3.3 | 22.3 | – | – |
| Exchange movement arising on translation of international operations | | 14.3 | (34.3) | – | – |
| Actuarial gains on defined benefit pension schemes | 27 | 6.8 | 10.2 | 6.6 | 11.8 |
| Increase in value of available-for-sale investments | 19 | 8.1 | 7.5 | – | – |
| Tax on items taken directly to equity | | 0.1 | (10.9) | – | (8.1) |
| Net gain/(loss) recognised directly in equity | | 32.6 | (5.2) | 6.6 | 3.7 |
| Transfer to income statement on sale of available-for-sale investments | | (4.3) | (6.2) | – | – |
| Transfer to income statement exchange realised on sale of US property business | | 3.5 | – | – | – |
| (Loss)/profit for the year from continuing operations | | (244.4) | 811.6 | 686.0 | 425.9 |
| Profit for the year from discontinued operations | | 170.6 | 107.5 | – | – |
| Total recognised income and expense for the year | | (42.0) | 907.7 | 692.6 | 429.6 |
| Attributable to – equity shareholders | | (43.1) | 905.8 | 692.6 | 429.6 |
| – minority interests | | 1.1 | 1.9 | – | – |
| | | (42.0) | 907.7 | 692.6 | 429.6 |

| | | Group | | Company | |
|--|-------|----------------|----------------|----------------|----------------|
| | Notes | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Assets | | | | | |
| Non-current assets | | | | | |
| Goodwill | 14 | 0.8 | 0.7 | – | – |
| Investment properties | 15 | 4,485.5 | 5,156.7 | – | – |
| Development and owner occupied properties | 15 | 289.5 | 469.7 | – | – |
| Plant and equipment | 16 | 5.8 | 48.1 | – | – |
| Investments in subsidiaries | 18 | – | – | 3,800.8 | 3,491.0 |
| Investments in joint ventures and associates | 18 | 73.4 | 84.5 | 5.5 | 5.5 |
| Finance lease receivables | 17 | 10.4 | 10.6 | – | – |
| Available-for-sale investments | 19 | 39.5 | 44.1 | – | – |
| Deferred tax asset | 26 | – | – | 4.3 | 5.3 |
| | | 4,904.9 | 5,814.4 | 3,810.6 | 3,501.8 |
| Current assets | | | | | |
| Trading properties | 15 | 236.0 | 232.3 | – | – |
| Trade and other receivables | 20 | 134.5 | 119.0 | 18.8 | 6.2 |
| Cash and cash equivalents | 21 | 348.3 | 161.4 | 72.8 | 20.9 |
| Tax recoverable | | 0.7 | 5.1 | – | 4.0 |
| Non-current assets held for sale | 15 | – | 56.6 | – | – |
| Finance lease receivables | 17 | 0.1 | 0.2 | – | – |
| Inventories | 22 | – | 1.0 | – | – |
| | | 719.6 | 575.6 | 91.6 | 31.1 |
| Total assets | | 5,624.5 | 6,390.0 | 3,902.2 | 3,532.9 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Borrowings | 24 | 1,997.3 | 2,307.2 | 1,365.9 | 1,468.0 |
| Deferred tax provision | 26 | 65.4 | 298.5 | – | – |
| Provisions for liabilities and charges | 23 | 4.4 | 17.7 | 3.7 | 14.4 |
| Trade and other payables | 28 | 18.7 | 31.7 | 235.2 | 345.0 |
| | | 2,085.8 | 2,655.1 | 1,604.8 | 1,827.4 |
| Current liabilities | | | | | |
| Borrowings | 24 | 52.1 | 77.6 | 17.8 | 3.8 |
| Tax liabilities | | 283.3 | 82.5 | 225.6 | – |
| Trade and other payables | 28 | 213.6 | 192.4 | 35.9 | 31.8 |
| | | 549.0 | 352.5 | 279.3 | 35.6 |
| Total liabilities | | 2,634.8 | 3,007.6 | 1,884.1 | 1,863.0 |
| Net assets | | 2,989.7 | 3,382.4 | 2,018.1 | 1,669.9 |
| Equity | | | | | |
| Share capital | 29 | 118.1 | 118.0 | 118.1 | 118.0 |
| Share premium | 31 | 368.9 | 367.3 | 368.9 | 367.3 |
| Own shares held | 32 | (16.8) | (10.6) | (16.8) | (10.6) |
| Revaluation reserve | 33 | 1,535.7 | 2,129.3 | – | – |
| Other reserves | 34 | 66.0 | 70.4 | 50.6 | 48.9 |
| Retained earnings | 38 | 917.1 | 698.3 | 1,497.3 | 1,146.3 |
| Total shareholders' equity | 30 | 2,989.0 | 3,372.7 | 2,018.1 | 1,669.9 |
| Minority interests | | 0.7 | 9.7 | – | – |
| Total equity | | 2,989.7 | 3,382.4 | 2,018.1 | 1,669.9 |
| Net assets per ordinary share | | | | | |
| Basic | 12 | 690p | 718p | | |
| Diluted | 12 | 689p | 716p | | |

The financial statements on pages 65 to 126 were approved by the Board of Directors and authorised for issue on 5 March 2008 and signed on its behalf by:

ID Coull
DJR Sleath
Directors

Cash flow statements

For the year ended 31 December 2007

68.

| | Notes | Group | | Company | |
|--|-------|----------------|------------|----------------|------------|
| | | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Cash flows from operating activities | 44(i) | 181.9 | 137.6 | (17.4) | (19.3) |
| Interest received on deposits and loans | | 22.9 | 13.1 | 132.0 | 111.4 |
| Dividends received | | 3.8 | 36.5 | 635.2 | 487.9 |
| Interest paid | | (147.5) | (130.7) | (87.8) | (97.3) |
| Dividends paid to preference shareholders | | – | (5.2) | – | (5.2) |
| Minority dividends paid | | (1.3) | (0.8) | – | – |
| Tax (paid)/recovered | | (40.4) | (11.6) | 5.3 | 0.1 |
| Net cash received from operating activities | | 19.4 | 38.9 | 667.3 | 477.6 |
| Cash flows from investing activities | | | | | |
| Purchase of subsidiary undertakings (net of cash acquired) | | (95.8) | – | – | – |
| Sale of US property business (net of cash disposed of) | | 1,451.9 | – | – | – |
| Tax paid on sale of US property business | | (87.2) | – | – | – |
| Sale of Slough Heat & Power | | 47.8 | – | – | – |
| Purchase and development of investment properties | | (390.7) | (262.6) | – | – |
| Sale of investment properties | | 193.4 | 158.3 | – | – |
| Purchase and development of property, plant and equipment | | (249.7) | (189.3) | – | – |
| Sale of property, plant and equipment | | 13.9 | 5.8 | – | – |
| Purchase of available-for-sale investments | | (4.7) | (4.7) | – | – |
| Proceeds from disposal of available-for-sale investments | | 27.6 | 15.7 | – | – |
| Additional net investment in subsidiary undertakings | | – | – | (123.6) | (491.0) |
| Loan (advances to)/repayments by subsidiary undertakings | | – | – | (33.7) | 265.9 |
| Investments and loans to joint ventures and associates | | (21.0) | (21.3) | – | – |
| Loan repayments by/(advances to) joint ventures | | 5.2 | 9.2 | (9.4) | 13.1 |
| Acquisition of minority interests | | (20.7) | – | – | – |
| Transfer to restricted deposits | | (0.2) | (3.9) | – | – |
| Net cash received from/(used in) investing activities | | 869.8 | (292.8) | (166.7) | (212.0) |
| Cash flows from financing activities | | | | | |
| Dividends paid to ordinary shareholders | | (335.9) | (84.0) | (335.9) | (84.0) |
| Proceeds from new loans | | 62.4 | 66.9 | 43.8 | 7.6 |
| Repayment of loans | | (244.7) | (10.1) | (151.8) | (168.3) |
| Net (decrease)/increase in other borrowings | | (179.6) | 264.6 | – | – |
| Proceeds from the issue of ordinary shares | | 1.7 | 5.9 | 1.7 | 5.9 |
| Purchase of own shares | | (7.4) | (4.5) | (7.4) | (4.5) |
| Net cash (used in)/received from financing activities | | (703.5) | 238.8 | (449.6) | (243.3) |
| Net increase/(decrease) in cash and cash equivalents | | 185.7 | (15.1) | 51.0 | 22.3 |
| Cash and cash equivalents at the beginning of the year | | 154.9 | 166.9 | 20.8 | (1.5) |
| Restricted deposits at the beginning of the year | | (3.9) | – | – | – |
| Effect of foreign exchange rate changes | | 3.5 | (0.8) | 0.7 | – |
| Cash and cash equivalents at the end of the year | 21 | 340.2 | 151.0 | 72.5 | 20.8 |

1. Significant accounting policies

69.

Basis of preparation and consolidation

Basis of preparation

SEGRO plc ("the Company") is a public limited company incorporated in England and Wales. The Company and its subsidiaries are collectively referred to as "the Group". These financial statements are presented in sterling since that is the currency in which the majority of the Group's transactions are denominated.

The consolidated and parent financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC Interpretations, and the Companies Act 1985 applicable to companies reporting under IFRS. In addition, the Group has also followed best practice recommendations issued by the European Public Real Estate Association (EPRA) as appropriate.

The Directors have taken advantage of the exemption offered by Section 230 of the Companies Act 1985 not to present a separate income statement for the parent company. The financial statements have been prepared under the historical cost convention as modified by the revaluation of properties, available-for-sale investments and financial assets and liabilities held for trading.

The preparation of financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Management believes that the judgements, estimates and associated assumptions used in the preparation of the financial statements are reasonable, however actual results may differ from these estimates. Critical judgements, where made, are disclosed within the relevant section of the financial statements to which such judgements have been applied. The key estimates and assumptions relate to the property valuations applied by the Group's property valuers, the actuarial assumptions used in calculating the Group's retirement benefit obligations, valuation of share options granted under share based payment schemes, and in the determination of the valuation of available-for-sale investments, and are described in more detail in the accounting policy notes below.

Basis of consolidation

The consolidated financial statements, prepared up to 31 December 2007, comprise the financial statements of the Company and the Group, plus the Group's share of the results and net assets of the joint ventures and associates. The Company holds investments in subsidiaries, joint ventures and associates at cost.

A joint venture is a contract under which the Group and other parties undertake an activity or invest in an entity, under joint control. The Group uses equity accounting for such entities, carrying its investment at cost plus the movement in the Group's share of net assets after acquisition, less impairment.

Presentation of Group income statement

The Group income statement has been presented by analysing the results into three columns; Adjusted Income and Expense, Adjustments and Total Income and Expense. In addition, the results of the property joint ventures and associates have been included immediately after net property rental income and profit on sale of trading properties. This differs from the normal position set out in IAS 1 – Presentation of Financial Statements, so as to reflect the property income of the Group together within the Group income statement.

The adjustments column represents items that have been recommended by the Best Practices Committee of EPRA as requiring adjustment in arriving at the EPRA adjusted measure of earnings per share, together with items classified as exceptional items, separately disclosed for their size or incidence to enable a better understanding of performance. Details of amounts included within the adjustments column are set out in Note 13.

The presentation, as set out above, has been adopted so as to explain more clearly the different aspects of the Group's financial performance.

Foreign currency and exchange

Foreign currency transactions

Foreign currency transactions are translated into sterling at the exchange rates ruling on the transaction date. Foreign exchange gains and losses resulting from settling these, or from retranslating monetary assets and liabilities held in foreign currencies, are booked in the Group income statement. The exception is for foreign currency loans that hedge investments in foreign subsidiaries, where exchange differences are booked in equity until the investment is realised.

Notes to the financial statements

70.

1. Significant accounting policies (continued)

Consolidation of foreign entities

Assets and liabilities of foreign entities are translated into sterling at exchange rates ruling at the balance sheet date. Their income, expenses and cash flows are translated at the average rate for the period or at spot rate for significant items. Resultant exchange differences are booked in the revenue reserve, and recognised in the income statement when the operation is sold.

Property portfolio

Investment property

These properties comprise freehold and leasehold properties and are first measured at cost (including transaction costs), then revalued to market value at each reporting date by professional valuers. Leasehold properties are shown gross of the leasehold payables (which are accounted for as finance lease obligations). Valuation gains and losses in a period are taken to the income statement, and then reclassified to revaluation reserves (until realisation on the sale of the property). As the Group uses the fair value model as per IAS 40, no depreciation is provided.

Existing investment properties being redeveloped to earn future rental income continue to be treated as investment properties.

Development properties and owner occupied properties

These comprise properties acquired to be developed for future use as investment properties, as well as completed properties occupied by Group entities, and are initially measured at cost including capitalised interest where applicable. Owner occupied properties are depreciated over their estimated useful lives (usually 30 years). Development properties are fair-valued on the same basis as investment properties with revaluation movements being booked in the revaluation reserve through the statement of recognised income and expense, with deficits below cost taken to the income statement. Subsequent revaluation gains are taken to the income statement, but only to the extent of cumulative net deficits previously charged to the income statement.

Trading properties

These are properties developed and held for sale, and are shown at the lower of cost and net realisable value. Cost includes direct expenditure and capitalised interest.

Property purchases and sales

Property purchases and sales are recognised on the date of unconditional exchange, or, where exchange is conditional, on the date that the conditions have been satisfied.

Leases

Leases where substantially all of the risks and rewards of ownership are transferred to the lessee, are classified as finance leases. All others are deemed operating leases. Under finance leases, the asset leased out is not shown in the Group's balance sheet, but the present value of the minimum lease payments is booked as a receivable. Lease income is recognised over the lease term using the net investment method before tax, which reflects a constant effective interest rate on the outstanding balance. Under operating leases, properties leased to tenants are accounted for as investment properties. In cases where only the buildings part of a property lease qualifies as a finance lease, the land is shown as an investment property.

Revenue

Revenue includes rent, income from service charges and proceeds from the sale of trading properties. The sales of electricity, water and steam (arising from Slough Heat & Power and recognised when these services have been delivered to the customer) have been classified as discontinued operations.

Rental income

This includes net income from managed operations. Rentals from properties let as operating leases are recognised on a straight-line basis over the lease term. Lease incentives and initial costs to arrange leases are capitalised, then amortised on a straight-line basis over the lease term. For properties let as finance leases, 'minimum lease receipts' are apportioned between finance income and principal repayment, but receipts that were not fixed at lease inception (e.g. rent review rises), are booked as income when earned. Surrender premiums received in the period are included in rental income.

Service charges and other recoveries from tenants

These include income in relation to service charges, directly recoverable expenditure and management fees. Revenue from services is recognised by reference to the state of completion of the relevant services provided at the reporting date.

Proceeds from sale of trading properties

A trading property is regarded as sold when the significant risks and rewards of ownership have been transferred to the buyer on the date of unconditional exchange, or, for conditional exchanges, when all the conditions have been satisfied.

1. Significant accounting policies (continued)

71.

Borrowing, borrowing costs and derivatives

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest rate method.

Borrowing costs

Gross borrowing costs relating to direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowing. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Derivative financial instruments

The Group uses derivatives (especially interest rate swaps) in managing interest rate risk, and does not use them for trading. They are recorded, and subsequently revalued, at fair value, with revaluation gains or losses being immediately taken to the income statement. The exception is for derivatives qualifying as hedges, when the treatment of the gain/loss depends upon the item being hedged. None of the Group's interest rate derivatives qualify as a hedge. However, there are USD and Euro forward currency sales that have been designated as effective net investment hedges.

Other assets, liabilities and exceptional items

Available-for-sale (AFS) investments

These are non-derivative financial assets, that are not held for trading, but are designated as available for sale. They primarily include investments in Charterhouse USA, Candover and certain warrants in US corporate tenants.

Investments are initially measured at cost, and then revalued to market value based on quarterly reports received from the fund manager, or other market evidence where publicly traded. Gains and losses arising from valuation are taken to equity, and then recycled through the income statement on realisation. If there is objective evidence that the asset is impaired, any cumulative loss recognised in equity is removed from equity and recognised in the income statement.

Trade and other receivables and payables

Trade and other receivables are booked at fair value. An impairment provision is created where there is objective evidence that the Group will not be able to collect in full. Trade and other payables are stated at cost, since cost is a reasonable approximation of fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Employee benefits

Pensions – Defined benefit schemes

The schemes' assets are measured at fair value, their obligations are calculated at discounted present value, and any net surplus or deficit is recognised in the balance sheet. Operating and financing costs are charged to the income statement, with service costs spread systematically over employees' working lives, and financing costs expensed in the period in which they arise. Actuarial gains and losses are recognised through equity in the statement of recognised income and expense. Where the actuarial valuation of the scheme demonstrates that the scheme is in surplus, the recognisable asset is limited to that for which the Group can benefit in the future. Professional actuaries are used in relation to defined benefit schemes and the assumptions made are outlined in Note 27.

Share-based payments

The cost of granting share options and other share-based remuneration is recognised in the income statement at their fair value at grant date. They are expensed straight-line over the vesting period, based on estimates of the shares or options that will eventually vest. Charges are reversed if it appears that performance will not be met. Options are valued using the Black-Scholes model, with any assumptions used in the valuation outlined in Note 42. Own shares held in connection with employee share plans or other share based payment arrangements are treated as treasury shares and deducted from equity, and no profit or loss is recognised on their sale, issue or cancellation.

Notes to the financial statements

72. 1. Significant accounting policies (continued)

Tax

Current tax

The current tax charge is based on results for the year, adjusted for items that are non-assessable or disallowable. It is calculated using rates that are enacted (or substantially enacted) by the balance sheet date.

Deferred tax

This is the tax expected to be paid or recovered on differences between the reported value of assets and liabilities and their tax base. The Group uses the balance sheet liability method, under which tax liabilities are usually recognised for all taxable temporary differences, but tax assets are recognised only to the extent that taxable profits are expected to be available against which to utilise temporary differences.

The carrying amount of tax assets is reviewed each reporting date and reduced if full recoverability is not expected. Tax is calculated at rates expected to apply in the period the liability settles or the asset is realised, and is booked to the income statement. Where it relates to items accounted for in equity, however, the tax is also dealt with in equity. Tax assets and liabilities are offset when they are levied by the same tax authority and the Group is entitled to settle net.

From 1 January 2007, no deferred tax is recognised on UK or French investment properties covered by the REIT/SIIC regimes. All deferred tax liabilities relating to the properties in the REIT were released to the income statement on 31 December 2006, while deferred tax liabilities relating to properties in the SIIC were released in 2007.

Standards, amendments and interpretations that became effective in 2007 and were adopted by the Group

- IFRS 7, Financial Instruments: Disclosure

Standards, amendments and interpretations that became effective in 2007 but have no effect on the Group's operations

- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies;
- IFRIC 8, Scope of IFRS 2;
- IFRIC 9, Reassessment of embedded derivatives; and
- IFRIC 10, Interim financial reporting and impairment.

Published standards and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

It is not expected that these will have any significant future impact on the Group's accounts.

- IFRS 8, Operating Segments;
- IFRS 3 (Amendment), Business Combinations;
- IAS 1 (Amendment), Presentation of financial statements;
- IAS 23 (Amendment), Borrowing costs;
- IAS 27 (Amendment), Consolidated and separate financial statements;
- IFRIC 11, Group and Treasury share transactions; and
- IFRIC 14, The limit on a defined benefit asset, minimum funding requirements and their interaction.

Published interpretations to existing standards that are not yet effective and not relevant to the Group's operations

- IFRIC 12, Service Concession Arrangements; and
- IFRIC 13, Customer loyalty programmes.

2 (a). Analysis of profit from continuing and discontinued operations

73.

| | 2007 | | | 2006 | | |
|--|---------------------------------------|-------------------|------------------------------------|---------------------------------------|-------------------|------------------------------------|
| | Adjusted income & expense £m | Adjustments £m | Total income & expense £m | Adjusted income & expense £m | Adjustments £m | Total income & expense £m |
| Continuing operations | | | | | | |
| Net property rental income | 203.9 | 0.9 | 204.8 | 188.8 | – | 188.8 |
| Profit on sale of trading properties | 22.0 | – | 22.0 | 5.9 | – | 5.9 |
| Share of profits from property joint ventures and associates after tax | 4.0 | 1.6 | 5.6 | 5.5 | 4.2 | 9.7 |
| Other investment income | 18.4 | – | 18.4 | 8.5 | – | 8.5 |
| Administration expenses | (34.5) | – | (34.5) | (25.5) | – | (25.5) |
| Property (losses)/gains | – | (382.2) | (382.2) | – | 397.5 | 397.5 |
| Operating profit/(loss) | 213.8 | (379.7) | (165.9) | 183.2 | 401.7 | 584.9 |
| Net finance costs | (82.5) | 1.9 | (80.6) | (83.6) | 4.2 | (79.4) |
| Profit/(loss) before tax from continuing operations | 131.3 | (377.8) | (246.5) | 99.6 | 405.9 | 505.5 |
| Discontinued operations | | | | | | |
| Net property rental income | 42.4 | – | 42.4 | 58.4 | – | 58.4 |
| Profit on sale of trading properties | – | – | – | 0.2 | – | 0.2 |
| Share of profits from property joint ventures and associates after tax | 0.7 | 1.1 | 1.8 | 1.5 | 2.1 | 3.6 |
| Net income from utilities | 2.4 | – | 2.4 | 2.1 | – | 2.1 |
| Administration expenses | (5.2) | – | (5.2) | (3.4) | – | (3.4) |
| Property gains | – | 36.1 | 36.1 | – | 139.5 | 139.5 |
| Profit from sale of Slough Heat & Power | – | 7.7 | 7.7 | – | – | – |
| Profit from sale of the US property business | – | 437.3 | 437.3 | – | – | – |
| Operating profit | 40.3 | 482.2 | 522.5 | 58.8 | 141.6 | 200.4 |
| Net finance costs | (17.9) | (15.2) | (33.1) | (15.7) | (0.1) | (15.8) |
| Profit before tax from discontinued operations | 22.4 | 467.0 | 489.4 | 43.1 | 141.5 | 184.6 |
| Continuing and discontinued operations | | | | | | |
| Net property rental income | 246.3 | 0.9 | 247.2 | 247.2 | – | 247.2 |
| Profit on sale of trading properties | 22.0 | – | 22.0 | 6.1 | – | 6.1 |
| Share of profits from property joint ventures and associates after tax | 4.7 | 2.7 | 7.4 | 7.0 | 6.3 | 13.3 |
| Net income from utilities | 2.4 | – | 2.4 | 2.1 | – | 2.1 |
| Other investment income | 18.4 | – | 18.4 | 8.5 | – | 8.5 |
| Administration expenses | (39.7) | – | (39.7) | (28.9) | – | (28.9) |
| Property (losses)/gains | – | (346.1) | (346.1) | – | 537.0 | 537.0 |
| Profit from sale of Slough Heat & Power | – | 7.7 | 7.7 | – | – | – |
| Profit from sale of the US property business | – | 437.3 | 437.3 | – | – | – |
| Operating profit | 254.1 | 102.5 | 356.6 | 242.0 | 543.3 | 785.3 |
| Net finance costs | (100.4) | (13.3) | (113.7) | (99.3) | 4.1 | (95.2) |
| Profit before tax from continuing and discontinued operations | 153.7 | 89.2 | 242.9 | 142.7 | 547.4 | 690.1 |
| Tax – continuing and discontinued operations | (5.6) | (311.1) | (316.7) | (27.8) | 256.8 | 229.0 |
| Profit/(loss) after tax | 148.1 | (221.9) | (73.8) | 114.9 | 804.2 | 919.1 |

Notes to the financial statements

74.

2 (b). Segmental analysis

| Geographical segments | United Kingdom* | | Continental Europe | | Group | |
|---|-----------------|------------|--------------------|------------|----------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Adjusted profit – continuing operations | | | | | | |
| Segment revenue | 254.9 | 194.4 | 87.9 | 70.0 | 342.8 | 264.4 |
| Gross property rental income | 206.6 | 193.2 | 52.2 | 35.4 | 258.8 | 228.6 |
| Property operating expenses | (46.5) | (32.6) | (8.4) | (7.2) | (54.9) | (39.8) |
| Net property rental income | 160.1 | 160.6 | 43.8 | 28.2 | 203.9 | 188.8 |
| Proceeds on sale of trading properties | 48.3 | 1.2 | 35.7 | 34.6 | 84.0 | 35.8 |
| Carrying value of trading properties sold | (33.4) | (1.2) | (28.6) | (28.7) | (62.0) | (29.9) |
| Profit on sale of trading properties | 14.9 | – | 7.1 | 5.9 | 22.0 | 5.9 |
| Share of profits from property joint ventures and associates after tax | 5.5 | 5.0 | (1.5) | 0.5 | 4.0 | 5.5 |
| Other investment income | 18.4 | 8.5 | – | – | 18.4 | 8.5 |
| Administration expenses | (23.1) | (20.9) | (11.4) | (4.6) | (34.5) | (25.5) |
| Operating profit | 175.8 | 153.2 | 38.0 | 30.0 | 213.8 | 183.2 |
| Finance income | 16.4 | 25.6 | 1.2 | 2.8 | 17.6 | 28.4 |
| Finance costs | (70.8) | (99.0) | (29.3) | (13.0) | (100.1) | (112.0) |
| Profit before tax | 121.4 | 79.8 | 9.9 | 19.8 | 131.3 | 99.6 |
| Taxation – current | 0.5 | (9.5) | (2.9) | (2.6) | (2.4) | (12.1) |
| – deferred | (0.7) | (0.7) | 1.2 | (1.1) | 0.5 | (1.8) |
| Adjusted profit after tax from continuing operations | 121.2 | 69.6 | 8.2 | 16.1 | 129.4 | 85.7 |
| EPRA adjustments | | | | | | |
| Net property rental income | – | – | 0.9 | – | 0.9 | – |
| Share of profits from property joint ventures and associates after tax | 1.6 | 4.1 | – | 0.1 | 1.6 | 4.2 |
| Property (losses)/gains | (439.1) | 374.9 | 56.9 | 22.6 | (382.2) | 397.5 |
| Finance income | 2.0 | 1.4 | 1.5 | 3.3 | 3.5 | 4.7 |
| Finance costs | (1.3) | (0.5) | (0.3) | – | (1.6) | (0.5) |
| Taxation – deferred | (0.1) | 415.3 | 18.0 | (10.0) | 17.9 | 405.3 |
| Total EPRA adjustments | (436.9) | 795.2 | 77.0 | 16.0 | (359.9) | 811.2 |
| Exceptional adjustments | | | | | | |
| Taxation – current | – | (71.1) | (13.9) | – | (13.9) | (71.1) |
| – deferred | – | (14.2) | – | – | – | (14.2) |
| Total exceptional adjustments | – | (85.3) | (13.9) | – | (13.9) | (85.3) |
| Total adjustments | (436.9) | 709.9 | 63.1 | 16.0 | (373.8) | 725.9 |
| (Loss)/profit after tax from continuing operations | (315.7) | 779.5 | 71.3 | 32.1 | (244.4) | 811.6 |
| Profit after tax from discontinued operations** | | | | | 170.6 | 107.5 |
| (Loss)/profit after tax | | | | | (73.8) | 919.1 |

2 (b). Segmental analysis (continued)

75.

| Geographical segments | United Kingdom* | | Continental Europe | | Group | |
|--|------------------|------------|--------------------|------------|------------------|------------|
| Summary balance sheet | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Continuing operations | | | | | | |
| Total property assets | 3,792.4 | 4,208.3 | 1,390.2 | 711.3 | 5,182.6 | 4,919.6 |
| Other assets (excluding cash) | 138.0 | 145.0 | 76.3 | 35.2 | 214.3 | 180.2 |
| Segment assets*** | 3,930.4 | 4,353.3 | 1,466.5 | 746.5 | 5,396.9 | 5,099.8 |
| Deferred tax liability | (9.0) | (16.7) | (68.5) | (70.8) | (77.5) | (87.5) |
| Other liabilities (excluding borrowings) | (513.4) | (327.0) | (115.2) | (44.5) | (628.6) | (371.5) |
| Segment liabilities*** | (522.4) | (343.7) | (183.7) | (115.3) | (706.1) | (459.0) |
| Net segment assets | 3,408.0 | 4,009.6 | 1,282.8 | 631.2 | 4,690.8 | 4,640.8 |
| Net external borrowings | (1,089.3) | (1,346.6) | (611.8) | (366.0) | (1,701.1) | (1,712.6) |
| Net inter-segment borrowings | 287.6 | 126.7 | (287.6) | (57.6) | – | 69.1 |
| Net assets continuing | 2,606.3 | 2,789.7 | 383.4 | 207.6 | 2,989.7 | 2,997.3 |
| Net assets of discontinued operations** | | | | | – | 385.1 |
| Net assets | | | | | 2,989.7 | 3,382.4 |
| Depreciation by segment | | | | | | |
| Continuing operations | 1.8 | 1.4 | 0.2 | 0.5 | 2.0 | 1.9 |
| Discontinued operations** | | | | | 3.0 | 2.8 |
| | | | | | 5.0 | 4.7 |
| Capital expenditure in the year | | | | | | |
| Continuing operations | 236.4 | 295.5 | 532.6 | 202.7 | 769.0 | 498.2 |
| Discontinued operations** | | | | | 89.8 | 132.7 |
| | | | | | 858.8 | 630.9 |

* The figures for United Kingdom include income from US available-for-sale investments which were not part of the disposal group. In prior periods, this income was classified in the USA segment.

** Discontinued operations comprise the US property business and Slough Heat & Power, which appeared under the segments USA and UK respectively in prior years.

*** Includes the Group's share of assets and liabilities held by joint ventures.

Notes to the financial statements

76. 2 (c). Segmental analysis (continued)

| Business segments | Property investment | | Trading property | | Other activities | | Group | |
|--|---------------------|------------|------------------|------------|------------------|------------|------------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Adjusted profit – continuing operations | | | | | | | | |
| Segment revenue | 248.9 | 220.2 | 93.9 | 44.2 | – | – | 342.8 | 264.4 |
| Gross property rental income | 248.9 | 220.2 | 9.9 | 8.4 | – | – | 258.8 | 228.6 |
| Property operating expenses | (53.2) | (36.6) | (1.7) | (3.2) | – | – | (54.9) | (39.8) |
| Net property rental income | 195.7 | 183.6 | 8.2 | 5.2 | – | – | 203.9 | 188.8 |
| Proceeds on sale of trading properties | – | – | 84.0 | 35.8 | – | – | 84.0 | 35.8 |
| Carrying value of trading properties sold | – | – | (62.0) | (29.9) | – | – | (62.0) | (29.9) |
| Share of profits from property joint ventures and associates after tax | 2.4 | 1.7 | 1.6 | 3.8 | – | – | 4.0 | 5.5 |
| Other investment income | – | – | – | – | 18.4 | 8.5 | 18.4 | 8.5 |
| Administration expenses | – | – | – | – | (34.5) | (25.5) | (34.5) | (25.5) |
| Operating profit/(loss) | 198.1 | 185.3 | 31.8 | 14.9 | (16.1) | (17.0) | 213.8 | 183.2 |
| Finance income | | | | | 17.6 | 28.4 | 17.6 | 28.4 |
| Finance costs | | | | | (100.1) | (112.0) | (100.1) | (112.0) |
| Profit/(loss) before tax | 198.1 | 185.3 | 31.8 | 14.9 | (98.6) | (100.6) | 131.3 | 99.6 |
| Taxation – current | | | | | (2.4) | (12.1) | (2.4) | (12.1) |
| – deferred | | | | | 0.5 | (1.8) | 0.5 | (1.8) |
| Adjusted profit/(loss) after tax from continuing operations | 198.1 | 185.3 | 31.8 | 14.9 | (100.5) | (114.5) | 129.4 | 85.7 |
| EPRA adjustments | | | | | | | | |
| Net property rental income | 0.9 | – | – | – | – | – | 0.9 | – |
| Share of profits from property joint ventures and associates after tax | 1.6 | 4.2 | – | – | – | – | 1.6 | 4.2 |
| Property (losses)/gains | (382.2) | 397.5 | – | – | – | – | (382.2) | 397.5 |
| Finance income | | | | | 3.5 | 4.7 | 3.5 | 4.7 |
| Finance costs | | | | | (1.6) | (0.5) | (1.6) | (0.5) |
| Taxation – deferred | | | | | 17.9 | 405.3 | 17.9 | 405.3 |
| Total EPRA adjustments | (379.7) | 401.7 | – | – | 19.8 | 409.5 | (359.9) | 811.2 |
| Exceptional adjustments | | | | | | | | |
| Taxation – current | | | | | (13.9) | (71.1) | (13.9) | (71.1) |
| – deferred | | | | | – | (14.2) | – | (14.2) |
| Total exceptional adjustments | – | – | – | – | (13.9) | (85.3) | (13.9) | (85.3) |
| Total adjustments | (379.7) | 401.7 | – | – | 5.9 | 324.2 | (373.8) | 725.9 |
| (Loss)/profit after tax from continuing operations | (181.6) | 587.0 | 31.8 | 14.9 | (94.6) | 209.7 | (244.4) | 811.6 |
| Profit after tax from discontinued operations | | | | | | | 170.6 | 107.5 |
| (Loss)/profit after tax | | | | | | | (73.8) | 919.1 |
| Segment net assets | | | | | | | | |
| Continuing operations | | | | | | | | |
| Segment assets* | 5,000.4 | 4,768.5 | 332.6 | 261.9 | 63.9 | 69.4 | 5,396.9 | 5,099.8 |
| Segment liabilities* | (348.0) | (365.6) | (68.1) | (23.3) | (290.0) | (70.1) | (706.1) | (459.0) |
| Net segment assets/(liabilities) | 4,652.4 | 4,402.9 | 264.5 | 238.6 | (226.1) | (0.7) | 4,690.8 | 4,640.8 |
| Net borrowings | | | | | (1,701.1) | (1,712.6) | (1,701.1) | (1,712.6) |
| Net inter-segment debt | | | | | – | 69.1 | – | 69.1 |
| Net assets/(liabilities) – continuing | 4,652.4 | 4,402.9 | 264.5 | 238.6 | (1,927.2) | (1,644.2) | 2,989.7 | 2,997.3 |
| Net assets of discontinued operations | | | | | | | – | 385.1 |
| Net assets | | | | | | | 2,989.7 | 3,382.4 |
| Capital expenditure in the year | | | | | | | | |
| Continuing operations | 680.6 | 332.2 | 85.7 | 163.0 | 2.7 | 3.0 | 769.0 | 498.2 |
| Discontinued operations | | | | | | | 89.8 | 132.7 |
| | | | | | | | 858.8 | 630.9 |

* Includes the Group's share of assets and liabilities held by joint ventures.

The total cost of sales of continuing operations amounts to £116.9 million (2006 £69.7 million), and comprises property operating expenses and the carrying value of trading properties sold.

3. Revenue (continuing operations)

77.

| | 2007 £m | 2006 £m |
|--|--------------|--------------|
| Rental income from investment properties | 224.7 | 207.2 |
| Surrender premiums | 11.6 | 5.2 |
| Interest received on finance lease assets | 0.8 | 0.8 |
| Service charge income | 11.8 | 7.0 |
| Investment and development property rental income | 248.9 | 220.2 |
| Trading property rental income | 9.9 | 8.4 |
| Gross property rental income | 258.8 | 228.6 |
| Proceeds from sale of trading properties | 84.0 | 35.8 |
| Total revenue from continuing operations | 342.8 | 264.4 |

4. Other investment income (continuing operations)

| | 2007 £m | 2006 £m |
|---|-------------|------------|
| Net profit/(loss) on available-for-sale investments | 10.2 | (2.9) |
| Transfer of fair value surplus realised on sale of available-for-sale investments | 7.9 | 9.6 |
| Dividends from available-for-sale investments | 0.3 | 1.8 |
| Total other investment income from continuing operations | 18.4 | 8.5 |

5. Administration expenses

| | 2007 £m | 2006 £m |
|--|-------------|-------------|
| Continuing operations | | |
| Directors' remuneration | 3.6 | 2.7 |
| Depreciation | 1.3 | 1.2 |
| Other administration expenses | 29.6 | 21.6 |
| Total administration expenses from continuing operations | 34.5 | 25.5 |
| Discontinued operations | | |
| Directors' remuneration | 1.2 | 0.4 |
| Other administration expenses | 4.0 | 3.0 |
| Total administration expenses from discontinued operations | 5.2 | 3.4 |
| Total administration expenses from continuing and discontinued operations | 39.7 | 28.9 |

The full 2007 depreciation charge, including amounts charged under other headings, is £5.0 million (2006 £4.7 million), and relates to assets owned by the Group. Other administration expenses include the costs of services of the Group's auditor and network firms.

Notes to the financial statements

78. 5. Administration expenses (continued)

Services provided by the Group's auditor and network firms

During the year, the Group obtained the following services from the Group's auditor at costs as detailed below:

| | 2007 £000 | 2006 £000 |
|--|--------------|--------------|
| Audit services | | |
| Fees payable to Company's auditor for the audit of Company and consolidated accounts | 309 | 337 |
| Fees payable for the audit of the Company's subsidiaries pursuant to legislation | 171 | 484 |
| Non-audit services | | |
| Fees payable to the Company's auditor and associates for other services: | | |
| – Other services pursuant to legislation | 135 | 57 |
| – Tax services | 712 | 416 |
| Assurance services relating to acquisitions and potential acquisitions by the Company or any of its associates | 519 | – |
| All other services | 573 | 12 |
| | 2,419 | 1,306 |
| Fees in respect of the SEGRO plc pension schemes (included in 'non-audit services' above) | | |
| – Audit of pension schemes | | 20 |

Deloitte were appointed as the Group's auditor in June 2007 and the fees above reflect their provision of services during 2007, including services contracted prior to their appointment (£0.9 million). The Group's previous auditor (PwC) also provided non-audit services up until their resignation totalling £1.5 million, largely relating to the sale of the US property business.

Other services of £573,000 provided by Deloitte were contracted prior to their appointment and relate primarily to assistance with internal system projects that are still ongoing. In addition, there were £59,000 of internal audit fees incurred prior to their appointment.

| Employees' staff costs were: | 2007 £m | 2006 £m |
|--|-------------|-------------|
| Wages and salaries | 31.2 | 27.3 |
| Social security costs | 3.4 | 3.4 |
| Pension costs | | |
| – defined benefits | 3.3 | 3.7 |
| – curtailment credit | (3.0) | (1.1) |
| – defined contributions | 0.5 | 0.4 |
| Share scheme costs | 7.0 | 2.8 |
| Termination benefits | 2.2 | 1.1 |
| National Insurance – unexercised share options | (0.2) | 0.8 |
| Total | 44.4 | 38.4 |
| Average number of Group employees | 454 | 436 |

Disclosures required by the Companies Act 1985 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement and those specified by the Financial Services Authority are included on pages 55 to 63 in the Remuneration Report and form part of these financial statements.

The aggregate remuneration of employees of the Company is £4.8 million (2006 £3.1 million). All the Executive Directors are employees of SEGRO plc except for M D Lees who is an employee of Slough Estates USA Inc.

6. Property (losses)/gains

79.

| | 2007 £m | 2006 £m |
|---|------------|------------|
| Continuing operations | | |
| Income statement – valuation (deficits)/surpluses | (385.2) | 392.7 |
| – profits from the sale of investment properties | 3.0 | 4.8 |
| Total property (losses)/gains per income statement | (382.2) | 397.5 |
| Statement of recognised income and expense – valuation surpluses | 11.2 | 15.4 |
| Share of joint ventures' valuation (losses)/gains | (1.1) | 7.2 |
| Total property (losses)/gains from continuing operations | (372.1) | 420.1 |
| Discontinued operations | | |
| Income statement – valuation surpluses | 36.1 | 139.5 |
| Statement of recognised income and expense – valuation (deficits)/surpluses | (7.9) | 6.9 |
| Share of joint ventures' valuation gains | 1.1 | 2.1 |
| Total property gains from discontinued operations | 29.3 | 148.5 |
| Total property (losses)/gains from continuing and discontinued operations | (342.8) | 568.6 |
| Total valuation (deficits)/surpluses from continuing and discontinued operations included above, excluding joint ventures | (345.8) | 554.5 |
| The valuation (deficits)/surpluses arise on the following properties: | | |
| Investment properties | (300.3) | 535.5 |
| Development and owner occupied properties | (45.5) | 19.0 |
| | (345.8) | 554.5 |
| Net valuation (deficits)/surpluses of joint ventures and associates: | | |
| – included within share of profits from property joint ventures and associates after tax | (1.1) | 7.2 |
| – included within profit after tax from discontinued operations | 1.1 | 2.1 |
| Total valuation (deficits)/surpluses | (345.8) | 563.8 |

7. Share of profits from joint ventures and associates after tax (continuing operations)

| | Investment property | | Trading property | | Total | |
|---|---------------------|------------|------------------|------------|-------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Revenue | 6.2 | 5.4 | 34.4 | 37.2 | 40.6 | 42.6 |
| Gross property rental income | 6.2 | 5.4 | 1.6 | 0.8 | 7.8 | 6.2 |
| Property operating expenses | (0.6) | (0.5) | (1.6) | (1.0) | (2.2) | (1.5) |
| Proceeds on sale of trading properties | – | – | 32.8 | 36.4 | 32.8 | 36.4 |
| Carrying value of trading properties sold | – | – | (26.3) | (29.9) | (26.3) | (29.9) |
| Provisions | – | – | (1.6) | – | (1.6) | – |
| Finance costs | (2.7) | (2.7) | (1.9) | (1.2) | (4.6) | (3.9) |
| | 2.9 | 2.2 | 3.0 | 5.1 | 5.9 | 7.3 |
| Valuation (deficits)/surpluses | (1.1) | 7.2 | – | – | (1.1) | 7.2 |
| Profit before tax | 1.8 | 9.4 | 3.0 | 5.1 | 4.8 | 14.5 |
| Current tax | (0.5) | (0.5) | (1.4) | (1.5) | (1.9) | (2.0) |
| Deferred tax | 2.7 | (3.0) | – | 0.2 | 2.7 | (2.8) |
| Group share of profit after tax | 4.0 | 5.9 | 1.6 | 3.8 | 5.6 | 9.7 |

The total income and total expenses for joint ventures and associates (continuing operations) amount to £40.6 million (2006 £42.6 million) and £34.7 million (2006 £35.3 million) respectively.

Notes to the financial statements

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8. Finance income (continuing operations)

| | 2007 £m | 2006 £m |
|--|------------|------------|
| Interest received on bank deposits | 16.6 | 8.3 |
| Fair value gains on interest rate swaps and other derivatives | 3.5 | 4.7 |
| Return on pension assets less unwinding of discount on pension liabilities | 0.7 | 0.5 |
| Exchange differences | 0.3 | 19.6 |
| | 21.1 | 33.1 |

In 2007, exchange differences have been presented net in finance income (2006 presented gross within finance income and costs).

9. Finance costs (continuing operations)

| | 2007 £m | 2006 £m |
|--|--------------|--------------|
| Interest on overdrafts and loans | 106.5 | 105.1 |
| Interest on convertible redeemable preference shares | – | 4.1 |
| Unwinding of discount on the pension liabilities less return on assets | 0.1 | 0.2 |
| Total borrowing costs | 106.6 | 109.4 |
| Less amounts capitalised on the development of – trading properties | (0.9) | (1.6) |
| – investment and development properties | (5.6) | (14.2) |
| Net borrowing costs | 100.1 | 93.6 |
| Fair value losses on interest rate swaps and other derivatives | 1.6 | 0.5 |
| Exchange differences | – | 18.4 |
| Total finance costs | 101.7 | 112.5 |

The interest capitalisation rates for 2007 were: UK 6.25 per cent (2006 6.25 per cent), and in Continental Europe, rates ranging from 3.95 per cent to 5.25 per cent (2006 3.5 per cent to 4.0 per cent). Interest is capitalised gross of tax relief.

10. Tax charge/(credit) (continuing operations)

10(i) – Tax on profit

| | 2007 £m | 2006 £m |
|---|---------------|----------------|
| Current tax | | |
| United Kingdom | | |
| Corporation tax charged at 30 per cent | 0.8 | 1.3 |
| REIT conversion charge | – | 81.9 |
| Adjustments in respect of earlier years | (1.7) | (3.4) |
| | (0.9) | 79.8 |
| International | | |
| Current tax charge | 2.7 | 4.4 |
| SIIC conversion charge | 13.9 | – |
| Adjustments in respect of earlier years | 0.6 | (1.0) |
| | 17.2 | 3.4 |
| Total current tax | 16.3 | 83.2 |
| Deferred tax | | |
| Released on conversion to SIIC/REIT in respect of investment properties | (30.2) | (416.1) |
| Origination and reversal of timing differences | 2.7 | 3.3 |
| Released in respect of property disposals in the year | (0.1) | (0.4) |
| On valuation surpluses | 8.9 | 6.7 |
| Total deferred tax in respect of investment properties | (18.7) | (406.5) |
| Other deferred tax | 0.3 | 17.2 |
| Total deferred tax | (18.4) | (389.3) |
| Total tax credit on profit on ordinary activities | (2.1) | (306.1) |

10. Tax charge/(credit) (continuing operations) (continued)

81.

10(ii) – Factors affecting tax charge for the year

The tax charge is lower than the standard rate of UK corporation tax. The differences are:

| | 2007 £m | 2006 £m |
|--|--------------|----------------|
| (Loss)/profit on ordinary activities before tax | (246.5) | 505.5 |
| Less valuation deficit/(surplus) in respect of UK properties not taxable | 441.7 | (370.3) |
| | 195.2 | 135.2 |
| Multiplied by standard rate of UK corporation tax of 30 per cent | 58.6 | 40.6 |
| Effects of: | | |
| Release of deferred tax provision on conversion to SIIC/REIT | (30.2) | (416.1) |
| SIIC/REIT conversion charge | 13.9 | 81.9 |
| Exempt SIIC & REIT profits and gains | (35.3) | – |
| Permanent timing differences | (2.7) | (3.9) |
| Profit on joint ventures already taxed | (1.6) | (3.3) |
| Higher tax rates on international earnings | (3.7) | (0.4) |
| Adjustments in respect of earlier years | (1.1) | (4.9) |
| Total tax credit on profit on ordinary activities | (2.1) | (306.1) |

10(iii) – Factors that may affect future tax charges

SEGRO plc elected during December 2006 to become a Real Estate Investment Trust (REIT) for UK tax purposes with effect from 1 January 2007. As a result, no UK corporation tax should be due on future income or capital gains in respect of investment properties within the REIT. During 2007 SEGRO plc, whose shares are also listed on the Euronext Paris, and its eligible French subsidiaries elected for French SIIC (Sociétés d'Investissements Immobiliers Cotées) status. As a result, no French corporation tax should be due on future income or capital gains in respect of investment properties within the French SIIC.

No deferred tax is recognised on the unremitted earnings of international subsidiaries, associates and joint ventures. In the event of their remittance to the UK, no net UK tax is expected to be payable.

11. Dividends

| | 2007 £m | 2006 £m |
|--|------------|------------|
| Ordinary dividends paid | | |
| Interim dividend for 2007 @ 8.3 pence per share | 35.0 | – |
| Special dividend for 2007 @ 53.0 pence per share | 250.0 | – |
| Final dividend for 2006 @ 12.1 pence per share | 56.9 | – |
| Interim dividend for 2006 @ 6.9 pence per share | – | 32.4 |
| Final dividend for 2005 @ 11.0 pence per share | – | 51.6 |
| | 341.9 | 84.0 |

In respect of the current year, the Directors propose a final dividend of 14.7 pence per ordinary share, consisting of 5.7 pence of property income distribution (PID) and 9.0 pence of regular dividend (interim dividend 2007 all PID). The final dividend amounts to £64.1 million and will be paid to shareholders on 23 May 2008. This dividend is subject to approval by the shareholders at the Annual General Meeting (AGM). The final dividend is not recognised in the financial statements.

Notes to the financial statements

82. 12. Earnings and net assets per ordinary share

12(i) – Earnings per ordinary share

| | | Basic | | Diluted | |
|---|------------|---------------|---------------|---------------|---------------|
| | | 2007 pence | 2006 pence | 2007 pence | 2006 pence |
| Continuing and discontinued operations | | | | | |
| (Loss)/earnings per ordinary share | e1/a, f1/c | (16.4) | 201.8 | (16.4) | 196.0 |
| Adjusted earnings per ordinary share | g1/a, h1/c | 32.3 | 25.1 | 32.2 | 25.1 |
| Continuing operations | | | | | |
| (Loss)/earnings per ordinary share | e2/a, f2/c | (53.6) | 178.6 | (53.6) | 173.6 |
| Adjusted earnings per ordinary share | g2/a, h2/c | 28.2 | 18.9 | 28.2 | 19.2 |

12(ii) – Number of shares

The number of shares used in calculating earnings and net assets per share is:

| | | Weighted average in year | | In issue at year end | |
|---|------|--------------------------|------------------|----------------------|------------------|
| | | 2007 millions | 2006 millions | 2007 millions | 2006 millions |
| Shares in issue | | 460.0 | 456.4 | 436.1 | 472.0 |
| Less shares held by the ESOP | | (2.9) | (2.2) | (2.9) | (2.2) |
| Basic number of shares | a, b | 457.1 | 454.2 | 433.2 | 469.8 |
| Dilution adjustment for preference shares | | – | 14.3 | – | – |
| Dilution adjustment for share options and save-as-you-earn schemes | | 0.7 | 1.1 | 0.7 | 1.1 |
| Diluted number of shares | c, d | 457.8 | 469.6 | 433.9 | 470.9 |

12(iii) – Earnings

Earnings used in calculating earnings per share are:

| | | Basic | | Diluted | |
|---|--------|--------------|--------------|--------------|--------------|
| | | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Continuing and discontinued operations | | | | | |
| (Loss)/profit attributable to equity shareholders | | (74.9) | 916.5 | (74.9) | 916.5 |
| Adjustment for interest on preference shares | | – | – | – | 4.1 |
| | e1, f1 | (74.9) | 916.5 | (74.9) | 920.6 |
| EPRA adjustments (note 13 below) | | 206.0 | (889.5) | 206.0 | (889.5) |
| Minority interest on EPRA adjustments | | 0.6 | 1.6 | 0.6 | 1.6 |
| Adjustments for exceptional items (note 13 below) | | 15.9 | 85.3 | 15.9 | 85.3 |
| Adjusted earnings | g1, h1 | 147.6 | 113.9 | 147.6 | 118.0 |
| Continuing operations | | | | | |
| (Loss)/profit attributable to equity shareholders | | (245.3) | 811.2 | (245.3) | 811.2 |
| Adjustment for interest on preference shares | | – | – | – | 4.1 |
| | e2, f2 | (245.3) | 811.2 | (245.3) | 815.3 |
| EPRA adjustments (note 13 below) | | 359.9 | (811.2) | 359.9 | (811.2) |
| Minority interest on EPRA adjustments | | 0.6 | 0.6 | 0.6 | 0.6 |
| Adjustments for exceptional items (note 13 below) | | 13.9 | 85.3 | 13.9 | 85.3 |
| Adjusted earnings | g2, h2 | 129.1 | 85.9 | 129.1 | 90.0 |

12. Earnings and net assets per ordinary share (continued)

83.

12(iv) – Net assets per ordinary share

Net asset values (NAV) are as follows:

| | | Basic | | Diluted | |
|--|----------|---------------|---------------|---------------|---------------|
| | | 2007 pence | 2006 pence | 2007 pence | 2006 pence |
| NAV | i/b, i/d | 690 | 718 | 689 | 716 |
| Adjustment for deferred tax on investment properties | | | | | |
| – capital allowances | | 7 | 20 | 7 | 20 |
| – valuation surpluses | | 8 | 39 | 8 | 39 |
| Adjusted NAV | j/b, j/d | 705 | 777 | 704 | 775 |
| Fair value of debts net of tax | | 10 | (17) | 10 | (16) |
| Deferred tax in respect of capital allowances | | (7) | (20) | (7) | (20) |
| Deferred tax in respect of valuation surpluses | | (8) | (39) | (8) | (39) |
| Fair value on trading properties | | 17 | – | 17 | – |
| Triple net NAV (NNNAV) | | 717 | 701 | 716 | 700 |

12(v) – Net assets

Equity used for the calculation of net assets per ordinary share is:

| | | Basic and diluted | |
|--|---|-------------------|------------|
| | | 2007 £m | 2006 £m |
| Total equity attributable to ordinary shareholders | | 3,005.8 | 3,383.3 |
| Less shares held by the ESOP | | (16.8) | (10.6) |
| | i | 2,989.0 | 3,372.7 |
| Deferred tax attributable to investment and development properties | | 67.0 | 276.1 |
| Adjusted equity attributable to ordinary shareholders | j | 3,056.0 | 3,648.8 |

13. Adjustments for EPRA, exceptional items and related tax

The Group has presented the income statement in a three-column format, so as to present adjusted amounts to exclude the impact of EPRA adjustments, exceptional items and related tax. The Directors consider that the adjusted figures give a useful comparison for the periods shown in the consolidated financial statements.

EPRA adjustments arise from adopting the recommendations of the Best Practices Committee of the European Public Real Estate Association ("EPRA") as appropriate. Exceptional items are items that are disclosed separately due to their size or incidence to enable a better understanding of performance.

Notes to the financial statements

84. 13. Adjustments for EPRA, exceptional items and related tax (continued)

| Details of adjustments | Income statement line | Continuing operations £m | Discontinued operations £m | Total £m |
|---|--|-----------------------------|-------------------------------|----------------|
| Year ended 31 December 2007 | | | | |
| EPRA adjustments | | | | |
| Negative goodwill credited, net | Property operating expenses | 0.9 | – | 0.9 |
| Gains after tax on property valuations | Share of profits from property joint ventures and associates | 1.6 | 1.1 | 2.7 |
| Revaluation (deficit)/surplus | Property (losses)/gains | (385.2) | 36.1 | (349.1) |
| Profit on sale of investment properties | Property (losses)/gains | 3.0 | – | 3.0 |
| Adjustments for fair value of derivatives | Finance costs | (1.6) | – | (1.6) |
| Adjustments for fair value of derivatives | Finance income | 3.5 | 1.2 | 4.7 |
| Profit from the sale of US property business | Discontinued operations | – | 437.3 | 437.3 |
| EPRA adjustments before tax | | (377.8) | 475.7 | 97.9 |
| Tax on the sale of US property business | Discontinued operations | – | (302.4) | (302.4) |
| Deferred tax attributable to investment and development property which does not crystallise unless sold | Deferred tax | 18.1 | (19.0) | (0.9) |
| Other deferred tax | Deferred tax | (0.2) | (0.4) | (0.6) |
| Total EPRA adjustments after tax | | (359.9) | 153.9 | (206.0) |
| Exceptional items (excluding minority interests) | | | | |
| Profit from the sale of Slough Heat & Power | Discontinued operations | – | 7.7 | 7.7 |
| Debt repayment penalty on early US loan redemption | Finance costs | – | (16.4) | (16.4) |
| France SIIC conversion charge | Current tax | (13.9) | – | (13.9) |
| Total exceptional items before tax | | (13.9) | (8.7) | (22.6) |
| Tax effect of exceptional items | Current tax | – | 6.7 | 6.7 |
| Total exceptional items after tax | | (13.9) | (2.0) | (15.9) |
| Total adjustments | | (373.8) | 151.9 | (221.9) |

13. Adjustments for EPRA, exceptional items and related tax (continued)

85.

| Details of adjustments | Income statement line | Continuing operations £m | Discontinued operations £m | Total £m |
|---|--|-----------------------------|-------------------------------|---------------|
| Year ended 31 December 2006 | | | | |
| EPRA adjustments | | | | |
| Gains after tax on property valuations | Share of profits from property joint ventures and associates | 4.2 | 2.1 | 6.3 |
| Revaluation surplus | Property (losses)/gains | 392.7 | 139.5 | 532.2 |
| Profit on sale of investment properties | Property (losses)/gains | 4.8 | – | 4.8 |
| Adjustments for fair value of derivatives | Finance costs | (0.5) | (0.1) | (0.6) |
| Adjustments for fair value of derivatives | Finance income | 4.7 | – | 4.7 |
| EPRA adjustments before tax | | 405.9 | 141.5 | 547.4 |
| Deferred tax attributable to investment and development property which does not crystallise unless sold | Deferred tax | 406.5 | (63.2) | 343.3 |
| Other deferred tax | Deferred tax | (1.2) | – | (1.2) |
| Total EPRA adjustments after tax | | 811.2 | 78.3 | 889.5 |
| Exceptional items (excluding minority interests) | | | | |
| UK REIT conversion charge | Current tax | (81.9) | – | (81.9) |
| Total exceptional items before tax | | (81.9) | – | (81.9) |
| Tax effect of exceptional items | Current tax | 10.8 | – | 10.8 |
| | Deferred tax | (14.2) | – | (14.2) |
| Total exceptional items after tax | | (85.3) | – | (85.3) |
| Total adjustments | | 725.9 | 78.3 | 804.2 |

14. Goodwill

| Group | 2007 £m | 2006 £m |
|-------------------|------------|------------|
| Balance 1 January | 0.7 | 0.7 |
| Exchange movement | 0.1 | – |
| At 31 December | 0.8 | 0.7 |

Notes to the financial statements

86.

15. Properties

Properties are included in the balance sheet as follows:

| | Notes | UK 2007 £m | Continental Europe 2007 £m | 2007 £m | 2006 £m |
|---|--------------|------------------|-------------------------------------|----------------|----------------|
| Properties carried at valuation: | | | | | |
| Investment properties | 15(i) | 3,547.5 | 938.0 | 4,485.5 | 5,156.7 |
| Development and owner occupied properties | 15(ii) | 116.8 | 172.7 | 289.5 | 469.7 |
| Classified as held for sale in current assets | 15(i),15(ii) | – | – | – | 56.6 |
| | | 3,664.3 | 1,110.7 | 4,775.0 | 5,683.0 |
| Group's share of investment properties within joint ventures and associates | 18 | 105.9 | 5.1 | 111.0 | 137.3 |
| Total properties carried at valuation | | 3,770.2 | 1,115.8 | 4,886.0 | 5,820.3 |
| Properties carried at the lower of cost and net realisable value: | | | | | |
| Trading properties | 15(iii) | 8.1 | 227.9 | 236.0 | 232.3 |
| Group's share of trading properties within joint ventures and associates | 18 | 14.1 | 46.5 | 60.6 | 27.2 |
| Total properties carried at the lower of cost and net realisable value | | 22.2 | 274.4 | 296.6 | 259.5 |
| Total properties at 31 December | | 3,792.4 | 1,390.2 | 5,182.6 | 6,079.8 |

The investment properties were externally valued as at 31 December 2007 by CB Richard Ellis, DTZ Debenham Tie Leung, Colliers CRE and King Sturge. The valuation basis is market value, conforms to international valuation standards and was arrived at by reference to market evidence of the transaction prices paid for similar properties. All the valuers listed above are qualified independent valuers who hold a recognised and relevant professional qualification and have recent experience in the relevant location and the category of properties being valued. All the valuers have adopted policies for the regular rotation of the responsible valuer.

CB Richard Ellis, DTZ Debenham Tie Leung, Colliers CRE and King Sturge also undertake some professional and letting work on behalf of the Group, although this is limited in relation to the activities of the Group as a whole. All four firms advise us that the total fees paid by the Group represent less than 5 per cent of their total revenue in any year.

15. Properties (continued)

87.

15(i) – Investment properties

| Group | UK £m | Continental Europe £m | USA £m | Total £m |
|---|----------------|-----------------------------|--------------|----------------|
| At 1 January 2006 | 3,371.8 | 346.8 | 721.5 | 4,440.1 |
| Exchange movement | – | (5.1) | (107.4) | (112.5) |
| Acquisitions | 139.4 | 19.3 | 35.9 | 194.6 |
| Additions | 42.3 | 16.0 | 25.0 | 83.3 |
| Disposals | (159.1) | (0.1) | – | (159.2) |
| Transfer from development properties | 37.1 | – | 107.3 | 144.4 |
| Transfer (to)/from trading properties | (0.7) | 4.5 | – | 3.8 |
| Revaluation surplus during the year | 367.4 | 24.8 | 143.3 | 535.5 |
| At 31 December 2006 | 3,798.2 | 406.2 | 925.6 | 5,130.0 |
| Less classified as held for sale and shown in current assets | (40.0) | – | – | (40.0) |
| Add tenant lease incentives, letting fees and rental guarantees | 16.7 | 3.6 | 46.4 | 66.7 |
| | 3,774.9 | 409.8 | 972.0 | 5,156.7 |
| At 1 January 2007 | 3,798.2 | 406.2 | 925.6 | 5,130.0 |
| Exchange movement | – | 69.5 | (31.8) | 37.7 |
| Acquisitions | 90.7 | 332.9 | – | 423.6 |
| Additions | 55.1 | 18.3 | 25.8 | 99.2 |
| Disposals | (167.3) | (0.2) | (1,008.9) | (1,176.4) |
| Transfer from development properties | 135.2 | 49.5 | 52.0 | 236.7 |
| Revaluation (deficit)/surplus during the year | (394.2) | 56.6 | 37.3 | (300.3) |
| At 31 December 2007 | 3,517.7 | 932.8 | – | 4,450.5 |
| Add tenant lease incentives, letting fees and rental guarantees | 29.8 | 5.2 | – | 35.0 |
| | 3,547.5 | 938.0 | – | 4,485.5 |

Investment properties include £173.4 million (2006 £255.0 million) in respect of properties held for re-development. The balance comprises completed buildings.

The historical cost of investment properties was £2,865.4 million (2006 £2,923.5 million) and the cumulative valuation surplus at 31 December 2007 amounted to £1,620.1 million (2006 £2,273.2 million).

Long-term leasehold values within investment properties amount to £49.1 million (2006 £57.4 million). All other properties are freehold. In 2006 and prior years, lease incentives, letting fees and rental guarantees were shown in prepayments. In 2007 these costs have been reclassified and shown on a separate line within investment properties. The comparative period has also been reclassified. This revised presentation is considered to be more in line with standard industry practice.

| Investment property rental income and direct operating expenses were: | 2007 £m | 2006 £m |
|---|---------------|------------|
| Rental income from rented properties, all leased under operating leases | 302.4 | 295.6 |
| Operating expenses relating to let properties | (60.8) | (48.4) |
| Net rental income from rented properties | 241.6 | 247.2 |
| Operating expenses relating to vacant investment properties | 3.2 | 5.6 |

Certain properties have been pledged to secure £80.2 million of borrowings in Continental Europe (2006 £77.1 million).

| Pre-paid operating lease incentives are: | Group 2007 £m | 2006 £m |
|--|---------------------|------------|
| Balance 1 January | 52.4 | 40.4 |
| Exchange differences | (0.9) | (4.4) |
| Disposals during the year | (35.4) | (1.2) |
| Additions net of amortisation | 13.3 | 17.6 |
| Balance 31 December | 29.4 | 52.4 |

Notes to the financial statements

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15. Properties (continued)

15(iii) – Development and owner occupied properties

| Group | UK £m | Continental Europe £m | USA £m | Total £m |
|--|--------------|-----------------------------|--------------------|--------------------|
| Cost or valuation | | | | |
| At 1 January 2006 | 188.2 | 34.3 | 215.5 | 438.0 |
| Exchange movement | – | (0.8) | (24.6) | (25.4) |
| Additions | 97.9 | 30.1 | 74.9 | 202.9 |
| Disposals | (5.4) | – | – | (5.4) |
| Transfer to investment properties | (37.1) | – | (107.3) | (144.4) |
| Transfer (to)/from trading properties | (6.7) | 10.4 | – | 3.7 |
| Revaluation surplus during the year | 15.5 | 0.6 | 2.9 | 19.0 |
| At 1 January 2007 | 252.4 | 74.6 | 161.4 | 488.4 |
| Exchange movement | – | 12.9 | (5.2) | 7.7 |
| Acquisitions | 12.6 | 62.2 | – | 74.8 |
| Additions | 53.7 | 59.3 | 63.4 | 176.4 |
| Disposals | (14.6) | – | (158.5) | (173.1) |
| Transfer to investment properties | (135.2) | (49.5) | (52.0) | (236.7) |
| Revaluation (deficit)/surplus during the year | (49.6) | 13.2 | (9.1) | (45.5) |
| At 31 December 2007 | 119.3 | 172.7 | – | 292.0 |
| Depreciation | | | | |
| At 1 January 2006 | 1.7 | – | – | 1.7 |
| Additions | 0.4 | – | – | 0.4 |
| At 1 January 2007 | 2.1 | – | – | 2.1 |
| Additions | 0.4 | – | – | 0.4 |
| At 31 December 2007 | 2.5 | – | – | 2.5 |
| Net book value | | | | |
| At 31 December 2007 | 116.8 | 172.7 | – | 289.5 |
| Net book value 2006 | 250.3 | 74.6 | 161.4 | 486.3 |
| Less classified as held for sale and shown in current assets | (16.6) | – | – | (16.6) |
| At 31 December 2006 | 233.7 | 74.6 | 161.4 | 469.7 |
| The depreciation rates per annum are (straight-line) | 3% | n/a | n/a | |
| | | | 2007 £m | 2006 £m |
| Development and owner occupied properties held at valuation – cost | | | 369.0 | 478.7 |
| – valuation (deficit)/surplus | | | (79.5) | 7.6 |
| At valuation | | | 289.5 | 486.3 |

All the properties are freehold. There are no additions or disposals of owner occupied properties. Owner occupied properties of £1.2 million were transferred to investment properties following the sale of Slough Heat & Power.

15. Properties (continued)

89.

15(iii) – Trading properties

| Group | UK £m | Continental Europe £m | Total £m |
|------------------------------|-------------|-----------------------------|--------------|
| 2007 | | | |
| Completed properties | 5.0 | 150.1 | 155.1 |
| Properties under development | 3.1 | 77.8 | 80.9 |
| At 31 December 2007 | 8.1 | 227.9 | 236.0 |
| 2006 | | | |
| Completed properties | 15.3 | 159.9 | 175.2 |
| Properties under development | 8.4 | 48.7 | 57.1 |
| At 31 December 2006 | 23.7 | 208.6 | 232.3 |

Trading properties were externally valued as at 31 December 2007 resulting in a provision for impairment of £2.3 million in relation to four properties. The remaining portfolio has an unrecognised surplus of £39.7 million at 31 December 2007, which is expected to be realised as developments are completed and sold.

16. Plant and equipment

| Group | Utilities plant £m | Other plant, fixtures and fittings £m | Total £m |
|--|--------------------------|--|-------------|
| Cost | | | |
| At 1 January 2006 | 48.6 | 12.7 | 61.3 |
| Additions | 4.8 | 3.0 | 7.8 |
| Disposals | – | (1.0) | (1.0) |
| At 1 January 2007 | 53.4 | 14.7 | 68.1 |
| Additions | 5.6 | 2.7 | 8.3 |
| Disposals | (59.0) | (7.8) | (66.8) |
| At 31 December 2007 | – | 9.6 | 9.6 |
| Depreciation | | | |
| At 1 January 2006 | 7.6 | 8.7 | 16.3 |
| Additions | 2.7 | 1.6 | 4.3 |
| Disposals | – | (0.6) | (0.6) |
| At 1 January 2007 | 10.3 | 9.7 | 20.0 |
| Additions | 2.9 | 1.7 | 4.6 |
| Disposals | (13.2) | (7.6) | (20.8) |
| At 31 December 2007 | – | 3.8 | 3.8 |
| Net book value at 31 December 2007 | – | 5.8 | 5.8 |
| Net book value at 31 December 2006 | 43.1 | 5.0 | 48.1 |
| Carrying value measured at The depreciation rates per annum are (straight-line) | Cost 2-33% | Cost 15-33% | |

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17. Finance lease receivables

The Group has leased out a number of investment properties under finance leases. These are presented as finance lease receivables rather than investment properties. A reconciliation between finance lease receivables and the present value of the minimum lease payments receivable at the balance sheet date is as follows:

| | Minimum lease payments | | Present value of minimum lease payments | |
|--|------------------------|------------|---|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Amounts receivable under finance leases: | | | | |
| Within one year | 0.9 | 1.0 | 0.1 | 0.2 |
| In the second to fifth years inclusive | 3.5 | 3.7 | 0.5 | 0.6 |
| Later than five years | 26.3 | 27.1 | 9.9 | 10.0 |
| | 30.7 | 31.8 | 10.5 | 10.8 |
| Less unearned finance income | (20.2) | (21.0) | n/a | n/a |
| Present value of minimum lease payments receivable | 10.5 | 10.8 | 10.5 | 10.8 |
| Analysed as: | | | | |
| Non-current finance lease receivables | 29.8 | 30.8 | 10.4 | 10.6 |
| Current finance lease receivables | 0.9 | 1.0 | 0.1 | 0.2 |
| | 30.7 | 31.8 | 10.5 | 10.8 |

The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at 31 December 2007 is 7.7 per cent (2006 7.91 per cent).

At 31 December 2007, the fair value of the Group's finance lease receivables is £10.5 million (2006 £10.8 million), while the unguaranteed residual values of assets leased under finance leases are estimated at £2.4 million (2006 £2.6 million).

18. Investments in joint ventures, associates and subsidiaries

The Group accounts for joint ventures and associates under the equity method. Note 45 lists the significant joint ventures and associates.

| | Joint ventures | | Associates | | Total | |
|---|----------------|------------|--------------|------------|---------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Investments by the Group | | | | | | |
| Cost or valuation at 1 January | 79.0 | 95.0 | 5.5 | 5.1 | 84.5 | 100.1 |
| Exchange movement | 1.1 | (2.2) | (0.3) | (0.6) | 0.8 | (2.8) |
| Additions | – | 17.3 | 4.2 | 0.5 | 4.2 | 17.8 |
| Disposals | (17.0) | – | (9.5) | – | (26.5) | – |
| Loan additions/(repayments) | 7.8 | (9.2) | – | – | 7.8 | (9.2) |
| Dividends received | (4.6) | (34.4) | (0.2) | (0.3) | (4.8) | (34.7) |
| Valuation (deficits)/surpluses | (0.5) | 8.9 | 0.5 | 0.4 | – | 9.3 |
| Deferred tax on valuation surpluses | 2.7 | (3.0) | – | – | 2.7 | (3.0) |
| Share of profits net of tax | 4.6 | 6.6 | 0.1 | 0.4 | 4.7 | 7.0 |
| Cost or valuation at 31 December | 73.1 | 79.0 | 0.3 | 5.5 | 73.4 | 84.5 |
| Analysed as follows: | | | | | | |
| Cost | 49.3 | 46.7 | 0.6 | 1.4 | 49.9 | 48.1 |
| Valuation surpluses net of deferred tax | 44.6 | 54.1 | – | 2.5 | 44.6 | 56.6 |
| Share of retained (losses)/profits | (20.8) | (21.8) | (0.3) | 1.6 | (21.1) | (20.2) |
| | 73.1 | 79.0 | 0.3 | 5.5 | 73.4 | 84.5 |

18. Investments in joint ventures, associates and subsidiaries (continued)

91.

| Group's share of joint ventures and associates | Joint ventures | | Associates | | Total | |
|--|----------------|--------------|------------|------------|--------------|--------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Balance sheet | | | | | | |
| Investment and development properties | 111.0 | 132.1 | – | 5.2 | 111.0 | 137.3 |
| Total non-current assets | 111.0 | 132.1 | – | 5.2 | 111.0 | 137.3 |
| Trading properties | 59.6 | 27.2 | 1.0 | – | 60.6 | 27.2 |
| Other receivables | 22.6 | 8.5 | – | 2.1 | 22.6 | 10.6 |
| Cash | 12.7 | 9.3 | – | 0.1 | 12.7 | 9.4 |
| Total current assets | 94.9 | 45.0 | 1.0 | 2.2 | 95.9 | 47.2 |
| Total assets | 205.9 | 177.1 | 1.0 | 7.4 | 206.9 | 184.5 |
| Mortgages and loans | 86.8 | 72.6 | 0.7 | 1.9 | 87.5 | 74.5 |
| Deferred tax | 12.0 | 14.6 | – | – | 12.0 | 14.6 |
| Other liabilities | 24.7 | 0.5 | – | – | 24.7 | 0.5 |
| Total non-current liabilities | 123.5 | 87.7 | 0.7 | 1.9 | 124.2 | 89.6 |
| Other liabilities | 9.3 | 10.4 | – | – | 9.3 | 10.4 |
| Total current liabilities | 9.3 | 10.4 | – | – | 9.3 | 10.4 |
| Total liabilities | 132.8 | 98.1 | 0.7 | 1.9 | 133.5 | 100.0 |
| Group's share of net assets | 73.1 | 79.0 | 0.3 | 5.5 | 73.4 | 84.5 |

For one joint venture with Tesco plc, Shopping Centres Limited, where the Group has a 50 per cent interest, the year end for 2006 was 31 July and the accounts reflect appropriate adjustments up to 31 December 2006. From 2007, its year end has been changed to 31 December. Tax in the US owned entities before their disposal was borne by the investing company under the terms of the venture agreements.

Trading properties held by joint ventures were externally valued as at 31 December 2007 resulting in a provision of £1.6 million in relation to two properties. The Group's share of trading properties held by joint ventures has an unrecognised surplus of £34.6 million at 31 December 2007, which is expected to be realised as developments are completed and sold.

The Group's investments in joint ventures and associates are analysed in the following segments:

| | 2007 | | | 2006 | | |
|--------------------|------------------------------|---------------------------|-------------|------------------------------|---------------------------|-------------|
| | Investment property £m | Trading property £m | Total £m | Investment property £m | Trading property £m | Total £m |
| UK | 41.3 | 12.6 | 53.9 | 40.7 | 8.3 | 49.0 |
| Continental Europe | 3.9 | 15.6 | 19.5 | 3.4 | 10.7 | 14.1 |
| USA | – | – | – | 21.4 | – | 21.4 |
| Total | 45.2 | 28.2 | 73.4 | 65.5 | 19.0 | 84.5 |

The amount of loans advanced by the Group to joint ventures is £43.9 million (2006 £34.7 million).

Notes to the financial statements

92. 18. Investments in joint ventures, associates and subsidiaries (continued)

| | Investments | | Loans | | Total | |
|--|----------------|------------|----------------|------------|----------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Investments by the Company | | | | | | |
| Company investments in subsidiaries | | | | | | |
| Cost or valuation at 1 January | 1,953.1 | 1,462.1 | 1,537.9 | 1,755.9 | 3,491.0 | 3,218.0 |
| Exchange movement | – | – | 20.5 | (17.9) | 20.5 | (17.9) |
| Additions | 123.7 | 501.0 | – | – | 123.7 | 501.0 |
| Repayment of preference shares by subsidiary | – | (10.0) | – | – | – | (10.0) |
| Net loan movement | – | – | 187.8 | (95.1) | 187.8 | (95.1) |
| Loan write-offs against provisions | – | – | 20.0 | – | 20.0 | – |
| (Increase)/decrease in provision for investments and loans in the income statement | (79.6) | – | 37.4 | (105.0) | (42.2) | (105.0) |
| Cost or valuation at 31 December | 1,997.2 | 1,953.1 | 1,803.6 | 1,537.9 | 3,800.8 | 3,491.0 |
| Company investments in joint ventures | | | | | | |
| Cost or valuation at 1 January | 5.5 | 5.5 | – | 13.1 | 5.5 | 18.6 |
| Net loan movement | – | – | – | (13.1) | – | (13.1) |
| Cost or valuation at 31 December | 5.5 | 5.5 | – | – | 5.5 | 5.5 |

19. Available-for-sale investments

| Group | Warrants £m | Venture capital investments £m | Treasury stock and other £m | Total £m |
|--------------------------------------|----------------|--------------------------------------|-----------------------------------|-------------|
| Valuation at 1 January 2006 | 0.8 | 53.5 | 0.4 | 54.7 |
| Exchange movement | (0.1) | (4.0) | – | (4.1) |
| Additions | 0.3 | 4.2 | – | 4.5 |
| Fair value movement | 0.1 | 7.4 | – | 7.5 |
| Disposals and return of capital | – | (18.5) | – | (18.5) |
| Valuation at 1 January 2007 | 1.1 | 42.6 | 0.4 | 44.1 |
| Exchange movement | – | 1.3 | – | 1.3 |
| Additions | – | 2.8 | – | 2.8 |
| Fair value movement | 0.2 | 7.9 | – | 8.1 |
| Disposals and return of capital | (1.3) | (15.1) | (0.4) | (16.8) |
| Valuation at 31 December 2007 | – | 39.5 | – | 39.5 |

Warrants were received from certain USA clients and were disposed of in 2007 as part of the sale of the US property business. Venture capital investments comprise holdings in private equity funds investing in UK, Continental Europe and USA.

| | Investment balance | | Remaining commitment at year end | |
|---|--------------------|------------|----------------------------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| The investments were in the following funds: | | | | |
| Candover 1997 fund | 0.1 | 0.5 | – | – |
| Candover 2001 fund | 21.6 | 20.0 | 1.0 | 4.7 |
| Charterhouse Equity Partners II L.P. | 0.1 | 0.4 | – | – |
| Charterhouse Equity Partners III L.P. | 3.6 | 6.4 | – | – |
| Charterhouse Equity Partners IV L.P. | 14.1 | 15.3 | 4.9 | 4.3 |
| USA warrants, treasury stock and other investments | – | 1.5 | – | – |
| | 39.5 | 44.1 | 5.9 | 9.0 |

20. Trade and other receivables

93.

| | Group | | Company | |
|-----------------------------------|------------|------------|------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Current | | | | |
| Trade receivables | 59.0 | 40.3 | 1.6 | 0.8 |
| Other receivables | 25.1 | 38.5 | – | 0.2 |
| Prepayments and accrued income | 26.9 | 16.2 | – | – |
| Fair value of derivatives | 5.0 | 7.2 | 1.5 | 1.2 |
| Amounts due from subsidiaries | – | – | 2.4 | 0.1 |
| | 116.0 | 102.2 | 5.5 | 2.3 |
| Non-current | | | | |
| Other receivables | 11.8 | 16.8 | – | – |
| Amounts due from related parties | 6.7 | – | 13.3 | 3.9 |
| Total trade and other receivables | 134.5 | 119.0 | 18.8 | 6.2 |

Lease incentives given to tenants, letting fees and rental guarantees were included within prepayments in prior years; however, they have now been presented within investment properties. Please refer to Note 15.

There is no concentration of credit risk in trade receivables, as the Group has a large number of geographically dispersed customers. The carrying amount of the trade and other receivables is considered by the Directors to approximate their fair value.

21. Cash and cash equivalents

These are cash in hand, demand deposits and highly liquid short-term investments that are readily convertible to known amounts of cash within three months from acquisition and subject to an insignificant risk of changes in value.

| | Group | | Company | |
|--|--------------|--------------|-------------|-------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Bank balance | 97.9 | 54.3 | 72.8 | 20.3 |
| Call deposits | 250.4 | 107.1 | – | 0.6 |
| Cash and cash equivalents per the balance sheet | 348.3 | 161.4 | 72.8 | 20.9 |
| Less restricted deposits | (4.1) | (3.9) | – | – |
| Bank overdrafts | (4.0) | (6.5) | (0.3) | (0.1) |
| Cash and cash equivalents in the cash flow statements | 340.2 | 151.0 | 72.5 | 20.8 |

22. Inventories

| | Group | |
|--|------------|------------|
| | 2007 £m | 2006 £m |
| Total inventory (all related to utilities) | – | 1.0 |

Notes to the financial statements

94. 23. Provisions for liabilities and charges

| | Group | | | Company |
|------------------------------------|----------------------------------|-------------------------|-------------|----------------------------------|
| | Retirement benefit schemes £m | Other liabilities £m | Total £m | Retirement benefit schemes £m |
| Balance at 1 January 2006 | 29.4 | 0.2 | 29.6 | 27.8 |
| Exchange movement | (0.1) | – | (0.1) | – |
| Charged to income statement | 2.3 | 0.1 | 2.4 | 2.1 |
| Credited to SORIE | (10.2) | – | (10.2) | (11.8) |
| Paid | (3.9) | (0.1) | (4.0) | (3.7) |
| Balance at 1 January 2007 | 17.5 | 0.2 | 17.7 | 14.4 |
| Disposals | (2.3) | – | (2.3) | – |
| Credited to income statement | (0.2) | (0.1) | (0.3) | (0.2) |
| Credited to SORIE | (6.8) | – | (6.8) | (6.6) |
| Paid | (3.9) | – | (3.9) | (3.9) |
| Balance at 31 December 2007 | 4.3 | 0.1 | 4.4 | 3.7 |

Retirement benefit schemes are discussed in Note 27.

The other liabilities relate principally to provisions for onerous leases on rented properties, being the estimated liability of future lease rentals and dilapidation costs less sub-letting receipts over the length of the contract.

24. Borrowings

24(i) – Borrowings by type

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Secured borrowings: | | | | |
| European mortgages (repayable within 1 year) | 22.1 | 0.9 | – | – |
| US dollars 6.9% 2007 first mortgage | – | 3.5 | – | – |
| Euro mortgages 2009 to 2012 | 22.4 | 7.7 | – | – |
| US dollars 6.85% to 7.51% 2008 to 2017 | – | 24.4 | – | – |
| Euro mortgages 5.14% to 6.36% 2014 to 2027 | 35.7 | 40.6 | – | – |
| Total secured (on land, buildings and other assets) | 80.2 | 77.1 | – | – |
| Unsecured borrowings: | | | | |
| Bonds | | | | |
| 7.125% bonds 2010 | 124.6 | 124.5 | 124.6 | 124.5 |
| 6.25% bonds 2015 | 148.3 | 148.2 | 148.3 | 148.2 |
| 5.5% bonds 2018 | 198.0 | 197.9 | 198.0 | 197.9 |
| 5.625% bonds 2020 | 247.0 | 246.8 | 247.0 | 246.8 |
| 7.0% bonds 2022 | 148.8 | 148.7 | 148.8 | 148.7 |
| 6.75% bonds 2024 | 220.8 | 220.7 | 220.8 | 220.7 |
| 5.75% bonds 2035 | 198.0 | 197.9 | 198.0 | 197.9 |
| Notes | | | | |
| 7.58% US dollar Notes 2007 | – | 10.2 | – | – |
| 7.84% US dollar Notes 2008 | – | 7.6 | – | – |
| 9.27% Canadian dollar Notes 2010 | – | 11.0 | – | – |
| 7.94% US dollar Notes 2010 | – | 46.6 | – | – |
| 6.417% Euro Notes 2011 | 36.8 | 33.7 | – | – |
| 6.57% US dollar Notes 2011 | – | 50.9 | – | – |
| 8.0% US dollar Notes 2012 | – | 22.2 | – | – |
| 8.09% US dollar Notes 2015 | – | 5.1 | – | – |
| 6.97% US dollar Notes 2016 | – | 50.9 | – | – |
| | 1,322.3 | 1,522.9 | 1,285.5 | 1,284.7 |
| Bank loans and overdrafts | 646.6 | 784.5 | 98.2 | 187.1 |
| Preference shares held by subsidiary | 0.3 | 0.3 | – | – |
| Total unsecured | 1,969.2 | 2,307.7 | 1,383.7 | 1,471.8 |
| Total borrowings | 2,049.4 | 2,384.8 | 1,383.7 | 1,471.8 |

24. Borrowings (continued)

95.

24(i) – Borrowings by type (continued)

The maturity profile of borrowings is as follows:

| Maturity profile of debt | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| In one year or less | 52.1 | 77.6 | 17.8 | 3.8 |
| In more than one year but less than two | 4.6 | 30.7 | – | 6.6 |
| In more than two years but less than five | 796.1 | 991.0 | 205.0 | 301.2 |
| In more than five years but less than ten | 182.8 | 272.8 | 148.3 | 148.1 |
| In more than ten years | 1,013.8 | 1,012.7 | 1,012.6 | 1,012.1 |
| Total debt | 2,049.4 | 2,384.8 | 1,383.7 | 1,471.8 |

| Maturity profile of undrawn borrowing facilities | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| In one year or less | 49.3 | 37.1 | 27.5 | 6.2 |
| In more than one year but less than two | – | 11.1 | – | 3.4 |
| In more than two years | 738.9 | 461.7 | 604.8 | 257.7 |
| Total available undrawn facilities | 788.2 | 509.9 | 632.3 | 267.3 |

There are no early settlement or call options on any of the borrowings. Financial covenants relating to the borrowings include maximum limits to the Group's gearing ratio and minimum limits to permitted interest cover. The Group is comfortably within the limits imposed by the covenants.

24(ii) – Borrowings by interest rates

The interest rate profile of Group and Company debt was as follows:

| Interest rate profile – Group | 31 December 2007 | | | | | 31 December 2006 | | | | |
|--|------------------------------|--------------------------|---------------------|------------------------|----------------|------------------------------|--------------------------|---------------------|------------------------|----------------|
| | Fixed rate % | Fixed period Years | Fixed debt £m | Variable debt £m | Total £m | Fixed rate % | Fixed period Years | Fixed debt £m | Variable debt £m | Total £m |
| Borrowings | Weighted average after swaps | | | | | Weighted average after swaps | | | | |
| Sterling | 6.19 | 13.3 | 1,285.5 | – | 1,285.5 | 6.19 | 14.4 | 1,284.7 | 1.1 | 1,285.8 |
| US dollars | – | – | – | – | – | 6.28 | 3.2 | 411.1 | 170.3 | 581.4 |
| Canadian dollars | – | – | – | – | – | 9.27 | 3.0 | 10.9 | – | 10.9 |
| Euros | 4.56 | 3.5 | 730.2 | 410.9 | 1,141.1 | 4.74 | 4.9 | 265.2 | 241.2 | 506.4 |
| Guildhall preference shares | – | – | 0.3 | – | 0.3 | – | – | 0.3 | – | 0.3 |
| Total before currency swaps | 5.59 | 9.8 | 2,016.0 | 410.9 | 2,426.9 | 6.03 | 10.7 | 1,972.2 | 412.6 | 2,384.8 |
| US dollars cash swapped into Euros | | | – | (43.0) | (43.0) | | | – | – | – |
| Sterling cash swapped into Euros | | | – | (334.5) | (334.5) | | | – | – | – |
| Total borrowings | | | 2,016.0 | 33.4 | 2,049.4 | | | 1,972.2 | 412.6 | 2,384.8 |
| Cash and deposits | | | | | | | | | | |
| Sterling | | | | (112.3) | (112.3) | | | | (121.5) | (121.5) |
| US dollars | | | | (177.4) | (177.4) | | | | (5.3) | (5.3) |
| Canadian dollars | | | | (4.4) | (4.4) | | | | (3.8) | (3.8) |
| Euros | | | | (54.2) | (54.2) | | | | (30.8) | (30.8) |
| Total cash and deposits | | | | (348.3) | (348.3) | | | | (161.4) | (161.4) |
| Net borrowings | | | 2,016.0 | (314.9) | 1,701.1 | | | 1,972.2 | 251.2 | 2,223.4 |

In 2006 the analysis by currency excluded liabilities created by the forward sale of US\$464.5 million and €100.0 million which were held as net investment hedges. In 2007 the effect of all currency swaps have been included in the analysis.

Notes to the financial statements

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24. Borrowings (continued)

24(iii) – Borrowings by interest rates (continued)

| Interest rate profile – Company | 31 December 2007 | | | | | 31 December 2006 | | | | |
|--|------------------------------|--------------------------|---------------------|------------------------|-------------|------------------------------|--------------------------|---------------------|------------------------|-------------|
| | Fixed rate % | Fixed period Years | Fixed debt £m | Variable debt £m | Total £m | Fixed rate % | Fixed period Years | Fixed debt £m | Variable debt £m | Total £m |
| Borrowings | Weighted average after swaps | | | | | Weighted average after swaps | | | | |
| Sterling | 6.19 | 13.3 | 1,285.5 | – | 1,285.5 | 6.19 | 14.4 | 1,284.7 | 0.2 | 1,284.9 |
| US dollars | – | – | – | – | – | 5.29 | 0.5 | 62.0 | 14.7 | 76.7 |
| Euros | 4.31 | 3.4 | 283.1 | 192.6 | 475.7 | 4.13 | 5.0 | 30.4 | 79.8 | 110.2 |
| Total before currency swaps | 5.86 | 10.6 | 1,568.6 | 192.6 | 1,761.2 | 6.11 | 13.5 | 1,377.1 | 94.7 | 1,471.8 |
| Sterling cash swapped into Euros | | | – | (334.5) | (334.5) | | | – | – | – |
| US dollars cash swapped into Euros | | | – | (43.0) | (43.0) | | | – | – | – |
| Total borrowings | | | 1,568.6 | (184.9) | 1,383.7 | | | 1,377.1 | 94.7 | 1,471.8 |
| Cash and deposits | | | | (3.0) | (3.0) | | | | (20.3) | (20.3) |
| Sterling | | | | (69.8) | (69.8) | | | | – | – |
| US dollars | | | | – | – | | | | (0.6) | (0.6) |
| Euros | | | | – | – | | | | – | – |
| Total cash and deposits | | | | (72.8) | (72.8) | | | | (20.9) | (20.9) |
| Net borrowings | | | 1,568.6 | (257.7) | 1,310.9 | | | 1,377.1 | 73.8 | 1,450.9 |

The above analysis excludes US\$nil (2006 US\$250.0 million) of interest rate swaps transacted in the name of the Company for hedging debt in Slough Estates USA Inc.

25. Financial instruments and fair values

Categories of financial instruments

| | Group | | | | Company | | | |
|--|----------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| | Carrying amount 2007 £m | Fair value 2007 £m | Carrying amount 2006 £m | Fair value 2006 £m | Carrying amount 2007 £m | Fair value 2007 £m | Carrying amount 2006 £m | Fair value 2006 £m |
| Financial assets | | | | | | | | |
| Fair value through income statement | | | | | | | | |
| Held for trading | – | – | – | – | – | – | – | – |
| Derivatives designated as fair value through income statement | | | | | | | | |
| – interest rate swaps | 4.2 | 4.2 | 2.6 | 2.6 | 1.5 | 1.5 | 1.2 | 1.2 |
| – currency forward sales | – | – | 3.6 | 3.6 | – | – | 0.3 | 0.3 |
| Derivatives designated as hedges | | | | | | | | |
| Currency forward sales | – | – | 0.3 | 0.3 | – | – | – | – |
| Other financial assets | | | | | | | | |
| Cash and deposits | 348.3 | 348.3 | 161.4 | 161.4 | 72.8 | 72.8 | 20.9 | 20.9 |
| Available-for-sale investments | 39.5 | 39.5 | 44.1 | 44.1 | – | – | – | – |
| Finance leases receivable | 10.5 | 10.5 | 10.8 | 10.8 | – | – | – | – |
| Trade and other receivables | 129.5 | 129.5 | 178.5 | 178.5 | 17.3 | 17.3 | 5.0 | 5.0 |
| Total | 532.0 | 532.0 | 401.3 | 401.3 | 91.6 | 91.6 | 27.4 | 27.4 |

25. Financial instruments and fair values (continued)

97.

| | Group | | | | Company | | | |
|--|----------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| | Carrying amount 2007 £m | Fair value 2007 £m | Carrying amount 2006 £m | Fair value 2006 £m | Carrying amount 2007 £m | Fair value 2007 £m | Carrying amount 2006 £m | Fair value 2006 £m |
| Financial liabilities | | | | | | | | |
| Debt at amortised cost | | | | | | | | |
| Secured bank loans | 80.2 | 80.2 | 77.1 | 78.8 | – | – | – | – |
| Unsecured bond issues | 1,285.5 | 1,238.7 | 1,284.7 | 1,350.0 | 1,285.5 | 1,238.7 | 1,284.7 | 1,350.0 |
| Unsecured loans | 36.8 | 38.7 | 238.2 | 254.9 | – | – | – | – |
| Bank loans and overdrafts | 636.3 | 636.3 | 784.0 | 784.0 | 87.9 | 87.9 | 186.6 | 186.6 |
| Preference shares | 0.3 | 0.3 | 0.3 | 0.3 | – | – | – | – |
| Total debt | 2,039.1 | 1,994.2 | 2,384.3 | 2,468.0 | 1,373.4 | 1,326.6 | 1,471.3 | 1,536.6 |
| Derivatives designated as fair value through income statement | | | | | | | | |
| Currency forward sales | 8.5 | 8.5 | – | – | 10.3 | 10.3 | 0.5 | 0.5 |
| Derivatives designated as hedges | | | | | | | | |
| Currency forward sales | 1.8 | 1.8 | 0.5 | 0.5 | – | – | – | – |
| Total derivatives | 10.3 | 10.3 | 0.5 | 0.5 | 10.3 | 10.3 | 0.5 | 0.5 |
| Total debt and derivatives | 2,049.4 | 2,004.5 | 2,384.8 | 2,468.5 | 1,383.7 | 1,336.9 | 1,471.8 | 1,537.1 |
| Trade and other payables | 236.7 | 236.7 | 241.8 | 241.8 | 274.8 | 274.8 | 391.2 | 391.2 |
| Tax | 348.7 | 348.7 | 381.0 | 381.0 | 225.6 | 225.6 | – | – |
| Total | 2,634.8 | 2,589.9 | 3,007.6 | 3,091.3 | 1,884.1 | 1,837.3 | 1,863.0 | 1,928.3 |

The fair values of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair value of non-derivative financial assets and financial liabilities traded on active liquid markets are determined with reference to the quoted market prices.
- Financial guarantees are issued by the Parent entity to support bank borrowings of 100 per cent owned subsidiary companies domiciled overseas. The face value of these borrowings is already included in the Group balance sheet. As the borrowing entity will have unencumbered directly owned property assets exceeding the value of the guaranteed borrowings the probability of the Parent entity having to recognise any loss in respect to these guarantees is considered to be highly unlikely. Hence no fair value liability has been ascribed to these guarantees in the accounts of the Parent entity.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns and as such it aims to maintain a prudent mix between debt and equity financing. The current capital structure of the Group is considered appropriate and consists of a mix of equity and debt. Equity comprises issued capital, reserves and retained earnings as disclosed in Notes 29 to 37. Debt primarily comprises long-term debt issues and drawings against medium-term committed revolving credit facilities from banks as disclosed in Note 24.

Notes to the financial statements

98. 25. Financial instruments and fair values (continued)

Gearing ratio

The capital structure and key financial ratios of the Group are regularly projected forward with various sensitivity assumptions and are reviewed quarterly by the Treasury Risk Committee and are reported to the Group Board. The Group has no target gearing ratio instead preferring to adopt a ratio that is appropriate to market circumstances at any given time. Normally it would not expect gearing to go above 80 per cent for any extended period of time.

| | Group | |
|--|----------------|------------|
| | 2007 £m | 2006 £m |
| The gearing ratio at the year end is as follows: | | |
| Debt | 2,049.4 | 2,384.8 |
| Cash | (348.3) | (161.4) |
| Net debt | 1,701.1 | 2,223.4 |
| Equity | 2,989.0 | 3,372.7 |
| Deferred tax attributable to investment and development properties | 67.0 | 276.1 |
| Net debt to equity ratio (%) | 57 | 66 |
| Ratio adjusted for deferred tax (%) | 56 | 61 |

The Group is not subject to externally imposed capital requirements.

Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risk. These include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the Group's Treasury Risk Committee, a sub committee of the Group Board, that monitors risks and policies implemented to mitigate financial risk exposures.

Foreign currency risk management

The Group does not have any regular transactional foreign currency exposures as it does not have any regular business involving cross border currency flows. However it does have operations in Europe which transact business denominated mostly in Euros. Hence there is currency exposure caused by translating the local trading performance and local net assets into Sterling for each financial period and at each balance sheet date.

The Group's approach to managing balance sheet translation exposure is to fund investment into overseas locations with debt or currency swaps denominated in the same currency of the asset base with a target for the maximum permitted level of currency net assets exposed to fall within a range of between 10 per cent – 25 per cent of the value of currency gross assets. By managing balance translation exposure in this way the impact of translating overseas generated profits has been minimal so these are not specifically hedged.

25. Financial instruments and fair values (continued)

99.

The Group's balance sheet translation exposure is summarised below:

| | 2007 | | | 2006 | | |
|----------------------------|----------------|------------------|----------------|---------------|------------------|----------------|
| | Euros £m | US dollars £m | Total £m | Euros £m | US dollars £m | Total £m |
| Group | | | | | | |
| Gross currency assets | 1,502.6 | 225.2 | 1,727.8 | 772.5 | 1,203.8 | 1,976.3 |
| Gross currency liabilities | (1,287.9) | (218.8) | (1,506.7) | (673.9) | (1,078.1) | (1,752.0) |
| Net exposure | 214.7 | 6.4 | 221.1 | 98.6 | 125.7 | 224.3 |
| Company | | | | | | |
| Gross currency assets | 328.5 | 214.0 | 542.5 | 108.9 | 77.3 | 186.2 |
| Gross currency liabilities | (476.2) | (218.8) | (695.0) | (176.9) | (314.3) | (491.2) |
| Net exposure | (147.7) | (4.8) | (152.5) | (68.0) | (237.0) | (305.0) |

2007 includes EUR200 million (£147 million) designated as a net investment hedge.

2006 includes EUR100 million (£67.6 million) designated as a net investment hedge.

2006 includes US\$464.5 million (£237.0 million) designated as a net investment hedge.

Foreign currency sensitivity analysis

Following the sale of Slough Estates USA Inc the Group's overseas operations are now domiciled in Europe hence its main currency exposure is to the Euro. The following table details the Group's sensitivity to a 10 per cent change in the value of Sterling against the relevant foreign currencies. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. This analysis includes external loans and currency contracts as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or borrower. A positive number below indicates an increase in profit or other equity where Sterling has weakened against the relevant currency. For a 10 per cent strengthening of Sterling there would be an equal and opposite impact on the profit and equity and the balances would be negative.

| | 2007 | | | 2006 | | |
|---------------------|-------------|------------------|-------------|-------------|------------------|-------------|
| | Euros £m | US dollars £m | Total £m | Euros £m | US dollars £m | Total £m |
| Group | | | | | | |
| Profit or loss | 1.0 | 0.9 | 1.9 | 3.6 | 11.7 | 15.3 |
| Other equity | 24.5 | 0.7 | 25.2 | 10.9 | 13.9 | 24.8 |
| Net exposure | 25.5 | 1.6 | 27.1 | 14.5 | 25.6 | 40.1 |
| Company | | | | | | |
| Profit or loss | 17.0 | 0.5 | 17.5 | 7.7 | 26.9 | 34.6 |
| Other equity | — | — | — | — | — | — |
| Net exposure | 17.0 | 0.5 | 17.5 | 7.7 | 26.9 | 34.6 |

The Group's sensitivity to foreign currency has decreased during the year following the sale of Slough Estates USA Inc.

Notes to the financial statements

100. 25. Financial instruments and fair values (continued)

Forward foreign exchange contracts

In the current year, the Group has entered into various forward sales and currency swap contracts. Some of these are designated as net investment hedges, and hedge accounted. The others are effectively cash flow hedges, using the surplus cash in one currency to temporarily fund paying off debt in another currency. These have not been designated as hedges and as a consequence their change in fair value is taken through the income statement.

The following table details the forward foreign currency contracts outstanding as at the year end:

| | Average exchange rates | | Currency contract (local currency) | | Contract value | | Fair value | |
|-----------------------------------|------------------------|-----------|------------------------------------|--------|----------------|---------|------------|---------|
| | 2007 rate | 2006 rate | 2007 m | 2006 m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Group | | | | | | | | |
| Cash flow hedges | | | | | | | | |
| Sell Euros (buy Sterling) | 1.41 | – | 267.1 | – | 196.4 | – | (7.2) | – |
| Sell Euros (buy US dollars) | 1.42 | – | 60.2 | – | 44.3 | – | (1.3) | – |
| Sell US dollars (buy Can dollars) | – | 1.57 | – | 15.9 | – | 8.0 | – | 3.6 |
| Net investment hedges | | | | | | | | |
| Sell US dollars (buy Sterling) | – | 1.96 | – | 464.5 | – | 237.0 | – | 0.3 |
| Sell Euros (buy Sterling) | 1.38 | 1.49 | 200.0 | 100.0 | 147.1 | 67.6 | (1.8) | (0.5) |
| | | | | | | | (10.3) | 3.4 |
| Company | | | | | | | | |
| Cash flow hedges | | | | | | | | |
| Sell Euros (buy Sterling) | 2.79 | 1.49 | 467.1 | 100.0 | 343.5 | 67.6 | (9.0) | (0.5) |
| Sell Euros (buy US dollars) | 1.42 | – | 60.2 | – | 44.3 | – | (1.3) | – |
| Sell US dollars (buy Sterling) | – | 1.96 | – | 464.5 | – | 237.0 | – | 0.3 |
| | | | | | | | (10.3) | (0.2) |

The Group does not have any currency exposures caused by trading cash flows or any commitments expressed in a currency other than that of the reporting entity except in Central Europe where although local entities are obliged to report in their local currency units operation of the property industry in these countries is denominated in Euros. The Group therefore considers its currency of operation for these countries is the Euro.

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The current Group policy states that around 85 per cent of gross borrowings should be at fixed rate provided by long-term debt issues attracting a fixed coupon or from floating rate bank borrowings converted into fixed rate or hedged via interest rate swaps, forwards, caps, collars or floors or options on these products. Hedging activities require the approval of the Treasury Risk Committee and are evaluated and reported on regularly to ensure that the policy is being adhered to. The Group Board reviews the policy on interest rate exposure annually with a view to establishing that it is still relevant in the prevailing and forecast economic environment.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

25. Financial instruments and fair values (continued)

101.

If interest rates had been 1 per cent higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2007 would decrease/increase by £3.1 million (2006 decrease/increase by £2.5 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits. Fixed rate debt issues are held at amortised cost and are not re-valued in the balance sheet to reflect interest rate movements.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Economic cash flow hedges

Outstanding pay fixed receive floating contracts are as follows:

| | Average contract – fixed interest rate | | Notional principal amount | | Fair value | |
|---|---|-----------|---------------------------|--------------|------------|------------|
| | 2007 % | 2006 % | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Group | | | | | | |
| In one year or less | 3.2 | 5.3 | 6.3 | 186.0 | 0.1 | – |
| In more than one year but less than two | – | 3.2 | – | 6.0 | – | 0.1 |
| In more than two years but less than five | 4.0 | 4.1 | 568.3 | 317.0 | 4.1 | 2.5 |
| Total | | | 574.6 | 509.0 | 4.2 | 2.6 |
| Company | | | | | | |
| In one year or less | – | 5.3 | – | 186.0 | – | – |
| In more than two years but less than five | 4.1 | 4.3 | 423.0 | 178.0 | 1.5 | 1.3 |
| Total | | | 423.0 | 364.0 | 1.5 | 1.3 |

The above are effective economic hedges although the Group has not elected to adopt hedge accounting for them. Hence their change in fair value is taken direct to the income statement rather than to other equity.

The interest rate swaps settle on either a 3 month or 6 month basis with the floating rate side based on the EURIBOR rate for the relevant period. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential customers are evaluated for creditworthiness and where necessary collateral is secured. There is no concentration of credit risk within the lease portfolio to either business sector or individual company as the Group has a well spread diverse customer base with no one customer accounting for more than 3 per cent of the gross rent roll. Trade receivables (which include unpaid rent and amounts receivable in respect of property disposals) were less than 1 per cent of total assets at 31 December 2007 and at 31 December 2006. The Directors are of the opinion that the credit risk associated with unpaid rent is low. In excess of 95 per cent of rent due is generally collected within 21 days of the due date.

Notes to the financial statements

102. 25. Financial instruments and fair values (continued)

Investment in financial instruments is restricted to short-term liquid funds with a good credit rating. Derivative financial instruments are transacted via ISDA agreements with counterparties with a good investment grade credit rating. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits which are monitored daily. The limits are set by the Group's treasury policy document and exposure is reported quarterly to the Treasury Risk Committee. The policy itself is reviewed annually by the Group Board of Directors.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by having a policy that requires adequate cash and committed bank facilities remain available to cover and match all debt maturities, development spend and trade related and corporate cash flows forward over a rolling 12 month period. This is achieved by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group policy is that there should always be a minimum £300 million of undrawn committed funds availability for a period 12 months forward after allowing for all projected cash flows over such period. The actual liquidity position at year end 2007 was £348.3 million of cash plus £788.2 million of undrawn bank facilities (2006 £161.4 million cash plus £509.9 million undrawn bank facilities).

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity profile for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

| | 2007 | | | | | | 2006 | | | | | |
|----------------------------------|--|-----------------------|--------------------|--------------------|-----------------------|----------------|--|-----------------------|--------------------|--------------------|-----------------------|----------------|
| | Weighted average interest rate % | Under 1 year £m | 1-2 years £m | 2-5 years £m | Over 5 years £m | Total £m | Weighted average interest rate % | Under 1 year £m | 1-2 years £m | 2-5 years £m | Over 5 years £m | Total £m |
| Group | | | | | | | | | | | | |
| Trade payables | | 236.7 | – | – | – | 236.7 | | 241.8 | – | – | – | 241.8 |
| Non-interest bearing liabilities | | 283.3 | – | – | 65.4 | 348.7 | | 82.5 | – | – | 298.5 | 381.0 |
| Variable rate debt instruments | 5.0 | 73.6 | 34.7 | 679.6 | – | 787.9 | 5.0 | 98.5 | 49.3 | 815.8 | 2.3 | 965.9 |
| Fixed rate debt instruments | 6.2 | 86.4 | 86.3 | 392.5 | 1,961.6 | 2,526.8 | 6.4 | 104.7 | 108.6 | 548.4 | 2,165.3 | 2,927.0 |
| Total | | 680.0 | 121.0 | 1,072.1 | 2,027.0 | 3,900.1 | | 527.5 | 157.9 | 1,364.2 | 2,466.1 | 4,515.7 |
| Company | | | | | | | | | | | | |
| Trade payables | | 39.6 | 235.2 | – | – | 274.8 | | 46.2 | 345.0 | – | – | 391.2 |
| Non-interest bearing liabilities | | 225.6 | – | – | – | 225.6 | | – | – | – | – | – |
| Variable rate debt instruments | 5.0 | 11.9 | 4.0 | 88.8 | – | 104.7 | 5.0 | 13.8 | 15.9 | 203.5 | – | 233.2 |
| Fixed rate debt instruments | 6.2 | 80.5 | 80.5 | 344.3 | 1,920.6 | 2,425.9 | 6.2 | 80.5 | 80.5 | 353.2 | 1,992.2 | 2,506.4 |
| Total | | 357.6 | 319.7 | 433.1 | 1,920.6 | 3,031.0 | | 140.5 | 441.4 | 556.7 | 1,992.2 | 3,130.8 |

25. Financial instruments and fair values (continued)

103.

Credit and liquidity risk management

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

| | 2007 | | | | 2006 | | | |
|--|--------------------|-----------------|--------------------|--------------|--------------------|-----------------|--------------------|--------------|
| | Under 1 year £m | 2-5 years £m | Over 5 years £m | Total £m | Under 1 year £m | 2-5 years £m | Over 5 years £m | Total £m |
| Group | | | | | | | | |
| Net settled interest rate swaps | (4.2) | (1.3) | (5.2) | (10.7) | (1.5) | (1.1) | (1.7) | (4.3) |
| Gross settled foreign exchange | | | | | | | | |
| Forward contracts (sold) | (376.4) | – | – | (376.4) | (304.5) | – | – | (304.5) |
| Forward contracts (purchased) | 386.7 | – | – | 386.7 | 304.6 | – | – | 304.6 |
| Total | 6.1 | (1.3) | (5.2) | (0.4) | (1.4) | (1.1) | (1.7) | (4.2) |
| Company | | | | | | | | |
| Net settled interest rate swaps | (2.4) | (0.4) | (2.7) | (5.5) | (0.9) | (0.5) | (0.5) | (1.9) |
| Gross settled foreign exchange | | | | | | | | |
| Forward contracts (sold) | (376.4) | – | – | (376.4) | (304.5) | – | – | (304.5) |
| Forward contracts (purchased) | 386.7 | – | – | 386.7 | 304.6 | – | – | 304.6 |
| Total | 7.9 | (0.4) | (2.7) | 4.8 | (0.8) | (0.5) | (0.5) | (1.8) |

The Group has access to cash and financing facilities, the total unused amount of which is £1,136.5 million (2006 £671.3 million) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

26. Deferred tax assets and provisions

Movement in deferred tax was as follows:

| | Balance 1 January £m | Exchange movement £m | Recognised in income £m | Recognised in equity £m | Acquisitions £m | Disposals £m | Transfer £m | Balance 31 December £m |
|---|----------------------------|----------------------------|-------------------------------|-------------------------------|--------------------|-----------------|----------------|------------------------------|
| Group – 2007 | | | | | | | | |
| Valuation surpluses on properties | 182.4 | (2.0) | 2.0 | (2.4) | – | (148.1) | – | 31.9 |
| Accelerated tax allowances | 31.9 | 0.5 | (1.4) | – | 9.0 | (2.7) | – | 37.3 |
| Others | 61.8 | 0.5 | – | – | – | (62.3) | – | – |
| Total relating to investment properties | 276.1 | (1.0) | 0.6 | (2.4) | 9.0 | (213.1) | – | 69.2 |
| Accelerated tax allowances on plant and equipment | 8.7 | – | – | – | – | (8.6) | – | 0.1 |
| Pension deficit | (1.0) | – | – | 0.4 | – | 0.6 | – | – |
| Deferred tax asset | (9.0) | (0.2) | 0.5 | – | – | – | – | (8.7) |
| Others | 23.7 | (0.4) | (0.9) | (1.7) | (2.4) | (13.5) | – | 4.8 |
| Total deferred tax provision | 298.5 | (1.6) | 0.2 | (3.7) | 6.6 | (234.6) | – | 65.4 |

Notes to the financial statements

104. 26. Deferred tax assets and provisions (continued)

| Group – 2006 | Balance 1 January £m | Exchange movement £m | Recognised in income £m | Recognised in equity £m | Acquisitions £m | Disposals £m | Transfer £m | Balance 31 December £m |
|--|----------------------------|----------------------------|-------------------------------|-------------------------------|--------------------|-----------------|----------------|------------------------------|
| Valuation surpluses on properties | 412.1 | (16.5) | (214.1) | 0.9 | – | – | – | 182.4 |
| Accelerated tax allowances | 170.4 | (9.3) | (129.2) | – | – | – | – | 31.9 |
| Others | 66.7 | 0.7 | – | – | – | – | (5.6) | 61.8 |
| Total relating to investment properties | 649.2 | (25.1) | (343.3) | 0.9 | – | – | (5.6) | 276.1 |
| Accelerated tax allowances on plant and equipment | 6.3 | – | 2.4 | – | – | – | – | 8.7 |
| Pension deficit | (8.1) | – | – | 7.1 | – | – | – | (1.0) |
| Deferred tax asset | (24.8) | 0.3 | 15.5 | – | – | – | – | (9.0) |
| Others | 13.3 | (1.8) | 7.1 | (0.5) | – | – | 5.6 | 23.7 |
| Total deferred tax provision | 635.9 | (26.6) | (318.3) | 7.5 | – | – | – | 298.5 |

| Company – 2007 | Balance 1 January £m | Recognised in income £m | Recognised in equity £m | Balance 31 December £m |
|---|----------------------------|-------------------------------|-------------------------------|------------------------------|
| Deferred tax asset relating to previous bond exchange | (7.0) | 0.7 | – | (6.3) |
| Others | 1.7 | 0.3 | – | 2.0 |
| Total deferred tax asset | (5.3) | 1.0 | – | (4.3) |

| Company – 2006 | Balance 1 January £m | Recognised in income £m | Recognised in equity £m | Balance 31 December £m |
|---|----------------------------|-------------------------------|-------------------------------|------------------------------|
| Deferred tax asset relating to the pension deficit | (8.1) | – | 8.1 | – |
| Deferred tax asset relating to previous bond exchange | (5.3) | (1.7) | – | (7.0) |
| Others | 1.0 | 0.7 | – | 1.7 |
| Total deferred tax asset | (12.4) | (1.0) | 8.1 | (5.3) |

At the balance sheet date, the Group has unused revenue tax losses of £31.0 million (2006 £30.0 million) available for offset against future profits. A deferred tax asset has been recognised in respect of all of these losses as it is expected that future profits will be available.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries and joint ventures for which deferred tax liabilities have not been recognised was £nil (2006 £nil).

27. Retirement benefit schemes

Background

The Group has two defined benefit schemes in the UK, the Slough Estates (1957) Pension Scheme (the 'Slough scheme') and the Bilton Group Pension Scheme (the 'Bilton scheme'). Their assets are held by trustees separately from the assets of the employer. Contributions to the schemes, assessed according to the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method of calculation, are charged to the income statement so as to spread the pensions cost over employees' working lives with the Group. The Bilton scheme was closed to new members from 2003, and the Slough scheme from October 2005.

Valuation of the Slough and Bilton schemes has been based on the most recent actuarial valuation at 31 March 2004 for Slough and 5 April 2004 for Bilton and updated by the independent actuaries in order to assess the liabilities of the schemes at 31 December 2007. Assets of both schemes are stated at their market value at 31 December 2007.

The Company has an unfunded unapproved retirement benefit scheme (UURBS) for one employee, the Chief Executive. This arrangement is a defined benefit in nature. The calculation of the value of this unapproved benefit promise uses assumptions which are consistent with those used for the Slough scheme. There are no assets supporting this UURBS.

The Group had an UURBS through Slough Estates USA Incorporated for one employee. This was a US dollar denominated defined benefit arrangement. The calculation of the value of this unapproved benefit promise used assumptions which were consistent with the Slough scheme and consistent with a US dollar denominated liability. There were no assets supporting this UURBS. On 1 August 2007, the US property business was sold, with the remaining liability in relation to this scheme transferred as part of the sale.

27. Retirement benefit schemes (continued)

105.

In the Netherlands the Group has two schemes. One is an insured arrangement with a notional investment portfolio and therefore the amount of assets can only be estimated from the local reserve. However, no contributions have been paid for 2007 and as a consequence there are no assets as at 31 December 2007.

The Group has a number of defined contribution schemes in the UK and overseas which were all expensed to the income statement. Additionally, the Group has paid supplementary ex-gratia pensions of £0.2 million (2006 £0.2 million) that were paid out of profits.

Financial summary

| | UK | | International | | Total | |
|--|--------------|------------|---------------|------------|--------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Balance sheet | | | | | | |
| Obligation on defined benefit schemes | 1.6 | 12.8 | 0.2 | 0.4 | 1.8 | 13.2 |
| Obligation on UURBS | 2.2 | 1.7 | – | 2.3 | 2.2 | 4.0 |
| Obligation on unfunded scheme to former Director | 0.3 | 0.3 | – | – | 0.3 | 0.3 |
| | 4.1 | 14.8 | 0.2 | 2.7 | 4.3 | 17.5 |
| Related deferred tax asset | – | – | – | 1.0 | – | 1.0 |
| Income statement expense | | | | | | |
| Defined contribution schemes | 0.3 | 0.2 | 0.2 | 0.2 | 0.5 | 0.4 |
| Defined benefit schemes | (0.4) | 1.9 | 0.2 | 0.4 | (0.2) | 2.3 |
| Total amount (credited)/charged to the income statement | (0.1) | 2.1 | 0.4 | 0.6 | 0.3 | 2.7 |
| Statement of recognised income and expense | | | | | | |
| Amounts credited/(charged) directly to equity on defined benefit schemes | 6.4 | 11.5 | 0.4 | (1.3) | 6.8 | 10.2 |

Defined benefit schemes

The most recent full formal actuarial valuations for defined benefit schemes have been updated by qualified actuaries for the financial year ended 31 December 2007 to provide the IAS 19 disclosures below.

| | UK | | International | |
|--|------------------|-----------|---------------|-----------|
| | 2007 % | 2006 % | 2007 % | 2006 % |
| The major assumptions used were as follows: | | | | |
| Discount rate for scheme liabilities | 5.9 | 5.2 | 5.5 | 5.8 |
| Rate of inflation | 3.3 | 3.0 | 3.3 | 3.0 |
| Rate of increase to pensions in payment in excess of GMP | | | | |
| Before April 2003 (Slough / Bilton) | 4.1 / 3.3 | 4.1 / 3.0 | – | – |
| From April 2003 to October 2005 | 3.3 | 3.0 | – | – |
| After October 2005 | 2.4 | 2.3 | 2.0 | 4.0 |
| Rate of general long-term increase in salaries | 5.3 | 5.0 | 2.0 | 4.5 |

Notes to the financial statements

106. 27. Retirement benefit schemes (continued)

| | UK | |
|--|-----------|-----------|
| | 2007 % | 2006 % |
| The long term rates of return on plan assets in the year were expected to be: | | |
| Equities | 7.8 | 7.6 |
| Bonds | 4.9 | 4.6 |
| Property | 6.8 | 6.6 |
| Other assets | 6.0 | 5.3 |
| Overall – Slough Scheme | 6.6 | 6.4 |
| Overall – Bilton Scheme | 5.9 | 5.6 |

| The mortality rates used are as follows: | Mortality table | Life expectancy at age 65 (years) | |
|--|--|-----------------------------------|--------|
| | | Male | Female |
| Current pensioners | PNxA00U2007MC with 1% p.a. underpin to future improvements | 22.0 | 24.4 |
| Future pensioners | PNxA00U2007MC with 1% p.a. underpin to future improvements | 23.5 | 25.9 |

The expected return on plan assets is a blended average of projected long-term returns for the various asset classes. Asset class returns are based on a forward looking building block approach. Equity returns are developed based on the selection of an equity risk premium above the risk free rate which is measured in accordance with the yields on government bonds. Returns on property are assumed to be 1 per cent per annum lower than those on equities. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the schemes' holdings of these instruments.

| Analysis of UK schemes' assets at 31 December is as follows: | 2007 £m | 2006 £m | 2007 % | 2006 % |
|--|------------|------------|-----------|-----------|
| Equities | 62.1 | 60.1 | 53.1 | 53.6 |
| Bonds | 53.0 | 50.2 | 45.3 | 44.7 |
| Property | 1.3 | 1.5 | 1.1 | 1.3 |
| Other | 0.6 | 0.5 | 0.5 | 0.4 |
| | 117.0 | 112.3 | 100.0 | 100.0 |

The schemes have no investments in the Group's equity securities or in property currently used by the Group.

| | UK | | International | | Total | |
|---|------------|------------|---------------|------------|------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Charges on the basis of the assumptions were: | | | | | | |
| (Credit)/charge to Group income statement | | | | | | |
| Current service cost | 3.1 | 3.5 | 0.1 | 0.2 | 3.2 | 3.7 |
| Past service costs | 0.1 | – | – | – | 0.1 | – |
| Curtailments | (3.0) | (1.1) | – | – | (3.0) | (1.1) |
| Amount charged to operating profit | 0.2 | 2.4 | 0.1 | 0.2 | 0.3 | 2.6 |
| Interest on pension liabilities | 6.4 | 6.1 | 0.1 | 0.2 | 6.5 | 6.3 |
| Expected return on scheme assets | (7.0) | (6.6) | – | – | (7.0) | (6.6) |
| Amount (credited)/charged to other finance (income)/costs | (0.6) | (0.5) | 0.1 | 0.2 | (0.5) | (0.3) |
| Total included within staff costs and finance (income)/costs | (0.4) | 1.9 | 0.2 | 0.4 | (0.2) | 2.3 |
| Credit/(charge) to Group statement of recognised income and expense | | | | | | |
| Actual return less expected return on assets | (2.9) | 0.3 | – | – | (2.9) | 0.3 |
| Experienced gains and losses on liabilities | 1.4 | (0.3) | 0.3 | (1.5) | 1.7 | (1.8) |
| Changes in financial assumptions underlying the present value of the schemes' liabilities | 7.9 | 12.3 | 0.1 | 0.2 | 8.0 | 12.5 |
| Movement in unrecognised Bilton surplus | – | (0.8) | – | – | – | (0.8) |
| | 6.4 | 11.5 | 0.4 | (1.3) | 6.8 | 10.2 |

All actuarial gains and losses are recognised immediately and relate to continuing operations. The cumulative recognised actuarial gains for the UK are £3.6 million (2006 £2.8 million loss) and the cumulative recognised actuarial losses for the other schemes are £1.3 million (2006 £1.7 million).

27. Retirement benefit schemes (continued)

107.

Fair value of the assets and liabilities of the schemes

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement schemes is as follows:

| | UK | | International | | Total | |
|---|------------|------------|---------------|------------|------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Movement in assets | | | | | | |
| 1 January | 112.3 | 103.6 | – | – | 112.3 | 103.6 |
| Expected return on scheme assets | 7.0 | 6.6 | – | – | 7.0 | 6.6 |
| Actuarial gains | (2.9) | 0.3 | – | – | (2.9) | 0.3 |
| Employer cash contributions | 3.9 | 3.9 | – | – | 3.9 | 3.9 |
| Member cash contributions | 0.8 | 0.9 | – | – | 0.8 | 0.9 |
| Benefits paid | (4.1) | (3.0) | – | – | (4.1) | (3.0) |
| 31 December | 117.0 | 112.3 | – | – | 117.0 | 112.3 |
| Movement in liabilities | | | | | | |
| 1 January | 124.4 | 130.0 | 2.7 | 1.3 | 127.1 | 131.3 |
| Service cost | 3.1 | 3.5 | 0.1 | 0.2 | 3.2 | 3.7 |
| Curtailments | (3.0) | (1.1) | – | – | (3.0) | (1.1) |
| Past service cost | 0.1 | – | – | – | 0.1 | – |
| Interest cost | 6.4 | 6.1 | 0.1 | 0.2 | 6.5 | 6.3 |
| Member contributions | 0.8 | 0.9 | – | – | 0.8 | 0.9 |
| Actuarial (gains)/losses | (9.3) | (12.0) | (0.4) | 1.3 | (9.7) | (10.7) |
| Benefits paid | (4.1) | (3.0) | – | – | (4.1) | (3.0) |
| Disposals | – | – | (2.3) | – | (2.3) | – |
| Exchange movements | – | – | – | (0.3) | – | (0.3) |
| 31 December | 118.4 | 124.4 | 0.2 | 2.7 | 118.6 | 127.1 |
| Analysis of net assets/(liabilities): | | | | | | |
| Market value of schemes' assets | 117.0 | 112.3 | – | – | 117.0 | 112.3 |
| Present value of funded schemes' liabilities | (116.2) | (122.7) | (0.2) | (0.4) | (116.4) | (123.1) |
| Net assets/(liabilities) for funded schemes | 0.8 | (10.4) | (0.2) | (0.4) | 0.6 | (10.8) |
| Less Bilton surplus which cannot be utilised | (2.4) | (2.4) | – | – | (2.4) | (2.4) |
| Present value of UURBS' liabilities | (2.2) | (1.7) | – | (2.3) | (2.2) | (4.0) |
| Retirement benefit obligation recognised in the balance sheet | (3.8) | (14.5) | (0.2) | (2.7) | (4.0) | (17.2) |
| Related deferred tax asset | – | – | – | 1.0 | – | 1.0 |
| | (3.8) | (14.5) | (0.2) | (1.7) | (4.0) | (16.2) |
| Analysed as: | | | | | | |
| Non-current liabilities | (3.8) | (14.5) | (0.2) | (1.7) | (4.0) | (16.2) |

The deficit in respect of international schemes at 31 December relates to unfunded schemes in the USA and the Netherlands. A further provision of £0.3 million (2006 £0.3 million) in the Company is held within the pension provision for a pension payable to a former Director. The Group does not recognise the surplus in the Bilton scheme and consequently it has been reversed and the movement taken to the SORIE.

| | UK | | International | | Total | |
|---------------------------------------|------------|------------|---------------|------------|------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Actual return on scheme assets | | | | | | |
| Actual return on scheme assets | 4.1 | 6.9 | – | – | 4.1 | 6.9 |

Notes to the financial statements

108. 27. Retirement benefit schemes (continued)

| | 2007 £m | 2006 £m | 2005 £m | 2004 £m | 2003 £m |
|--|------------|------------|------------|------------|------------|
| History of experience adjustments | | | | | |
| UK | | | | | |
| Present value of defined benefit obligations | (120.8) | (126.8) | (131.4) | (110.4) | (92.0) |
| Fair value of schemes' assets | 117.0 | 112.3 | 103.6 | 71.2 | 64.2 |
| Deficit in schemes | (3.8) | (14.5) | (27.8) | (39.2) | (27.8) |
| Experience adjustments on schemes' assets | | | | | |
| Amounts | (2.9) | 0.3 | 10.2 | 1.1 | 4.9 |
| Percentage of schemes' assets | (2.5%) | 0.3% | 9.8% | 1.5% | 7.6% |
| Experience adjustments on schemes' liabilities | | | | | |
| Amounts | 1.4 | (0.3) | (0.3) | 6.2 | (0.1) |
| Percentage of present value of schemes' liabilities | (1.2%) | 0.2% | 0.2% | (5.6%) | 0.1% |
| Effect of changes in assumptions underlying the present value of the schemes' liabilities | | | | | |
| Amounts | 7.9 | 12.3 | (13.2) | (18.0) | (7.1) |
| Percentage of present value of schemes' liabilities | (6.5%) | (9.7%) | 10.0% | 16.3% | 7.7% |
| Total amount recognised in the statement of recognised income and expense | | | | | |
| Amounts | 6.4 | 11.5 | (3.9) | (10.2) | (2.3) |
| Percentage of present value of schemes' liabilities | (5.3%) | (9.1%) | 3.0% | 9.1% | 2.5% |
| International | | | | | |
| Present value of defined benefit obligations and deficit | (0.2) | (2.7) | (1.3) | (1.0) | (0.6) |
| Experience adjustments on schemes' liabilities | | | | | |
| Amounts | 0.3 | (1.5) | (0.1) | (0.2) | – |
| Percentage of present value of schemes' liabilities | (150.0%) | 55.6% | 7.7% | 20.0% | – |
| Effect of changes in assumptions underlying the present value of the schemes' liabilities | | | | | |
| Amounts | 0.1 | 0.2 | – | (0.1) | – |
| Percentage of present value of schemes' liabilities | (50.0%) | (7.4%) | – | 10.0% | – |
| Total amount recognised in the statement of recognised income and expense | | | | | |
| Amounts | 0.4 | (1.3) | (0.1) | (0.3) | – |
| Percentage of present value of schemes' liabilities | (200.0%) | 48.1% | 7.7% | 30.0% | – |

The expected employer's contributions to be paid in the year ending 31 December 2008 is £3.3 million.

28. Trade and other payables

109.

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Due within one year | | | | |
| Trade payables | 61.5 | 40.0 | – | 0.1 |
| Rents in advance | 44.1 | 48.0 | – | – |
| Accruals and deferred income | 107.2 | 103.5 | 35.9 | 31.7 |
| Derivative liabilities | 0.8 | 0.9 | – | – |
| Total trade and other payables due within one year | 213.6 | 192.4 | 35.9 | 31.8 |
| Due after one year | | | | |
| Obligations under finance leases | 0.5 | 0.4 | – | – |
| Other payables | 18.2 | 31.3 | – | – |
| Loans from subsidiaries | – | – | 235.2 | 345.0 |
| Total other payables due after one year | 18.7 | 31.7 | 235.2 | 345.0 |

Group obligations under finance leases due after one year are payable as follows:

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|------------------------|------------|---|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Payable between second to fifth years | 0.2 | 0.2 | – | – |
| Payable after five years | 2.3 | 2.2 | 0.4 | 0.4 |
| | 2.5 | 2.4 | 0.4 | 0.4 |
| Less future finance charges | (2.0) | (2.0) | n/a | n/a |
| Present value of lease obligations | 0.5 | 0.4 | 0.4 | 0.4 |

These are non-current finance lease liabilities on investment properties with a carrying value of £0.4 million (2006 £0.4 million). Lease agreements range between 20-120 years. There are no restrictions, and contingent rents are not payable, but leased assets revert to the lessor in the event of default.

29. Share capital

| Group and Company | Authorised | | Issued and fully paid | |
|--|--------------|--------------|-----------------------|--------------|
| | Shares m | £m | Shares m | £m |
| Ordinary shares of 25p each at 1 January 2007 | 586.4 | 146.6 | 472.0 | 118.0 |
| Shares issued during the period to 20 August 2007 | – | – | 0.3 | 0.1 |
| Share consolidation on 20 August 2007 | (45.1) | – | (36.3) | – |
| Ordinary shares of 27½p at 20 August 2007 | 541.3 | 146.6 | 436.0 | 118.1 |
| Shares issued during the period to 31 December 2007 | – | – | 0.1 | – |
| Ordinary shares of 27½p at 31 December 2007 | 541.3 | 146.6 | 436.1 | 118.1 |

The share consolidation took effect on 20 August 2007 which reduced the number of existing ordinary shares by approximately 7.7 per cent with the result that shareholders received 12 new ordinary shares of 27½p for every 13 old ordinary shares of 25p held on 17 August 2007.

Notes to the financial statements

110. 29. Share capital (continued)

Cumulative redeemable convertible preference shares

The preference shares were issued on 6 June 1991 at a price of 100p per share. They carried the right to a fixed cumulative preferential dividend of 8.25p (net) per share per annum payable half yearly in arrears in equal amounts on 1 March and 1 September in each year. The terms and conditions of issue provided that the Company could redeem some or all of the preference shares at any time between 1 March 2006 and 31 August 2011.

The Company exercised its right to redeem the preference shares and those preference shares that did not convert to ordinary shares were redeemed on 12 June 2006 on the basis of 37.0793 ordinary shares to 100 preference shares. There are no preference shares in issue.

Ordinary shares

During the year the following issue of ordinary shares took place:

Share option schemes: During the period to 20 August 2007, 266,027 25p ordinary shares and from 20 August to 31 December 2007, 88,897 27½p ordinary shares were subscribed in cash following the exercise of employees' options under the share option schemes. The consideration received by the Company was £1,115,092.

Share Incentive Plan: 106,046 ordinary shares were subscribed in cash at a price of 578.7p per share and were issued to the Trustees and allocated at that price to eligible employees under the share incentive plan.

During the year options to subscribe for ordinary shares of the Company were granted as follows:

1981 Savings-Related Share Option Scheme: 48,982 ordinary shares at a subscription price of 608.4p per share and 226,881 ordinary shares at a subscription price of 411.2p per share.

Executive Share Option Schemes: There were no ordinary shares awarded during the year.

Executive Share Option Schemes

Under the 1994 SEGRO plc Approved Executive Share Option Scheme (No 1) approved by the shareholders on 18 May 1994, certain executives have options to subscribe for unissued ordinary shares. Options are generally exercisable after three and before ten years from the date of the grant of the option. At 5 March 2008, the number of ordinary shares under option was 5,415 at an option price of 356.5p expiring on 27 March 2011.

Under the 1994 SEGRO plc Unapproved Executive Share Option Scheme (No 2) approved by the shareholders on 18 May 1994, certain executives have options to subscribe for unissued ordinary shares. Options are generally exercisable after three and before seven years from the date of the grant of the option. At 5 March 2008, the number of ordinary shares under option was 15,926 at an option price of 356.5p expiring on 27 March 2008.

Under the SEGRO plc 2002 Approved Executive Share Option Plan (No 1) approved by the shareholders on 14 May 2002, certain executives have options to subscribe for unissued ordinary shares. Options are generally exercisable after three and before ten years from the date of the grant of the option. At 5 March 2008, the number of ordinary shares under option was 37,746 at an option price of 476.8p expiring on 28 April 2015.

Under the SEGRO plc 2002 Unapproved Executive Share Option Plan (No 2) approved by the shareholders on 14 May 2002, certain executives have options to subscribe for unissued ordinary shares. Options are generally exercisable after three and before ten years from the date of the grant of the option. At 5 March 2008, the number of ordinary shares under option was 633,584 at option prices ranging from 290.0p to 476.8p expiring on various dates up to 28 April 2015.

1981 Savings-Related Share Option Scheme

Under the scheme approved by the shareholders on 20 May 1981, as amended, certain employees have options to subscribe for unissued ordinary shares. Options under the scheme are generally exercisable three or five or seven years after the date of the grant of the option. At 5 March 2008, the number of ordinary shares under option was 733,292 at option prices ranging from 218.4p to 608.4p expiring on various dates up to 31 October 2014.

Share Incentive Plan

John Heawood, John Probert and Jennifer Titford are Trustees of the SEGRO plc Share Incentive Plan which was approved by the shareholders on 16 May 2000. At 5 March 2008, the number of shares held under the plan was 267,281 ordinary shares. The interest stated in the 267,281 ordinary shares included in the figure of 511,464 shown in the table on page 60 represent all of the shares which those Directors hold in a non-beneficial capacity as Trustees but also included therein are those shares beneficially owned under the plan by John Heawood, John Probert and Jennifer Titford. John Heawood's interest is included in his beneficial holding in the table shown on page 59.

30. Reconciliation of movements in equity

111.

| | Balance 1 January £m | Exchange movement £m | Retained profit £m | Other items in SORIE ¹ £m | Shares issued £m | Other £m | Dividend paid £m | Reserve transfers £m | Preference share conversions £m | Balance 31 December £m |
|---|----------------------------|----------------------------|--------------------------|---|------------------------|--------------|------------------------|----------------------------|--|------------------------------|
| Group 2007 | | | | | | | | | | |
| Revaluation reserve ² | 2,129.3 | 5.2 | – | 5.7 | – | – | – | (604.5) | – | 1,535.7 |
| Share-based payments reserve | 4.5 | – | – | – | – | 5.7 | – | (0.4) | – | 9.8 |
| Fair value reserve for AFS ³ | 7.4 | 0.4 | – | 1.8 | – | – | – | – | – | 9.6 |
| Translation and other reserves | 58.5 | – | – | (27.2) | – | – | – | 15.3 | – | 46.6 |
| Total revaluation reserves and other | 2,199.7 | 5.6 | – | (19.7) | – | 5.7 | – | (589.6) | – | 1,601.7 |
| Retained earnings | 698.3 | 7.9 | (74.9) | 38.1 | – | – | (341.9) | 589.6 | – | 917.1 |
| Ordinary share capital | 118.0 | – | – | – | 0.1 | – | – | – | – | 118.1 |
| Share premium | 367.3 | – | – | – | 1.6 | – | – | – | – | 368.9 |
| Own shares held | (10.6) | – | – | – | – | (6.2) | – | – | – | (16.8) |
| Total equity attributable to equity shareholders | 3,372.7 | 13.5 | (74.9) | 18.4 | 1.7 | (0.5) | (341.9) | – | – | 2,989.0 |
| Minority interests | 9.7 | – | 1.1 | – | – | (8.8) | (1.3) | – | – | 0.7 |
| Total equity | 3,382.4 | 13.5 | (73.8) | 18.4 | 1.7 | (9.3) | (343.2) | – | – | 2,989.7 |
| Group 2006 | | | | | | | | | | |
| Revaluation reserve ² | 1,419.6 | (24.1) | – | 21.4 | – | (0.3) | – | 712.7 | – | 2,129.3 |
| Share-based payments reserve | 2.9 | – | – | – | – | 2.1 | – | (0.5) | – | 4.5 |
| Fair value reserve for AFS ³ | 10.2 | (0.7) | – | (1.7) | – | – | – | (0.4) | – | 7.4 |
| Translation and other reserves | 38.9 | – | – | 20.3 | – | – | – | (0.7) | – | 58.5 |
| Total revaluation reserves and other | 1,471.6 | (24.8) | – | 40.0 | – | 1.8 | – | 711.1 | – | 2,199.7 |
| Retained earnings | 581.4 | (29.1) | 916.5 | 3.2 | – | – | (84.0) | (711.1) | 21.4 | 698.3 |
| Ordinary share capital | 105.7 | – | – | – | 0.5 | – | – | – | 11.8 | 118.0 |
| Preference shares | 31.8 | – | – | – | – | – | – | – | (31.8) | – |
| Share premium | 256.8 | – | – | – | 5.4 | – | – | – | 105.1 | 367.3 |
| Own shares held | (6.9) | – | – | – | – | (3.7) | – | – | – | (10.6) |
| Total equity attributable to equity shareholders | 2,440.4 | (53.9) | 916.5 | 43.2 | 5.9 | (1.9) | (84.0) | – | 106.5 | 3,372.7 |
| Minority interests | 8.6 | (0.7) | 2.6 | – | – | – | (0.8) | – | – | 9.7 |
| Total equity | 2,449.0 | (54.6) | 919.1 | 43.2 | 5.9 | (1.9) | (84.8) | – | 106.5 | 3,382.4 |

Notes to the financial statements

112. 30. Reconciliation of movements in equity (continued)

| | Balance 1 January £m | Exchange movement £m | Retained profit £m | Other items in SORIE ¹ £m | Shares issued £m | Other £m | Dividend paid £m | Reserve transfers £m | Preference share conversions £m | Balance 31 December £m |
|---|----------------------------|----------------------------|--------------------------|---|------------------------|--------------|------------------------|----------------------------|--|------------------------------|
| Company 2007 | | | | | | | | | | |
| Share-based payments reserve | 1.5 | – | – | – | – | 1.7 | – | – | – | 3.2 |
| Asset surplus reserve | 47.4 | – | – | – | – | – | – | – | – | 47.4 |
| Total reserves | 48.9 | – | – | – | – | 1.7 | – | – | – | 50.6 |
| Retained earnings | 1,146.3 | – | 686.0 | 6.6 | – | 0.3 | (341.9) | – | – | 1,497.3 |
| Ordinary share capital | 118.0 | – | – | – | 0.1 | – | – | – | – | 118.1 |
| Share premium | 367.3 | – | – | – | 1.6 | – | – | – | – | 368.9 |
| Own shares held | (10.6) | – | – | – | – | (6.2) | – | – | – | (16.8) |
| Total equity attributable to equity shareholders | 1,669.9 | – | 686.0 | 6.6 | 1.7 | (4.2) | (341.9) | – | – | 2,018.1 |
| Company 2006 | | | | | | | | | | |
| Share-based payments reserve | 2.9 | – | – | – | – | (1.4) | – | – | – | 1.5 |
| Asset surplus reserve | 47.4 | – | – | – | – | – | – | – | – | 47.4 |
| Total other reserves | 50.3 | – | – | – | – | (1.4) | – | – | – | 48.9 |
| Retained earnings | 779.3 | – | 425.9 | 3.7 | – | – | (84.0) | – | 21.4 | 1,146.3 |
| Ordinary share capital | 105.7 | – | – | – | 0.5 | – | – | – | 11.8 | 118.0 |
| Preference shares | 31.8 | – | – | – | – | – | – | – | (31.8) | – |
| Share premium | 256.8 | – | – | – | 5.4 | – | – | – | 105.1 | 367.3 |
| Own shares held | (6.9) | – | – | – | – | (3.7) | – | – | – | (10.6) |
| Total equity attributable to equity shareholders | 1,217.0 | – | 425.9 | 3.7 | 5.9 | (5.1) | (84.0) | – | 106.5 | 1,669.9 |

1: SORIE is the term used for the "Statement of recognised income and expense". Items in the SORIE column are net of tax.

2: The revaluation reserve and translation reserve are shown net of deferred tax.

3: AFS is the term used for "Available-for-sale investments" and is shown net of deferred tax.

31. Share premium account

| Group and Company | 2007 £m | 2006 £m |
|--|--------------|------------|
| Balance at 1 January | 367.3 | 256.8 |
| Conversion of preference shares | – | 105.1 |
| Premium arising on the issue of shares | 1.6 | 5.4 |
| Balance at 31 December | 368.9 | 367.3 |

32. Own shares held

113.

| | Group | | Company | |
|------------------------------------|--------------|------------|--------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Balance at 1 January | 10.6 | 6.9 | 10.6 | 6.9 |
| Shares issued | 0.6 | 0.5 | 0.6 | 0.5 |
| Shares purchased | 6.8 | 4.0 | 6.8 | 4.0 |
| Disposed of on exercise of options | (1.2) | (0.8) | (1.2) | (0.8) |
| Balance at 31 December | 16.8 | 10.6 | 16.8 | 10.6 |

These represent the cost of shares in SEGRO plc bought in the open market and held by Towers Perrin Share Plan Services (Guernsey) Limited, to satisfy options under the various Group share option and incentive schemes.

33. Revaluation reserve

The revaluation reserve for the Group is as follows. There is no revaluation reserve for the Company.

| Group | Property revaluation £m | Related deferred tax £m | Total £m |
|---|-------------------------------|-------------------------------|----------------|
| Balance at 1 January 2006 | 1,841.2 | (421.6) | 1,419.6 |
| Exchange movement | (40.1) | 16.0 | (24.1) |
| Surplus on development properties – SORIE | 22.3 | (0.9) | 21.4 |
| Valuation surplus on investment properties transferred from retained earnings | 532.2 | 214.1 | 746.3 |
| Valuation surplus on joint ventures transferred from retained earnings | 9.3 | (3.9) | 5.4 |
| Minority interest on investment property valuation surplus | (2.6) | 1.0 | (1.6) |
| Reserve transfer | – | 0.6 | 0.6 |
| Surplus realised on disposal | (38.3) | – | (38.3) |
| Balance at 1 January 2007 | 2,324.0 | (194.7) | 2,129.3 |
| Exchange movement | 3.1 | 2.1 | 5.2 |
| Surplus on development properties – SORIE | 3.3 | 2.4 | 5.7 |
| Valuation deficit on investment properties transferred from retained earnings | (349.1) | (2.1) | (351.2) |
| Valuation surplus on joint ventures transferred from retained earnings | – | 2.7 | 2.7 |
| Minority interest on investment property valuation surplus | (0.6) | – | (0.6) |
| Reserve transfer | (368.3) | 147.7 | (220.6) |
| Surplus realised on disposal | (34.8) | – | (34.8) |
| Balance at 31 December 2007 | 1,577.6 | (41.9) | 1,535.7 |

This reserve shows the surpluses and deficits on revaluing investment and development properties, and the deferred tax thereon. These are unrealised and thus not available for distribution to shareholders, until realisation through sale.

34. Other reserves

| | Notes | Group | | Company | |
|---|-------|-------------|------------|-------------|------------|
| | | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Share-based payment reserve | 35 | 9.8 | 4.5 | 3.2 | 1.5 |
| Fair value reserve for available-for-sale investments | 36 | 9.6 | 7.4 | – | – |
| Translation and other reserves | 37 | 46.6 | 58.5 | 47.4 | 47.4 |
| Total other reserves | | 66.0 | 70.4 | 50.6 | 48.9 |

Notes to the financial statements

114. 35. Share-based payment reserve

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Balance at 1 January | 4.5 | 2.9 | 1.5 | 2.9 |
| Shares vested | (1.2) | (0.8) | (1.0) | (0.5) |
| Reserve transfer | (0.4) | (0.5) | (0.3) | – |
| Transfer to subsidiary | – | – | – | (1.8) |
| Movement in the fair value of share based payments | 6.9 | 2.9 | 3.0 | 0.9 |
| Balance at 31 December | 9.8 | 4.5 | 3.2 | 1.5 |

This reserve represents the fair value of the share options granted for the share-based payments and is deemed to be non-distributable.

36. Fair value reserve for available-for-sale investments

| Group | Fair value reserve £m | Related deferred tax £m | Total £m |
|---|-----------------------------|-------------------------------|-------------|
| Balance at 1 January 2006 | 14.5 | (4.3) | 10.2 |
| Exchange movement | (1.0) | 0.3 | (0.7) |
| Movement in fair value – SORIE | 7.5 | (3.0) | 4.5 |
| Reserve transfer | – | (0.4) | (0.4) |
| Transfer to income statement on realisation | (9.6) | 3.4 | (6.2) |
| Balance at 1 January 2007 | 11.4 | (4.0) | 7.4 |
| Exchange movement | 0.5 | (0.1) | 0.4 |
| Movement in fair value – SORIE | 8.1 | (2.0) | 6.1 |
| Transfer to income statement on realisation | (7.9) | 3.6 | (4.3) |
| Balance at 31 December 2007 | 12.1 | (2.5) | 9.6 |

The fair value reserve represents unrealised surpluses and deficits from the revaluation of available-for-sale investments. When these investments are realised the amounts are transferred to income for the period. There is no fair value reserve for the Company.

37. Translation and other reserves

| | Group | | | Company | |
|--|-------------------------------|---------------------------------|--------------------------------|-------------|--------------------------------|
| | Realised translation £m | Unrealised translation £m | Asset surplus reserve £m | Total £m | Asset surplus reserve £m |
| Balance at 1 January 2006 | (7.2) | (1.3) | 47.4 | 38.9 | 47.4 |
| Exchange arising on translation of international operations | 35.1 | (14.8) | – | 20.3 | – |
| Reserve transfer | (3.5) | 2.8 | – | (0.7) | – |
| Balance at 1 January 2007 | 24.4 | (13.3) | 47.4 | 58.5 | 47.4 |
| Exchange arising on translation of international operations | 4.1 | (3.2) | – | 0.9 | – |
| Exchange recycled to income statement on sale of US property business | (30.4) | 2.3 | – | (28.1) | – |
| Reserve transfer | 0.4 | 14.9 | – | 15.3 | – |
| Balance at 31 December 2007 | (1.5) | 0.7 | 47.4 | 46.6 | 47.4 |

The translations reserve is for exchange differences on re-translating net investment in international operations, and is not distributable until realised. The asset surplus reserve relates to acquisition of assets in the early 1990s, and will be deemed distributable when those assets are disposed.

38. Retained earnings

115.

| | Group | | Company | |
|---|--------------|------------|----------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Balance at 1 January | 698.3 | 581.4 | 1,146.3 | 779.3 |
| Dividends paid | (341.9) | (84.0) | (341.9) | (84.0) |
| Net (loss)/profit for the year (net of minority interest) | (74.9) | 916.5 | 686.0 | 425.9 |
| Actuarial gains on defined benefit pension schemes | 6.8 | 10.2 | 6.6 | 11.8 |
| Tax on items taken directly to equity | (0.3) | (7.0) | – | (8.1) |
| Transfer valuation deficit/(surplus) to revaluation reserve | 349.1 | (532.2) | – | – |
| Transfer minority interest relating to valuation surplus | 0.6 | 2.6 | – | – |
| Transfer deferred tax on valuation surplus to revaluation reserve | 2.1 | (214.1) | – | – |
| Transfer minority interest in deferred tax relating to valuation surplus | – | (1.0) | – | – |
| Transfer valuation surplus of joint ventures and associates to revaluation reserve ¹ | (2.7) | (5.4) | – | – |
| Exchange recycled on the sale of the US property business | 31.6 | – | – | – |
| Prior year valuation surpluses realised on disposal ¹ | 34.8 | 38.3 | – | – |
| Reserves realised on the sale of the US property business | 220.6 | – | – | – |
| Other reserve transfers | (14.9) | 22.1 | 0.3 | 21.4 |
| Exchange movements | 7.9 | (29.1) | – | – |
| Balance at 31 December | 917.1 | 698.3 | 1,497.3 | 1,146.3 |

1 These figures are shown net of related deferred tax.

The 2007 retained earnings of the Group and Company qualify as entirely distributable, as did the 2006 retained earnings.

| Retained (deficit)/profit for the Group in the year arises in: | 2007 £m | 2006 £m |
|--|---------------|------------|
| Parent company | 686.0 | 425.9 |
| Subsidiaries | (763.5) | 511.9 |
| Joint ventures and associates | 2.6 | (21.3) |
| | (74.9) | 916.5 |

39. Commitments

Contractual obligations to purchase, construct, develop, repair, maintain or enhance assets are as follows:

| Group | UK | | International | | Total | |
|----------------------------------|-------------|------------|---------------|------------|--------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Properties | 97.8 | 104.0 | 216.0 | 226.3 | 313.8 | 330.3 |
| Available-for-sale investments | 1.0 | 4.7 | 4.9 | 4.3 | 5.9 | 9.0 |
| Utilities plant | – | 2.3 | – | – | – | 2.3 |
| Other plant and equipment | – | 0.1 | – | – | – | 0.1 |
| Total capital commitments | 98.8 | 111.1 | 220.9 | 230.6 | 319.7 | 341.7 |

The Group's share of capital commitments of joint ventures and associates is:

| | | | | | | |
|------------|-----|------|-----|------|------|------|
| Properties | 3.3 | 29.5 | 7.3 | 26.3 | 10.6 | 55.8 |
|------------|-----|------|-----|------|------|------|

There are no significant commitments relating to repairs, maintenance or enhancements relating to investment properties at 31 December 2007 and 2006.

Notes to the financial statements

116. 40. Contingent liabilities

The Group sold Slough Heat & Power and the US property business during the year and has provided certain representations and warranties which are usual for transactions of this nature, including representations and warranties relating to financial, regulatory, tax, employee, intellectual property, environmental, insurance and legal matters. The Group is not aware of any event that has occurred that would result in a provision to be made at 31 December 2007 in relation to the representations and warranties provided.

The Group has given performance guarantees to third parties amounting to £9.4 million (2006 £8.5 million) in respect of development contracts of subsidiary undertakings. It is unlikely that these contingencies will crystallise.

The Company has guaranteed loans and bank overdrafts of subsidiary undertakings aggregating £569.2 million (2006 £799.3 million). All of these loans and overdrafts are included in the consolidated balance sheet.

41. Operating leases

The Group as lessor

| | 2007 £m | 2006 £m |
|---|----------------|------------|
| Future aggregate minimum rentals receivable under non-cancellable operating leases are: | | |
| Not later than one year | 255.7 | 274.8 |
| Later than one year but not later than five years | 848.7 | 978.6 |
| Later than five years | 685.3 | 1,327.9 |
| | 1,789.7 | 2,581.3 |

The Group as lessee

| | 2007 £m | 2006 £m |
|--|------------|------------|
| At 31 December, annual commitments on operating leases on land and buildings were: | | |
| Leases which expire – later than one year but not later than five years | 0.2 | 0.2 |
| – later than five years | 1.6 | 0.2 |
| Total annual minimum rental income from sublease receipts expected to be received | 0.2 | 0.2 |
| Recognised as an expense in current year on operating leases | 0.2 | 0.2 |

The Group has three properties under operating leases expiring in 2009, 2014 and 2017. Lease payments are subject to rent reviews to reflect market rents and none of the leases include contingent rents.

Lease agreements for properties held as investment property are accounted for as if they were finance leases.

One of the leased properties, which has been sublet by the Group, has been classified as an onerous lease. The lease and sublease expire in 2017. Sublease payments of £0.2 million are expected to be received during next year. The Group has recognised a provision of £0.2 million in respect of this lease.

| | 2007 £m | 2006 £m |
|--|-------------|------------|
| Future aggregate minimum lease payments on non-cancellable operating leases are: | | |
| Leases which expire – not later than one year | 0.5 | 0.4 |
| – later than one year but not later than five years | 6.7 | 1.4 |
| – later than five years | 4.7 | 1.2 |
| | 11.9 | 3.0 |

42. Share-based payment arrangements

117.

During the period ended 31 December 2007, the Group had five share-based payment arrangements, which are described below. In each case, the expected volatility was determined by calculating historical volatility of the Group's share price over multiple time periods.

42(i) – Executive share option plan

The options in the Executive share option plan are exercisable after three years but before ten years subject to performance criteria. The employee would normally have to remain with the Group for the three year period. If the performance conditions have not been met by the third anniversary of the date of the grant the options lapse. The performance criteria are based on an increase in adjusted diluted earnings per share by the Retail Price Index (RPI) plus 3 per cent per annum over the three year period.

| | 2007 | | 2006 | |
|------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| At 1 January | 2,209,295 | 473.4p | 3,811,671 | 386.0p |
| Options exercised | (219,699) | 323.5p | (1,490,419) | 303.8p |
| Options expired/lapsed | (1,141,568) | 467.8p | (111,957) | 466.0p |
| At 31 December | 848,028 | 425.8p | 2,209,295 | 473.4p |

The options outstanding at 31 December 2007 were exercisable between 290.0p and 476.8p per share. The grants made since 7 November 2002 have been fair valued using the Black-Scholes model. The main assumptions are as follows:

| Grant date | 6-Jan-03 | 20-Mar-03 | 14-May-04 | 2-Sep-04 | 29-Apr-05 |
|-----------------------------|----------|-----------|-----------|----------|-----------|
| Exercise price/market price | 344.0p | 290.0p | 467.7p | 459.8p | 476.8p |
| Risk-free interest rate | 5.1% | 5.1% | 5.1% | 5.1% | 4.8% |
| Dividend yield | 3.9% | 4.8% | 3.2% | 3.3% | 4.0% |
| Volatility | 20.3% | 21.3% | 22.6% | 22.7% | 21.0% |
| Term of option | 4 years | 4 years | 4 years | 4 years | 4 years |
| Fair value per share | 53p | 42p | 87p | 85p | 73p |

42(ii) – Save-as-you-earn option scheme (SAYE)

The save-as-you-earn options are exercisable after three or five or seven years and are not subject to any performance criteria except the employees must remain with the Group for the term of the option.

| | 2007 | | 2006 | |
|------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| At 1 January | 810,285 | 325.4p | 989,218 | 274.4p |
| Options granted | 275,863 | 446.2p | 167,471 | 501.2p |
| Options exercised | (135,225) | 299.0p | (295,633) | 249.7p |
| Options expired/lapsed | (136,685) | 502.8p | (50,771) | 348.5p |
| At 31 December | 814,238 | 341.2p | 810,285 | 325.4p |

Notes to the financial statements

118. 42. Share-based payment arrangements (continued)

42(iii) – Save-as-you-earn option scheme (SAYE) (continued)

The options outstanding at 31 December 2007 were exercisable between 218.4p and 608.4p per share. The grants made since 7 November 2002 have been fair valued using the Black-Scholes model. The assumptions are as follows:

| Grant date | 19-Mar-03 | 28-Aug-03 | 17-Mar-04 | 26-Aug-04 | 23-Mar-05 | 22-Sep-05 | 13-Apr-06 | 13-Sep-06 | 30-Mar-07 | 26-Sep-07 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Market price | 290.0p | 380.8p | 465.5p | 465.0p | 493.5p | 540.5p | 604.0p | 660.5p | 760.5p | 514.0p |
| Exercise price | 218.4p | 304.6p | 372.4p | 372.0p | 394.8p | 432.4p | 483.2p | 528.4p | 608.4p | 411.2p |
| Risk-free interest rate | 5.1% | 5.1% | 5.1% | 5.1% | 4.8% | 4.8% | 4.7% | 4.7% | 5.2% | 5.8% |
| Dividend yield | 4.8% | 3.8% | 4.8% | 4.1% | 3.8% | 3.5% | 2.9% | 2.9% | 2.7% | 3.7% |
| Volatility | 21.2% | 22.4% | 22.6% | 22.7% | 21.0% | 21.2% | 22.0% | 22.0% | 22.1% | 23.3% |
| Term of option | 3-5-7 years | 3-5-7 years | 3-5-7 years | 3-5-7 years | 3-5-7 years | 3-5-7 years | 3-5-7 years | 3-5-7 years | 3-5-7 years | 3-5-7 years |
| Fair value per share three years | 74p | 96p | 123p | 122p | 118p | 134p | 158p | 172p | 209p | 137p |
| Fair value per share five years | 74p | 103p | 135p | 134p | 126p | 144p | 174p | 191p | 234p | 149p |
| Fair value per share seven years | 73p | 106p | 142p | 140p | 129p | 150p | 184p | 202p | 250p | 156p |

Details of share options exercisable at 31 December 2007

| Date of grant | Scheme | Price per share | Number of shares | Exercisable between |
|-------------------|-------------------------------------|--------------------|---------------------|---------------------|
| 21 March 2001 | Save-as-you-earn option scheme 1981 | 296.4 | 8,678 | 2001 and 2008 |
| 28 March 2001 | Executive share option plan 1994 | 356.5 | 53,118 | 2004 and 2011 |
| 30 August 2001 | Save-as-you-earn option scheme 1981 | 284.8 | 6,064 | 2004 and 2008 |
| 29 August 2002 | Save-as-you-earn option scheme 1981 | 276.4 | 12,520 | 2004 and 2008 |
| 19 March 2003 | Save-as-you-earn option scheme 1981 | 218.4 | 303,332 | 2006 and 2010 |
| 20 March 2003 | Executive share option plan 2002 | 290.0 | 197,026 | 2006 and 2013 |
| 28 August 2003 | Save-as-you-earn option scheme 1981 | 304.6 | 34,794 | 2006 and 2010 |
| 17 March 2004 | Save-as-you-earn option scheme 1981 | 372.4 | 18,177 | 2007 and 2011 |
| 26 August 2004 | Save-as-you-earn option scheme 1981 | 372.0 | 21,855 | 2007 and 2011 |
| 23 March 2005 | Save-as-you-earn option scheme 1981 | 394.8 | 53,286 | 2008 and 2012 |
| 29 April 2005 | Executive share option plan 2002 | 476.8 | 597,884 | 2008 and 2015 |
| 22 September 2005 | Save-as-you-earn option scheme 1981 | 432.4 | 35,148 | 2008 and 2012 |
| 13 April 2006 | Save-as-you-earn option scheme 1981 | 483.2 | 55,567 | 2009 and 2013 |
| 13 September 2006 | Save-as-you-earn option scheme 1981 | 528.4 | 32,991 | 2009 and 2013 |
| 30 March 2007 | Save-as-you-earn option scheme 1981 | 608.4 | 12,664 | 2010 and 2014 |
| 26 September 2007 | Save-as-you-earn option scheme 1981 | 411.2 | 219,162 | 2010 and 2014 |
| Total | | | 1,662,266 | |

The weighted average remaining contractual life for share options outstanding at the year end is 1.77 years (2006 1.95 years).

42(iii) – Long-term incentive scheme (LTIS)

Awards under the LTIS are granted at the discretion of the trustees of the scheme on the recommendation of the Remuneration Committee. Employees are granted the right to shares which will vest at the end of a three year period subject to meeting certain performance criteria. The Company does not issue shares. The shares are purchased on the open market and placed with the trustees for the three year period. Dividends are waived.

| | 2007 | | 2006 | |
|-----------------------|------------------|---------------------------------------|------------------|---------------------------------------|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| At 1 January | 1,780,340 | 536.8p | 1,223,783 | 398.2p |
| Shares granted | 1,056,937 | 635.1p | 950,978 | 589.2p |
| Shares vested | (169,456) | 522.1p | (92,367) | 323.8p |
| Shares sold | (103,280) | 522.6p | (55,252) | 325.8p |
| Shares expired/lapsed | (125,003) | 454.6p | (246,802) | 332.1p |
| At 31 December | 2,439,538 | 585.6p | 1,780,340 | 536.8p |

42. Share-based payment arrangements (continued)

119.

42(iii) – Long-term incentive scheme (LTIS) (continued)

At 31 December 2007, employees held the right to be granted 2,439,538 shares (2006 1,780,340) if performance criteria are met. The Black-Scholes model has been used to fair value the shares granted since 7 November 2002. The assumptions used are as follows:

| Grant date | 7-Jan-03 | 20-Mar-03 | 1-Apr-04 | 2-Sep-04 | 4-May-05 | 25-May-06 | 29-Jun-07 |
|-----------------------------|----------|-----------|----------|----------|----------|-----------|-----------|
| Exercise price/market price | 344.0p | 306.0p | 433.2p | 461.0p | 491.2p | 589.2p | 635.1p |
| Risk-free interest rate | 5.0% | 5.0% | 5.0% | 5.0% | 4.8% | 4.6% | 5.8% |
| Dividend yield | 4.6% | 4.6% | 3.5% | 3.3% | 3.9% | 2.9% | 3.0% |
| Volatility | 20.0% | 21.3% | 20.0% | 20.0% | 21.0% | 22.0% | 22.0% |
| Term of option | 3 years | 3 years | 3 years | 3 years | 3 years | 3 years | 3 years |
| Fair value per share | 299p | 267p | 390p | 417.8p | 437p | 540p | 580p |

42(iv) – Share incentive plan

The share incentive plan started in May 2003. An employee is entitled to a percentage of their salary in shares which is capped. The shares are held in trust for five years and then released to the employee. There are no performance conditions except that the employee must remain with the Group for at least three years.

| | 2007 | | 2006 | |
|--|----------|---------------------------------|----------|---------------------------------|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| At 1 January | 485,725 | 467.0p | 464,632 | 432.4p |
| Shares granted | 118,168 | 578.7p | 116,354 | 581.2p |
| Shares paid out to leavers – pre-consolidation | (21,983) | 456.5p | (60,496) | 442.5p |
| Shares not paid out to leavers – pre-consolidation | (6,901) | 531.1p | (34,765) | 425.1p |
| Share consolidation August 2007 | (44,359) | 490.4p | – | – |
| Shares paid out to leavers – post consolidation | (19,186) | 496.7p | – | – |
| At 31 December | 511,464 | 512.5p | 485,725 | 467.0p |

Of the shares outstanding at 31 December 2007, 509,575 (2006 485,725) were exercisable. The fair values of the share incentive plan were determined by the price of the shares at the date of the grant.

42(v) – Cash settled overseas senior employees' scheme

The plan for overseas senior employees is a cash settlement scheme which mirrors the performance of the Executive share option plan in 42(i) above. A notional number of shares are granted to the employee equal to 100 per cent of their salary and divided by the share price on the date of the grant. 78,271 shares were granted in 2005, based on the performance and assumptions of the Executive share option plan on 29 April 2005. The Black-Scholes model was used to fair value these shares at prevailing market rates, at a share price of 476.8p per share.

42(vi) – Total payments

The total payments for share based payments for the Group were £6.9 million (2006 £2.9 million).

43. Related party transactions

Group

Transactions between Group companies have been eliminated on consolidation and are not disclosed in this note. Transactions during the year between the Group and its joint ventures and associates are disclosed below.

| | Associates | | Joint ventures | | Total | |
|-----------------------------------|------------|------------|----------------|------------|------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| New loans during the year | 0.1 | 0.5 | 9.1 | 9.0 | 9.2 | 9.5 |
| Loans outstanding at the year end | 0.6 | 0.5 | 43.3 | 34.2 | 43.9 | 34.7 |
| Dividends received | 0.2 | 0.3 | 4.6 | 34.4 | 4.8 | 34.7 |

None of the above balances are secured. All of the above transactions are made on terms equivalent to those that prevail in arms length transactions.

Notes to the financial statements

120. 43. Related party transactions (continued)

Company

The transactions between the Company and other Group companies and related parties are shown below:

| Nature of transaction | 2007 £m | 2006 £m |
|---------------------------------|------------|------------|
| Dividends | 635.2 | 487.9 |
| Preference dividends | – | 10.8 |
| Redemption of preference shares | – | 10.0 |
| Investment | (123.4) | (501.0) |
| Interest receivable | 130.9 | 107.0 |
| Interest payable | – | (2.5) |
| Management fee | 0.1 | 0.1 |
| Recharge | (4.0) | (2.9) |
| | 638.8 | 109.4 |

Employer contributions to the SEGRO Retirement Benefit Scheme for 2007 were £2.6 million (2006 £2.6 million).

Balances outstanding between the parent company and related parties are shown below:

| | Amounts owed by | | Amounts owed to | |
|--|-----------------|------------|-----------------|------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Group companies | 1,869.7 | 1,661.4 | (235.2) | (345.0) |
| less provision for bad or doubtful debts | (66.1) | (123.5) | – | – |
| Group companies, net | 1,803.6 | 1,537.9 | (235.2) | (345.0) |
| Other | 13.3 | 3.9 | – | – |
| | 1,816.9 | 1,541.8 | (235.2) | (345.0) |

None of the above balances are secured and transactions are made on terms equivalent to those that prevail in arms length transactions.

Directors' and executives' remuneration

Remuneration payable to the Directors and other members of key management during the year was as follows:

| | 2007 £m | 2006 £m |
|---|------------|------------|
| Salaries, bonuses and other short-term benefits | 7.9 | 5.6 |
| Post-employment benefits | 0.9 | 1.0 |
| Share-based payments | 2.6 | 0.9 |
| | 11.4 | 7.5 |

The remuneration of the Directors and key executives is decided by the Remuneration Committee having regard to comparable market statistics.

44. Notes to cash flow statements

121.

44(i) – Reconciliation of cash generated from operations

| | Group | | Company | |
|---|--------------|--------------|---------------|---------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Continuing operations | | | | |
| Operating (loss)/profit | (165.9) | 584.9 | 627.6 | 367.9 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 1.3 | 1.9 | – | – |
| Share of profits from joint ventures and associates | (5.6) | (9.7) | – | – |
| Profit on sale of properties | (3.0) | (4.8) | – | – |
| Loss on disposal of subsidiary | – | – | – | 0.5 |
| Net negative goodwill written off | (0.9) | – | – | – |
| Revaluation surplus on investment properties | 385.2 | (392.7) | – | – |
| Other income reallocated | (18.9) | (9.5) | (635.2) | (487.9) |
| Other provisions | – | – | (9.1) | 101.8 |
| | 192.2 | 170.1 | (16.7) | (17.7) |
| Changes in working capital: | | | | |
| Increase in trading properties | (19.2) | (108.8) | – | – |
| (Increase)/decrease in debtors | (55.5) | (13.2) | 0.2 | (4.1) |
| Increase/(decrease) in creditors | 30.3 | 26.6 | (0.9) | 2.5 |
| Net cash inflow/(outflow) generated from continuing operations | 147.8 | 74.7 | (17.4) | (19.3) |
| Discontinued operations | | | | |
| Operating profit | 522.5 | 200.4 | – | – |
| Adjustments for: | | | | |
| Profit from sale of Slough Heat & Power | (7.7) | – | – | – |
| Profit from sale of US property business | (437.3) | – | – | – |
| Depreciation of property, plant and equipment | 3.7 | 2.8 | – | – |
| Share of profits from joint ventures and associates | (1.8) | (3.6) | – | – |
| Revaluation surplus on investment properties | (36.1) | (139.5) | – | – |
| Other income reallocated | 0.5 | 1.0 | – | – |
| | 43.8 | 61.1 | – | – |
| Changes in working capital: | | | | |
| (Increase)/decrease in inventories | (0.3) | 0.6 | – | – |
| Increase in debtors | (7.9) | (0.7) | – | – |
| (Decrease)/increase in creditors | (1.5) | 1.9 | – | – |
| Net cash inflow generated from discontinued operations | 34.1 | 62.9 | – | – |
| Net cash inflow/(outflow) generated from operations | 181.9 | 137.6 | (17.4) | (19.3) |

44(ii) – Cash flows from discontinued operations

| | 2007 £m | 2006 £m |
|---|----------------|--------------|
| Net cash flows after tax of the US property business and Slough Heat & Power | | |
| Net cash flows from operating activities | 16.5 | 38.0 |
| Net cash flows from investing activities | (116.2) | (121.0) |
| Net cash flows from financing activities | (217.5) | 299.3 |
| Net cash (outflow)/inflow | (317.2) | 216.3 |

44(iii) – Issue of shares

| Group and Company | Ordinary share capital £m | Share premium £m | Total £m |
|------------------------------------|---------------------------------|------------------------|--------------|
| Balance at 1 January 2007 | 118.0 | 367.3 | 485.3 |
| Ordinary shares issued for cash | 0.1 | 1.6 | 1.7 |
| Balance at 31 December 2007 | 118.1 | 368.9 | 487.0 |

Notes to the financial statements

122.

44. Notes to cash flow statements (continued)

44(iv) – Reconciliation of net cash flow to movement in net debt

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2007 £m | 2006 £m | 2007 £m | 2006 £m |
| Increase/(decrease) in cash in the year | 185.5 | (15.1) | 51.0 | 22.3 |
| Increase in debt | (62.4) | (331.5) | (43.8) | (7.6) |
| Repayment of debt | 424.3 | 10.1 | 151.8 | 168.3 |
| Increase in restricted deposit | 0.2 | 3.9 | – | – |
| Change in net debt resulting from cash flows | 547.6 | (332.6) | 159.0 | 183.0 |
| Translation difference | (24.0) | 96.2 | (19.5) | 44.6 |
| Conversion of preference shares | – | 106.5 | – | 106.5 |
| Non-cash adjustments | (1.3) | (1.2) | 0.5 | (1.4) |
| Movement in net debt in the year | 522.3 | (131.1) | 140.0 | 332.7 |
| Net debt brought forward | (2,223.4) | (2,092.3) | (1,450.9) | (1,783.6) |
| Net debt carried at 31 December | (1,701.1) | (2,223.4) | (1,310.9) | (1,450.9) |

44(v) – Deposits

Term deposits for a period of three months or less are included within cash and cash equivalents. The restricted deposit relates to cash held within an account against which a Letter of Credit has been issued.

44(vi) – Analysis of net debt

| | Notes | At 1 January 2007 £m | Cash flow £m | Non-cash adjustment* £m | On purchase of subsidiaries £m | On disposal of subsidiaries £m | Exchange movement £m | At 31 December 2007 £m |
|-------------------------|-------|-------------------------------|-----------------|-------------------------------|---|---|----------------------------|---------------------------------|
| Group | | | | | | | | |
| Bank loans | | | | | | | | |
| and loan capital | | (2,378.3) | 361.9 | (1.3) | – | – | (27.7) | (2,045.4) |
| Bank overdrafts | | (6.5) | 3.0 | – | – | – | (0.5) | (4.0) |
| Total borrowings | 24 | (2,384.8) | 364.9 | (1.3) | – | – | (28.2) | (2,049.4) |
| Cash in hand | | | | | | | | |
| and at bank | 21 | 157.5 | 180.6 | – | 3.8 | (1.9) | 4.2 | 344.2 |
| Restricted deposits | | 3.9 | 0.2 | – | – | – | – | 4.1 |
| Net debt | | (2,223.4) | 545.7 | (1.3) | 3.8 | (1.9) | (24.0) | (1,701.1) |
| Company | | | | | | | | |
| Bank loans | | | | | | | | |
| and loan capital | | (1,471.7) | 108.0 | 0.5 | – | – | (20.2) | (1,383.4) |
| Bank overdrafts | | (0.1) | (0.2) | – | – | – | – | (0.3) |
| Total borrowings | 24 | (1,471.8) | 107.8 | 0.5 | – | – | (20.2) | (1,383.7) |
| Cash in hand | | | | | | | | |
| and at bank | 21 | 20.9 | 51.2 | – | – | – | 0.7 | 72.8 |
| Net debt | | (1,450.9) | 159.0 | 0.5 | – | – | (19.5) | (1,310.9) |

* The non-cash adjustment relates to the amortisation of issue costs offset against borrowings, and interest on forward currency contracts.

45. Group entities

123.

The principal entities at 31 December 2007 are listed below (all equity holdings unless otherwise stated).

| | Country of incorporation/ operation | Subsidiaries % holding | Joint ventures % holding |
|---|---|---------------------------|--------------------------------|
| Property | | | |
| * Allnatt London Properties PLC | England | 100 | |
| * Bilton p.l.c. | England | 100 | |
| Cambridge Research Park Limited | England | 100 | |
| Farnborough Business Park Limited | England | 100 | |
| HelioSlough Limited | England | | 50 |
| SEGRO BV (operating in Netherlands, Italy and Central Europe) | Netherlands | 100 | |
| * Shopping Centres Limited | England | | 50 |
| SEGRO Commercial Properties GmbH | Germany | 100 | |
| SEGRO France | France | 100 | |
| SEGRO Investments Limited (operating in Germany) | England | 100 | |
| SEGRO Industrial Estates Limited | England | 100 | |
| SEGRO Management N.V. | Belgium | 100 | |
| * SEGRO Properties Limited | England | 100 | |
| SEGRO Properties N.V. | Belgium | 100 | |
| * Slough Trading Estate Limited | England | 100 | |
| Woodside & Heywood Manager Limited | England | 100 | |
| Service | | | |
| * SEGRO Administration Limited | England | 100 | |
| * SEGRO Finance plc | England | 100 | |

* Held directly by SEGRO plc.

46. Disclosures of discontinued operations

Discontinued operations comprise the Group's US property business and Slough Heat & Power (a company which provided electricity, water and steam). The agreement to dispose of the US property business was signed on 4 June 2007 and the disposal completed on 1 August 2007. The agreement to dispose of Slough Heat & Power was signed on 14 November 2007 and the disposal completed on 31 December 2007.

Summarised income statement of discontinued operations

| | Year to 31 December 2007 | | | Year to 31 December 2006 | | |
|---|-------------------------------|------------------------------|---------------|-------------------------------|------------------------------|-------------|
| | US property business £m | Slough Heat & Power £m | Total £m | US property business £m | Slough Heat & Power £m | Total £m |
| Revenue | 54.4 | 44.7 | 99.1 | 76.4 | 43.3 | 119.7 |
| Expenses | (48.5) | (42.3) | (90.8) | (33.4) | (41.2) | (74.6) |
| Valuation gains | 36.1 | – | 36.1 | 139.5 | – | 139.5 |
| Profit before tax | 42.0 | 2.4 | 44.4 | 182.5 | 2.1 | 184.6 |
| Tax credit/(charge) – current | 2.2 | – | 2.2 | (6.8) | 0.8 | (6.0) |
| – deferred | (18.6) | – | (18.6) | (70.1) | (1.0) | (71.1) |
| Profit after tax from operations | 25.6 | 2.4 | 28.0 | 105.6 | 1.9 | 107.5 |
| Profit from sale after tax | 134.9 | 7.7 | 142.6 | – | – | – |
| Total profit after tax | 160.5 | 10.1 | 170.6 | 105.6 | 1.9 | 107.5 |

Notes to the financial statements

124. 46. Disclosures of discontinued operations (continued)

Statement of recognised income and expense (SORIE) of discontinued operations

| | Year to 31 December 2007 £m | Year to 31 December 2006 £m |
|--|--------------------------------------|--------------------------------------|
| Revaluation (losses)/gains on properties in course of development | (7.9) | 6.7 |
| Exchange movement arising on translation of international operations | (12.3) | (62.0) |
| Other items taken directly to equity | 3.6 | (3.8) |
| Net loss recognised directly in equity | (16.6) | (59.1) |
| Profit for the period from discontinued operations | 28.0 | 107.5 |
| Total recognised income and expense for the year | 11.4 | 48.4 |

Summarised balance sheet of discontinued operations

| | As at dates of disposal in 2007 | | | As at 31 December 2006 | | |
|--|---------------------------------|------------------------------|----------------|-------------------------------|------------------------------|----------------|
| | US property business £m | Slough Heat & Power £m | Total £m | US property business £m | Slough Heat & Power £m | Total £m |
| Investment properties | 1,008.9 | – | 1,008.9 | 972.0 | – | 972.0 |
| Development and owner occupied properties | 158.5 | – | 158.5 | 161.4 | 1.2 | 162.6 |
| Investments in joint ventures and associates | 26.4 | – | 26.4 | 21.5 | – | 21.5 |
| Other assets | 88.8 | 59.0 | 147.8 | 20.6 | 51.4 | 72.0 |
| Total assets | 1,282.6 | 59.0 | 1,341.6 | 1,175.5 | 52.6 | 1,228.1 |
| Borrowings | 611.1 | – | 611.1 | 531.5 | – | 531.5 |
| Deferred tax provision | 228.5 | 8.7 | 237.2 | 220.6 | 8.8 | 229.4 |
| Other liabilities | 36.0 | 9.7 | 45.7 | 23.0 | 7.8 | 30.8 |
| Total liabilities | 875.6 | 18.4 | 894.0 | 775.1 | 16.6 | 791.7 |
| Net assets disposed of | 407.0 | 40.6 | 447.6 | 400.4 | 36.0 | 436.4 |

Profit on sale of discontinued operations

| | US property business £m | Slough Heat & Power £m | Total £m |
|--|-------------------------------|------------------------------|----------------|
| Gross proceeds | 1,470.7 | 50.9 | 1,521.6 |
| Selling costs | (20.2) | (2.6) | (22.8) |
| Net proceeds | 1,450.5 | 48.3 | 1,498.8 |
| Debt repaid | (602.7) | – | (602.7) |
| Consideration received | 847.8 | 48.3 | 896.1 |
| Net assets disposed | (407.0) | (40.6) | (447.6) |
| Cumulative exchange translation loss recycled on disposals | (3.5) | – | (3.5) |
| Profit on sale before tax | 437.3 | 7.7 | 445.0 |
| Tax on sale | (302.4) | – | (302.4) |
| Profit on sale after tax | 134.9 | 7.7 | 142.6 |

Proceeds in the cash flow statement are made up as follows:

| | | | |
|--|----------------|-------------|----------------|
| Net consideration (net of expenses) | 1,450.5 | 48.3 | 1,498.8 |
| Deferred consideration less cost outstanding | 6.8 | 1.6 | 8.4 |
| Non cash adjustment | (3.5) | (2.1) | (5.6) |
| | 1,453.8 | 47.8 | 1,501.6 |
| Less cash and cash equivalents disposed of | (1.9) | – | (1.9) |
| | 1,451.9 | 47.8 | 1,499.7 |

47. Acquisitions

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a) Vimercate

On 9 August 2007, the Group acquired 100 per cent of the voting equity in Europa Swan SARL, now SEGRO Lux Vimercate (Vimercate), a company incorporated in Luxembourg, for £69.4 million. Vimercate was previously part of the Europa Capital Group, and is owner of a business park at Vimercate, North East Milan, close to the A51 Eastern Milan bypass.

The Vimercate business park is in a well-established zone where many of the leading technology and communications sector businesses are based. The Vimercate business park has potential for significant further development itself and is also adjacent to the keystone Torre Bianche mixed use development complex.

b) Lyon

On 10 August 2007, the Group acquired 100 per cent of the voting equity in Bowland SARL, a company registered in Luxembourg, for £30.2 million. Bowland SARL was previously owned jointly by Longbow S. A. (a subsidiary of Longbow plc) and by the Apollo Real Estate Fund. Bowland SARL owns a portfolio of warehousing and light industrial buildings close to Lyon airport at St. Exupéry.

The acquisition of the Lyon portfolio gives the Group an immediate presence in the main area for logistics premises in the Lyon region, with the potential benefit of further-improved transport links over the medium term. The portfolio is of higher than average quality for the French provinces, for which the trend of occupier demand relative to present supply is indicated as encouraging.

The acquisitions have been accounted for using the purchase method of accounting. For Lyon, it was considered on reassessment that the goodwill that had arisen on acquisition had no value and therefore it was written off to the income statement. For Vimercate, negative goodwill arose on acquisition which has been immediately credited to the income statement and is included within property operating expenses. Details of the book values and the fair values of the assets and liabilities at the dates of the acquisitions, after making the necessary adjustments described above, are summarised as follows:

| | Book values Lyon £m | Book values Vimercate £m | Fair value adjustment £m | Fair value £m |
|---|------------------------------|--------------------------------|--------------------------------|---------------------|
| Non-current assets – investment properties | 14.3 | 45.5 | 37.4 | 97.2 |
| Other current assets | – | 0.4 | – | 0.4 |
| Deferred tax liability | – | – | (8.9) | (8.9) |
| Receivables | 1.3 | 9.0 | – | 10.3 |
| Cash | 0.4 | 3.4 | – | 3.8 |
| Current liabilities falling due within one year | (0.9) | (1.4) | – | (2.3) |
| Net assets at date of acquisition | 15.1 | 56.9 | 28.5 | 100.5 |
| Negative goodwill arising on acquisitions, net | | | | (0.9) |
| Total consideration | | | | 99.6 |

Estimates have been applied in arriving at certain costs relating to the acquisition and therefore the goodwill has been determined provisionally at 31 December 2007.

Notes to the financial statements

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47. Acquisitions (continued)

| Consideration paid is made up as follows: | Lyon £m | Vimercate £m | Total £m |
|--|-------------|-----------------|-------------|
| Cash consideration paid for net assets | 4.7 | 12.4 | 17.1 |
| Expenses paid | 0.4 | 0.2 | 0.6 |
| Total consideration for net assets acquired | 5.1 | 12.6 | 17.7 |
| Settlement of intercompany loans | 5.6 | 23.2 | 28.8 |
| Settlement of bank borrowings | 19.5 | 33.6 | 53.1 |
| Acquisition cost | 30.2 | 69.4 | 99.6 |
| Less cash acquired | (0.4) | (3.4) | (3.8) |
| Acquisition cost per the cash flow | 29.8 | 66.0 | 95.8 |

If the acquisitions had been made at the beginning of the year, the results of continuing operations would have been as follows:

| | Continuing Group results* £m | Pre-acquisition | | Total £m |
|--------------------------------|------------------------------------|-----------------|-----------------|----------------|
| | | Lyon £m | Vimercate £m | |
| Revenue | 342.8 | 1.5 | 2.7 | 347.0 |
| (Loss)/profit before tax | (246.5) | 1.1 | 0.4 | (245.0) |
| Tax | 2.1 | (0.2) | (0.3) | 1.6 |
| (Loss)/profit after tax | (244.4) | 0.9 | 0.1 | (243.4) |

* The Group results include the post-acquisition results of Lyon and Vimercate. The loss before tax of the entities acquired, since the date of acquisition to 31 December 2007, amounts to £0.4 million.

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

We have audited the Group and Parent Company financial statements (the "financial statements") of SEGRO plc for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense and the related notes 1 to 47. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that information presented in the Business Review that is cross referred to the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code 2006 specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRSs

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended.

Deloitte and Touche LLP

Chartered Accountants and Registered Auditors
London, United Kingdom
5 March 2008

Five year financial results

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| | 2007 IFRS £m | 2006 IFRS £m | 2005 IFRS £m | 2004 IFRS £m | 2003 UK GAAP £m |
|---|--------------------|--------------------|--------------------|--------------------|-----------------------|
| Group income statement | | | | | |
| Net property rental income | 246.3 | 247.2 | 223.9 | 228.1 | 227.1 |
| Profit on sale of trading properties | 22.0 | 6.1 | 7.0 | 3.7 | 3.1 |
| Share of pre-tax operating profit from investment property joint ventures and associates less valuation gains | 3.1 | 3.2 | 4.7 | 13.5 | 15.1 |
| Share of operating profits/(losses) from trading property joint ventures | 1.6 | 3.8 | 0.6 | (0.8) | 0.2 |
| Net income from utilities | 2.4 | 2.1 | 1.2 | (4.1) | (4.2) |
| Net loss from gas | — | — | (2.1) | (3.3) | (3.5) |
| Other investment income | 18.4 | 8.5 | 5.5 | 6.1 | 4.8 |
| Administration expenses | (39.7) | (28.9) | (20.7) | (14.7) | (14.0) |
| Net finance cost including notional preference share interest less debt repayment and close out costs | (100.4) | (99.3) | (100.6) | (108.4) | (88.5) |
| Adjusted profit before tax and exceptional items | 153.7 | 142.7 | 119.5 | 120.1 | 140.1 |
| Exceptional lease surrender premium | — | — | 36.4 | 7.5 | — |
| Goodwill | 0.9 | — | — | — | — |
| Profits from the sale of Slough Heat & Power and US property business | 445.0 | — | — | — | — |
| Profits/(losses) from the sale of Quail West, Tipperary & joint ventures | — | — | 121.7 | 12.7 | (37.9) |
| Gains on sale of investment and development properties | 3.0 | 4.8 | 14.4 | 56.4 | 1.6 |
| Net valuation gains and losses including joint ventures and associates | (349.1) | 541.5 | 419.6 | 182.1 | — |
| Notional interest on preference shares | — | — | — | 13.2 | — |
| Net gain/(loss) on derivatives | 3.1 | 4.1 | (1.0) | — | — |
| Exceptional cost of debt repayment | (16.4) | — | (126.0) | — | — |
| Joint ventures' tax | 2.7 | (3.0) | (2.3) | (4.0) | — |
| Profit before tax | 242.9 | 690.1 | 582.3 | 388.0 | 103.8 |
| Group balance sheet | | | | | |
| Investment and development properties | 4,775.0 | 5,683.0 | 4,876.4 | 3,729.5 | 3,563.9 |
| Trading properties | 236.0 | 232.3 | 123.6 | 125.3 | 121.6 |
| Total properties | 5,011.0 | 5,915.3 | 5,000.0 | 3,854.8 | 3,685.5 |
| Plant and equipment | 5.8 | 48.1 | 45.0 | 118.0 | — |
| Joint ventures and associates | 73.4 | 84.5 | 100.1 | 84.1 | 209.3 |
| Other assets | 186.0 | 180.7 | 238.9 | 166.5 | 205.9 |
| Cash and deposits | 348.3 | 161.4 | 172.6 | 397.4 | 159.3 |
| Total assets | 5,624.5 | 6,390.0 | 5,556.6 | 4,620.8 | 4,260.0 |
| Borrowings | (2,049.4) | (2,384.8) | (2,264.9) | (1,722.7) | (1,667.1) |
| Deferred tax provision | (65.4) | (298.5) | (635.9) | (448.4) | (182.3) |
| Other liabilities and minority interests | (520.7) | (334.0) | (215.4) | (284.6) | (234.5) |
| Shareholders' funds | 2,989.0 | 3,372.7 | 2,440.4 | 2,165.1 | 2,176.1 |
| Total return | | | | | |
| (Loss)/profit attributable to ordinary shareholders | (74.9) | 916.5 | 385.1 | 285.8 | 81.8 |
| Items taken directly to equity | (308.8) | 15.8 | (6.2) | (63.1) | (88.3) |
| | (383.7) | 932.3 | 378.9 | 222.7 | (6.5) |
| Data per ordinary share: | | | | | |
| Earnings per share: | | | | | |
| Basic (loss)/earnings per share | (16.4p) | 201.8p | 91.7p | 68.5p | 19.6p |
| Adjusted diluted earnings per share | 32.2p | 25.1p | 24.3p | 24.4p | 27.6p |
| Net assets per share basic: | | | | | |
| Basic net assets per share | 690p | 718p | 579p | 486p | 490p |
| Adjusted basic net assets per share | 705p | 777p | 733p | 595p | 536p |
| Net assets per share diluted: | | | | | |
| Basic diluted net assets per share | 689p | 716p | 542p | 461p | 464p |
| Adjusted diluted net assets per share | 704p | 775p | 680p | 558p | 505p |

PROPERTY ANALYSIS

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GROUP DATA

Completed Investment Properties¹

| | Rental data | | | | | | Valuation data | | | | | |
|---|-----------------------|-------------------------------|--|-------------------------------|-----------------------------|----------------------|----------------------------|-----------------------------------|-----------------------------------|----------------------------------|-------------------|----------------------|
| | Lettable space (sq m) | Passing rent at year end (£m) | Market rental value (ERV) at year end (£m) | Gross rental income 2007 (£m) | Net rental income 2007 (£m) | Vacancy by space (%) | Valuation at end year (£m) | Valuation percentage of total (%) | Valuation surplus/ (deficit) (£m) | Valuation surplus/ (deficit) (%) | Initial yield (%) | Equivalent yield (%) |
| UK – by asset type | | | | | | | | | | | | |
| Industrial ² | 2,330,608 | 146.8 | 180.0 | 167.8 | 133.8 | 10.7 | 2,666.4 | 60.7 | (292.3) | (9.9) | 5.5 | 6.1 |
| Offices | 193,168 | 26.2 | 36.5 | 32.4 | 22.0 | 12.3 | 561.7 | 12.8 | (48.1) | (7.9) | 4.7 | 6.2 |
| Retail | 55,226 | 11.8 | 13.4 | 12.2 | 10.4 | 0.1 | 227.5 | 5.2 | (21.4) | (8.6) | 5.2 | 5.5 |
| Total | 2,579,002 | 184.8 | 229.9 | 212.4 | 166.2 | 10.8 | 3,455.6 | 78.7 | (361.8) | (9.5) | 5.3 | 6.1 |
| Continental Europe – by asset type | | | | | | | | | | | | |
| Industrial ² | 1,450,143 | 53.2 | 62.5 | 32.0 | 26.3 | 5.1 | 747.8 | 17.1 | 38.5 | 5.4 | 7.1 | |
| Offices | 85,427 | 9.8 | 12.1 | 9.3 | 7.6 | 20.1 | 163.7 | 3.7 | 13.8 | 9.2 | 6.0 | |
| Retail | 22,979 | 1.7 | 1.9 | 1.4 | 1.1 | 0.0 | 21.0 | 0.5 | 2.0 | 10.5 | 8.1 | |
| Total | 1,558,549 | 64.7 | 76.5 | 42.7 | 35.0 | 5.9 | 932.5 | 21.3 | 54.3 | 6.2 | 6.9 | 7.0 |
| Group – by sector | | | | | | | | | | | | |
| Industrial ² | 3,780,751 | 200.0 | 242.5 | 199.8 | 159.8 | 8.6 | 3,414.2 | 77.8 | (253.8) | (6.9) | 5.9 | |
| Offices | 278,595 | 36.0 | 48.6 | 41.7 | 29.8 | 14.7 | 725.4 | 16.5 | (34.3) | (4.5) | 5.0 | |
| Retail | 78,205 | 13.5 | 15.3 | 13.6 | 11.6 | 0.1 | 248.5 | 5.7 | (19.4) | (7.2) | 5.4 | |
| Group Total | 4,137,551 | 249.5 | 306.4 | 255.1 | 201.2 | 8.9 | 4,388.1 | 100.0 | (307.5) | (6.5) | 5.7 | 6.3 |

¹ All completed investment properties at year end, including the Group's share of of joint ventures' properties. Excludes land held for investment and properties for own occupation.

² Includes warehousing, logistics, and other industrial-type properties including any offices which are ancillary to these uses.

4.1 million sq m
of built space

£4.4 billion
investment portfolio

£250 million
annual rent roll

534 hectare
land bank

130. Reconciliation of Total Properties shown in the Accounts

| Valuation | UK (£m) | Continental Europe (£m) | Total (£m) |
|---|----------------|-------------------------------|----------------|
| Valuation per Investment Portfolio Table – including share of Joint Ventures | 3,455.6 | 932.5 | 4,388.1 |
| Add trading properties | 8.1 | 227.9 | 236.0 |
| Add lease incentives & letting fees | 29.8 | 5.2 | 35.0 |
| Add joint ventures – trading properties | 14.1 | 46.5 | 60.6 |
| Company occupied buildings | 11.9 | 1.2 | 13.1 |
| Land & construction in progress | 272.9 | 176.9 | 449.8 |
| Total | 3,792.4 | 1,390.2 | 5,182.6 |
| Included within: | | | |
| Investment properties | 3,517.7 | 932.8 | 4,450.5 |
| Lease incentives & letting fees | 29.8 | 5.2 | 35.0 |
| Development properties | 116.8 | 172.7 | 289.5 |
| Trading properties | 8.1 | 227.9 | 236.0 |
| Joint ventures – investment properties | 105.9 | 5.1 | 111.0 |
| Joint ventures – traders | 14.1 | 46.5 | 60.6 |
| Total Properties per Balance Sheet | 3,792.4 | 1,390.2 | 5,182.6 |

Lettings Analysis

| | Area 000's sq m | | | | Rent ¹ pa (£m) | |
|-----------------------------------|-----------------|------------------|------------|------------------------|---------------------------|---------------------------|
| | 2007 | Lettings 2006 | 2007 | Space Returned 2006 | Lettings 2007 | Space Returned 2007 |
| UK – Lettings of new developments | 88 | 38 | | | | |
| UK – Existing vacant | 148 | 129 | | | | |
| UK – Licenses | 62 | 17 | | | | |
| Total UK | 298 | 184 | 217 | 169 | 25.5 | 14.7 |
| Continental Europe | 298 | 169 | 69 | 86 | 9.9 | 3.2 |
| Total Group | 596 | 353 | 286 | 255 | 35.4 | 17.9 |

1 Annualised rent, after the expiry of any rent free periods.

Vacancy Analysis

| | 31 December 2007 (%) | 31 December 2006 (%) |
|---|----------------------------|----------------------------|
| UK | 10.8 | 11.6 |
| Continental Europe | 5.9 | 8.7 |
| Group Total | 8.9 | 10.9 |
| Analysis of UK Vacancy | | |
| Recent acquisitions (less than 18 months) | 0.0 | 2.5 |
| Completed development sites (less than 18 months) | 2.3 | 1.1 |
| Underlying UK vacancy | 8.5 | 8.0 |
| Total UK | 10.8 | 11.6 |

Lease Expiries & Customers

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| | Number of customers | Average lease length to: | | Passing rent (at 31.12.07) of leases which expire in: | | | Passing rent subject to breaks: | | |
|-----------------------------------|---------------------|--------------------------|----------------|---|-------------|-------------|---------------------------------|-------------|-------------|
| | | Break (Years) | Expiry (Years) | 2008 (£m) | 2009 (£m) | 2010 (£m) | 2008 (£m) | 2009 (£m) | 2010 (£m) |
| Investment properties only | | | | | | | | | |
| UK | | | | | | | | | |
| – Industrial/Warehousing | 1,251 | 6.1 | 8.5 | 7.7 | 10.5 | 10.7 | 11.1 | 11.1 | 8.3 |
| – Offices | 122 | 5.7 | 8.7 | 0.4 | 0.8 | 0.4 | 2.9 | 0.8 | 1.9 |
| – Retail | 96 | 9.1 | 9.2 | - | - | - | 0.1 | - | - |
| Total UK | 1,469 | 6.3 | 8.6 | 8.1 | 11.3 | 11.1 | 14.1 | 11.9 | 10.2 |
| Continental Europe | 205 | 5.9 | 8.4 | 6.3 | 1.6 | 1.8 | 2.6 | 5.9 | 5.2 |
| Group Total | 1,674 | 6.4 | 8.6 | 14.4 | 12.9 | 12.9 | 16.7 | 17.8 | 15.4 |

Reversionary Potential as at 31 December 2007

| | Passing rent subject to rent review in | | | Reversion to ERV on occupied properties (£m) | ERV of vacant properties (£m) |
|--------------------|--|-------------|-------------|--|-------------------------------|
| | 2008 (£m) | 2009 (£m) | 2010 (£m) | | |
| UK | | | | | |
| – Industrial | 21.5 | 19.0 | 26.1 | 3.0 | 21.3 |
| – Offices | 2.6 | 3.2 | 4.4 | (0.8) | 4.2 |
| – Retail | 4.6 | 0.1 | 0.5 | 1.3 | - |
| Continental Europe | - | - | - | 6.0 | 5.8 |
| Total | 28.7 | 22.3 | 31.0 | 9.5 | 31.3 |



132.

PROPERTY ANALYSIS

UNITED KINGDOM

From top to bottom, left to right:
Slough Trading Estate, Slough
Voyager Park, Portsmouth
Nimbus Park, Doncaster (HelioSlough)
Winnersh Triangle, Reading
Heywood Distribution Park, Manchester
Thales redevelopment, London Road, Crawley



Completed Investment Properties*

| | Rental data | | | | Valuation data | | | | | |
|-----------------------|-----------------------|-------------------------------|--|---------------------------|----------------------------|-----------------------------------|-----------------------------------|----------------------------------|-------------------|----------------------|
| | Lettable space (sq m) | Passing rent at year end (£m) | Market rental value (ERV) at year end (£m) | Vacancy rate by space (%) | Valuation at end year (£m) | Valuation percentage of total (%) | Valuation surplus/ (deficit) (£m) | Valuation surplus/ (deficit) (%) | Initial yield (%) | Equivalent yield (%) |
| Slough Trading Estate | 682,439 | 65.9 | 79.9 | 8.4 | 1,254.3 | 36.3 | (136.3) | (9.8) | 5.3 | 6.0 |
| London Markets | 620,852 | 44.2 | 54.1 | 11.2 | 828.2 | 24.0 | (60.0) | (6.8) | 5.3 | 5.7 |
| National Markets | 1,245,691 | 68.9 | 89.1 | 12.1 | 1,267.3 | 36.7 | (164.4) | (11.5) | 5.4 | 6.3 |
| Colnbrook JV (50%) | 7,613 | 1.3 | 1.3 | 0.0 | 16.8 | 0.4 | 0.7 | 4.3 | 7.7 | 7.5 |
| Tesco JV (50%) | 22,407 | 4.5 | 5.5 | 0.0 | 89.0 | 2.6 | (1.8) | (2.0) | 5.1 | 5.7 |
| Total | 2,579,002 | 184.8 | 229.9 | 10.8 | 3,455.6 | 100.0 | (361.8) | (9.5) | 5.3 | 6.1 |

Largest Holdings*

| | Rental data | | | | Valuation data | | | | | |
|---|-----------------------|-------------------------------|--|---------------------------|----------------------------|-----------------------------------|-----------------------------------|----------------------------------|-------------------|----------------------|
| | Lettable space (sq m) | Passing rent at year end (£m) | Market rental value (ERV) at year end (£m) | Vacancy rate by space (%) | Valuation at end year (£m) | Valuation percentage of total (%) | Valuation surplus/ (deficit) (£m) | Valuation surplus/ (deficit) (%) | Initial yield (%) | Equivalent yield (%) |
| Slough Trading Estate | 682,439 | 65.9 | 79.9 | 8.4 | 1,254.3 | 36.3 | (136.3) | (9.8) | 5.3 | 6.0 |
| Reading – Winnersh Triangle | 113,942 | 14.7 | 14.8 | 4.7 | 214.0 | 6.2 | (46.2) | (17.8) | 6.9 | 6.7 |
| Manchester – Heywood Distribution Park | 246,622 | 8.9 | 11.5 | 8.1 | 175.4 | 5.1 | (15.1) | (7.9) | 5.1 | 6.3 |
| Feltham – North Feltham Trading Estate | 79,604 | 7.8 | 11.5 | 17.7 | 153.4 | 4.4 | (11.7) | (7.1) | 5.1 | 5.6 |
| Dunstable – Woodside | 141,868 | 7.2 | 8.7 | 7.8 | 116.0 | 3.4 | (18.8) | (13.9) | 6.2 | 6.8 |
| Portsmouth – Mitchell Way, Motor Park, Railway Triangle, Voyager Park & Merlin Park | 69,608 | 4.2 | 6.0 | 13.8 | 82.1 | 2.4 | (10.0) | (10.9) | 5.1 | 5.9 |
| Crawley – London Road | 59,891 | 1.0 | 5.9 | 0.0 | 95.0 | 2.7 | (4.3) | (4.3) | 1.1 | 5.2 |
| Birmingham – Kings Norton Business Park | 74,641 | 4.8 | 5.5 | 9.8 | 84.1 | 2.4 | (9.9) | (10.5) | 5.7 | 5.9 |
| Tesco JV (50%) | 22,407 | 4.5 | 5.5 | 0.0 | 89.0 | 2.6 | (1.8) | (2.0) | 5.1 | 5.7 |
| Cardiff – Treforest Industrial Estate | 96,146 | 3.4 | 4.6 | 25.3 | 58.8 | 1.7 | (8.2) | (12.2) | 5.8 | 6.8 |
| Total | 1,587,168 | 122.4 | 153.9 | | 2,322.1 | 67.2 | (262.3) | (10.1) | 5.3 | |

Largest customers

| | Annual Rent (£m) |
|---|------------------|
| Tesco plc – Hatfield; Rotherhithe; York | 6.7 |
| Thales – Crawley | 5.9 |
| Mars UK Limited – Slough Trading Estate; Winnersh Triangle | 5.5 |
| O2 (UK) Limited – Slough Trading Estate; Rotherhithe; Dunstable | 3.7 |
| UCB SA – Slough Trading Estate | 3.6 |
| Heathrow Airports Limited – Colnbrook | 2.5 |
| Argos Limited – Heywood Distribution Park, Manchester; Slough Trading Estate | 2.2 |
| Kingfisher Plc – Slough Trading Estate; Park Royal; Luton | 2.1 |
| Next Group plc – Heywood Distribution Park, Manchester; Slough Trading Estate | 2.0 |
| Lonza Biologicals plc – Slough Trading Estate; Winnersh Triangle | 1.8 |

* All completed investment properties at year end, including the Group's share of joint ventures' properties. Excludes land held for investment and properties for own occupation.

The above information is a summary of our major holdings at the year end. Details of all holdings can be found in the SEGRO Property Analysis, in the Investors section of our website.

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PROPERTY ANALYSIS

CONTINENTAL EUROPE

From top to bottom, left to right:

Neu-Markt, Germany

Krefeld, Germany

Marly La Ville, Paris, France

Kormorniki, Poznan, Poland

Frankfurt, Germany

Rumst, Antwerp, Belgium



Completed Investment Properties*

| | Rental data* | | | | Valuation data* | | | | | |
|-----------------|-----------------------|-------------------------------|--|---------------------------|----------------------------|-----------------------------------|-----------------------------------|----------------------------------|-------------------|----------------------|
| | Lettable space (sq m) | Passing rent at year end (£m) | Market rental value (ERV) at year end (£m) | Vacancy rate by space (%) | Valuation at year end (£m) | Valuation percentage of total (%) | Valuation surplus/ (deficit) (£m) | Valuation surplus/ (deficit) (%) | Initial yield (%) | Equivalent yield (%) |
| France | 473,505 | 19.8 | 18.9 | 3.9 | 284.0 | 30.5 | 14.5 | 5.4 | 7.0 | 7.1 |
| Germany | 530,053 | 17.0 | 23.5 | 3.5 | 220.2 | 23.6 | 8.3 | 3.9 | 6.7 | 7.5 |
| Belgium | 166,423 | 13.3 | 17.8 | 19.0 | 209.9 | 22.5 | 11.4 | 5.7 | 6.3 | 6.7 |
| The Netherlands | 88,013 | 3.9 | 4.2 | 1.0 | 50.6 | 5.4 | 0.4 | 0.8 | 7.7 | 6.9 |
| Italy | 68,422 | 4.9 | 4.9 | 0.0 | 67.8 | 7.3 | 0.0 | 0.0 | 7.2 | 6.3 |
| Spain | 1,996 | 0.1 | 0.1 | 0.0 | 1.1 | 0.1 | 0.0 | 0.0 | 8.2 | 6.5 |
| Central Europe | 230,137 | 5.7 | 7.1 | 9.2 | 98.9 | 10.6 | 19.7 | 24.9 | 5.8 | 6.9 |
| Total | 1,558,549 | 64.7 | 76.5 | 5.9 | 932.5 | 100.0 | 54.3 | 6.2 | 6.9 | 7.0 |

Largest Holdings*

| | Rental data* | | | | Valuation data* | | | | | |
|---------------------------------------|-----------------------|-------------------------------|--|---------------------------|----------------------------|-----------------------------------|-----------------------------------|----------------------------------|-------------------|----------------------|
| | Lettable space (sq m) | Passing rent at year end (£m) | Market rental value (ERV) at year end (£m) | Vacancy rate by space (%) | Valuation at year end (£m) | Valuation percentage of total (%) | Valuation surplus/ (deficit) (£m) | Valuation surplus/ (deficit) (%) | Initial yield (%) | Equivalent yield (%) |
| Germany – Frankfurt | 325,871 | 12.0 | 12.4 | 1.5 | 153.6 | 16.5 | 2.8 | 1.9 | 7.8 | 7.0 |
| Belgium – Pegasus Park | 79,623 | 8.7 | 10.2 | 21.5 | 145.5 | 15.6 | 11.4 | 8.5 | 6.0 | 6.7 |
| Italy – Vimercate | 68,422 | 4.9 | 4.9 | 0.0 | 72.4 | 7.8 | 0.0 | 0.0 | 6.8 | 6.5 |
| France – Marly La Ville, Paris | 97,730 | 4.1 | 4.6 | 0.0 | 51.2 | 5.5 | 2.8 | 5.8 | 8.0 | 7.0 |
| Poland – Lodz | 111,279 | 2.6 | 3.1 | 0.0 | 43.3 | 4.6 | 9.4 | 27.7 | 6.0 | 6.7 |
| France – Le Blanc Mesnil, Paris | 25,926 | 1.8 | 2.4 | 0.0 | 26.8 | 2.9 | 4.4 | 19.6 | 6.7 | 6.8 |
| Poland – Kormorniki, Poznan | 74,884 | 1.9 | 2.4 | 13.7 | 33.4 | 3.6 | 6.0 | 21.9 | 5.7 | 6.7 |
| France – Cergy Pontoise | 51,645 | 2.1 | 2.0 | 0.0 | 51.5 | 5.5 | 4.9 | 10.5 | 4.1 | 7.0 |
| Germany – Nuremberg | 54,650 | 2.2 | 2.0 | 0.0 | 26.1 | 2.8 | 1.6 | 6.5 | 8.4 | 6.8 |
| Czech Republic – Tulipan Park, Prague | 27,851 | 0.7 | 1.5 | 39.5 | 15.4 | 1.7 | 3.5 | 29.4 | 4.5 | 7.2 |
| France – La Courneuve, Paris | 52,861 | 1.1 | 1.1 | 0.0 | 17.3 | 1.9 | 0.8 | 4.8 | 6.4 | 7.5 |
| Total | 970,742 | 42.1 | 46.6 | 4.5 | 636.5 | 68.3 | 47.6 | 8.1 | 6.6 | |

Largest customers

| | Annual Rent (£m) |
|--|------------------|
| Neckermann.de GmbH – Alzenau and Frankfurt, Germany | 10.4 |
| DHL – Across Belgium, France and The Netherlands | 8.5 |
| Antalis – Across France, Belgium, Italy, Spain, Germany and Portugal | 5.5 |
| KarstadtQuelle – Germany | 5.0 |
| Alcatel – Vimercate, Italy | 4.6 |
| Cisco – Pegasus Park, Belgium | 4.5 |
| Geodis Logistics – Cergy Pontoise and Marly La Ville, France | 1.9 |
| Conforama – Colombes, France | 1.4 |
| Corning – Lodz, Poland | 1.3 |
| Conseil Générale Hts Seine – Nanterre, France | 1.2 |

* All completed investment properties at year end, including the Group's share of joint ventures' properties. Excludes land held for investment and properties for own occupation.

The above information is a summary of our major holdings at the year end. Full details of all holdings can be found in the SEGRO Property Analysis, in the Investors section of our website.

DEVELOPMENT PIPELINE

Group Development Pipeline

| | | Construction in Progress | Potential Development Starts | | | Total programme |
|-------------------------------------|------|-----------------------------|------------------------------|---------|------------------|--------------------|
| | | | 2008 | 2009 | 2010 & Beyond | |
| Land area | ha | 59 | 126 | 123 | 226 | 534 |
| Space: | | | | | | |
| Logistics warehousing | sq m | 147,349 | 284,656 | 295,732 | 564,408 | 1,292,145 |
| Other Industrial | sq m | 99,179 | 127,478 | 171,607 | 286,255 | 684,519 |
| Offices | sq m | 58,293 | 51,769 | 79,877 | 315,559 | 505,498 |
| Retail | sq m | 1,858 | 1,626 | 4,266 | 0 | 7,750 |
| Total | sq m | 306,679 | 465,529 | 551,482 | 1,166,222 | 2,489,912 |
| Investment properties | % | 72 | 73 | 81 | 68 | 72 |
| Trading properties | % | 28 | 27 | 19 | 32 | 28 |
| Pre-Let | % | 37 | 11 | 0 | 0 | 7 |
| Planning status | | | | | | |
| – fully approved | % | 100 | 26 | 16 | 7 | 24 |
| – zoned/outline approval | % | 0 | 58 | 72 | 75 | 62 |
| Rental value when completed | £m | 23.1 | 31.2 | 38.7 | 98.6 | 191.6 |
| Current book value – at valuation | £m | 166.0 | 114.5 | 130.0 | 251.3 | 661.8 |
| Forecast future costs to completion | £m | 134.9 | 307.7 | 352.6 | 895.8 | 1,691.0 |

Anticipated Development Completions

| | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter | Total |
|--------------------------|---------|---------|---------|---------|---------|------------|-----------|
| Space (sq m) | | | | | | | |
| Construction in progress | 306,679 | | | | | | 306,679 |
| Potential 2008 starts | 269,498 | 175,171 | 20,860 | | | | 465,529 |
| Potential 2009 & beyond | | 252,096 | 370,637 | 356,526 | 168,000 | 570,445 | 1,717,704 |
| Total | 576,177 | 427,267 | 391,497 | 356,526 | 168,000 | 570,445 | 2,489,912 |
| ERV(£m) | | | | | | | |
| Construction in progress | 23.1 | | | | | | 23.1 |
| Potential 2008 starts | 11.1 | 17.1 | 3.0 | | | | 31.2 |
| Potential 2009 & beyond | | 9.9 | 26.9 | 29.4 | 11.5 | 59.6 | 137.3 |
| Total | 34.2 | 27.0 | 29.9 | 29.4 | 11.5 | 59.6 | 191.6 |

UK Development Pipeline

137.

| | | Construction in Progress | Potential Development Starts | | | Total programme |
|-------------------------------------|------|-----------------------------|------------------------------|---------|------------------|--------------------|
| | | | 2008 | 2009 | 2010 & Beyond | |
| Land area | ha | 11 | 50 | 24 | 65 | 150 |
| Space: | | | | | | |
| Logistics warehousing | sq m | 0 | 13,935 | 27,956 | 10,630 | 52,521 |
| Other Industrial | sq m | 40,610 | 54,896 | 53,979 | 158,266 | 307,751 |
| Offices | sq m | 11,015 | 41,769 | 24,497 | 173,455 | 250,736 |
| Retail | sq m | 1,858 | 1,626 | 4,266 | 0 | 7,750 |
| Total | sq m | 53,483 | 112,226 | 110,698 | 342,351 | 618,758 |
| Investment properties | % | 95 | 100 | 100 | 100 | 100 |
| Trading properties | % | 5 | 0 | 0 | 0 | 0 |
| Pre-Let | % | 64 | 26 | 0 | 0 | 10 |
| Planning status | | | | | | |
| – fully approved | % | 100 | 53 | 14 | 17 | 30 |
| – zoned/outline approval | % | 0 | 15 | 58 | 62 | 48 |
| Rental value when completed | £m | 8.2 | 17.2 | 16.0 | 53.2 | 94.6 |
| Current book value – at valuation | £m | 65.2 | 77.7 | 73.3 | 168.2 | 384.4 |
| Forecast future costs to completion | £m | 52.7 | 182.0 | 140.4 | 460.2 | 835.3 |

UK Anticipated Development Completions

| | Analysed by year of completion | | | | | | |
|--------------------------|--------------------------------|----------------|---------------|----------------|---------------|----------------|----------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter | Total |
| Space (sq m) | | | | | | | |
| Construction in progress | 53,483 | | | | | | 53,483 |
| Potential 2008 starts | 10,555 | 93,671 | 8,000 | | | | 112,226 |
| Potential 2009 & beyond | | 23,339 | 79,959 | 114,193 | 55,068 | 180,490 | 453,049 |
| Total | 64,038 | 117,010 | 87,959 | 114,193 | 55,068 | 180,490 | 618,758 |
| ERV(£m) | | | | | | | |
| Construction in progress | 8.2 | | | | | | 8.2 |
| Potential 2008 starts | 1.0 | 14.6 | 1.6 | | | | 17.2 |
| Potential 2009 & beyond | | 1.5 | 13.5 | 18.2 | 7.6 | 28.4 | 69.2 |
| Total | 9.2 | 16.1 | 15.1 | 18.2 | 7.6 | 28.4 | 94.6 |

UK Major Land Holdings as at 31 December 2007

| | Current book value (£m) | Land area (ha) | Potential space to be built (sq m) | Anticipated Development Period |
|--|----------------------------|-------------------|--|-----------------------------------|
| Cambridge – Cambridge Research Park | 17.4 | 11 | 45,304 | 2009 to 2017 |
| Crawley – London Road | 17.3 | 3 | 14,000 | 2008 to 2010 |
| Enfield – Ponders End | 12.8 | 5 | 24,498 | 2008 to 2012 |
| Farnborough – IQ Farnborough | 48.8 | 18 | 124,310 | 2009 to 2019 |
| Feltham – North Feltham Trading Estate | 13.7 | 2 | 11,285 | 2007 to 2012 |
| Slough Trading Estate | 56.0 | 9 | 49,445 | 2007 to 2013 |
| Total | 166.0 | 48 | 268,842 | |

DEVELOPMENT PIPELINE (continued)

138. Continental Europe Development Pipeline

| | | | Construction in Progress | Potential Development Starts | | | Total programme |
|-------------------------------------|------|---------|-----------------------------|------------------------------|---------|------------------|--------------------|
| | | | | 2008 | 2009 | 2010 & Beyond | |
| Land area | ha | 48 | | 76 | 99 | 161 | 384 |
| Space: | | | | | | | |
| Logistics warehousing | sq m | 147,349 | | 270,721 | 267,776 | 553,778 | 1,239,624 |
| Other Industrial | sq m | 58,569 | | 72,582 | 117,628 | 127,989 | 376,768 |
| Offices | sq m | 47,278 | | 10,000 | 55,380 | 142,104 | 254,762 |
| Retail | sq m | 0 | | 0 | 0 | 0 | 0 |
| Total | sq m | 253,196 | | 353,303 | 440,784 | 823,871 | 1,871,154 |
| Investment properties | % | 67 | | 64 | 76 | 55 | 63 |
| Trading properties | % | 33 | | 36 | 24 | 45 | 37 |
| Pre-Let | % | 31 | | 7 | 0 | 0 | 6 |
| Planning status | | | | | | | |
| – fully approved | % | 100 | | 17 | 17 | 4 | 22 |
| – zoned/outline approval | % | 0 | | 72 | 75 | 80 | 67 |
| Rental value when completed | £m | 14.9 | | 14.0 | 22.7 | 45.4 | 97.0 |
| Current book value – at valuation | £m | 100.8 | | 36.8 | 56.7 | 83.1 | 277.4 |
| Forecast future costs to completion | £m | 82.2 | | 125.7 | 212.2 | 435.6 | 855.7 |

Continental Europe Anticipated Development Completions

| | Analysed by year of completion | | | | | | |
|--------------------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | Thereafter | Total |
| Space (sq m) | | | | | | | |
| Construction in progress | 253,196 | | | | | | 253,196 |
| Potential 2008 starts | 258,943 | 81,500 | 12,860 | | | | 353,303 |
| Potential 2009 & beyond | | 228,757 | 290,678 | 242,333 | 112,932 | 389,955 | 1,264,655 |
| Total | 512,139 | 310,257 | 303,538 | 242,333 | 112,932 | 389,955 | 1,871,154 |
| ERV(£m) | | | | | | | |
| Construction in progress | 14.9 | | | | | | 14.9 |
| Potential 2008 starts | 10.1 | 2.5 | 1.4 | | | | 14.0 |
| Potential 2009 & beyond | | 8.4 | 13.4 | 11.2 | 3.9 | 31.2 | 68.1 |
| Total | 25.0 | 10.9 | 14.8 | 11.2 | 3.9 | 31.2 | 97.0 |

Continental Europe Major Land Holdings as at 31 December 2007

| | Current book value (£m) | Land area (ha) | Potential space to be built (sq m) | Anticipated Development Period |
|---------------------------------------|----------------------------|-------------------|--|-----------------------------------|
| Belgium – Pegasus Park | 38.4 | 11 | 154,700 | 2007 to 2017 |
| Czech Republic – Hostivice, Prague | 17.8 | 34 | 129,088 | 2007 to 2011 |
| France – Gonesse, Paris | 15.1 | 13 | 56,441 | 2007 to 2011 |
| France – La Courneuve, Paris | 9.4 | 4 | 22,901 | 2007 to 2010 |
| Germany – Krefeld | 16.7 | 32 | 128,601 | 2008 to 2014 |
| Hungary – Ullo, Budapest | 12.9 | 38 | 143,300 | 2009 to 2013 |
| Poland – Nadarzyn, Warsaw | 11.7 | 35 | 150,000 | 2008 to 2012 |
| Poland – Strykow, Lodz | 13.2 | 57 | 265,098 | 2007 to 2013 |
| The Netherlands – De Hoek Noord (51%) | 12.7 | 11 | 71,546 | 2008 to 2016 |
| Total | 147.9 | 235 | 1,121,675 | |

All amounts are indicative only and are liable to change. Certain properties included in the preceding three pages are currently income producing and are expected to be redeveloped; such properties have a current book value of £119 million and produce current rental income of approximately £8 million per annum.

Development Pipeline Reconciliation to Accounts

| | UK | Continental Europe | Total |
|---|------------|--------------------|------------|
| Current book value per development programme table | 384 | 278 | 662 |
| Add land relating to finance leases | 17 | | 17 |
| Add owner occupied premises | 12 | 1 | 13 |
| Less redevelopments in completed land & buildings | (119) | | (119) |
| Total per Accounts | 294 | 279 | 573 |
| Included within: | | | |
| Investment Properties | 168 | 5 | 173 |
| Development Properties | 117 | 173 | 290 |
| Trading Properties | 3 | 78 | 81 |
| Joint Ventures | 6 | 23 | 29 |
| Total | 294 | 279 | 573 |

Completed Construction 2007

| Period | Country | Scheme | Type | UK sq m | Continental Europe sq m | Let or Sold at period end sq m |
|-----------------------------|----------------|------------------------------------|-----------------------|----------------|-------------------------------|--------------------------------------|
| H1 | United Kingdom | 2 Buckingham Avenue, Slough | Industrial | 7,222 | | 7,222 |
| H1 | United Kingdom | 145 Faggs Rd, Feltham | Industrial | 8,971 | | 0 |
| H1 | United Kingdom | Heywood Distribution Park | Industrial | 7,146 | | 3,106 |
| H1 | United Kingdom | Northpoint, Elstree | Industrial | 7,253 | | 7,253 |
| H1 | United Kingdom | Thales Site, Crawley | Office & Industrial | 34,462 | | 34,462 |
| H1 | United Kingdom | 183 Bilton Way, Hayes | Industrial | 1,466 | | 1,466 |
| H1 | United Kingdom | 710 Wharfedale Road, Winnersh | Office | 1,858 | | 1,858 |
| H2 | United Kingdom | 630 Ajax Avenue, Slough | Industrial | 5,693 | | 5,693 |
| H2 | United Kingdom | 838, 840 & 842 Yeovil Road, Slough | Industrial | 5,017 | | 0 |
| H2 | United Kingdom | 1-17 Forest Road, Feltham | Industrial | 10,282 | | 0 |
| H2 | United Kingdom | Meteor Park, Birmingham | Industrial | 21,642 | | 0 |
| H2 | United Kingdom | 600 IQ Farnborough | Industrial | 2,940 | | 2,940 |
| H2 | United Kingdom | 1-6 Trade Park, Treforest | Industrial | 2,736 | | 686 |
| H1 | France | Le Blanc Mesnil (JAA Building) | Industrial | | 5,452 | 5,452 |
| H1 | Belgium | Rumst II | Logistics Warehousing | | 42,433 | 42,433 |
| H2 | Belgium | Pegasus Park 2 | Office | | 5,073 | 5,073 |
| H1 | Germany | FFM-Am Martinszehnten | Industrial | | 8,276 | 3,683 |
| H1 | Germany | MG Krefelder | Logistics Warehousing | | 6,224 | 3,150 |
| H2 | Germany | Kapellen | Logistics Warehousing | | 7,892 | 0 |
| H1 | Poland | Strykow, Azymut | Industrial | | 9,618 | 9,618 |
| H1 | Poland | Strykow, Komfort/Sonoco | Logistics Warehousing | | 23,504 | 23,504 |
| H1 | Poland | Komorniki, Huntleigh | Logistics Warehousing | | 26,521 | 26,521 |
| H2 | Poland | Strykow, Investa | Logistics Warehousing | | 9,993 | 9,993 |
| H2 | Poland | Strykow, Building D | Logistics Warehousing | | 25,153 | 25,153 |
| H2 | Poland | Komorniki, 1B | Logistics Warehousing | | 23,568 | 13,320 |
| H2 | Poland | Silesia | Logistics Warehousing | | 16,123 | 16,123 |
| H1 | Czech Republic | Hostivice, 2A | Logistics Warehousing | | 17,363 | 12,285 |
| H2 | Czech Republic | Hostivice, 3C | Logistics Warehousing | | 10,488 | 4,560 |
| H1 | Hungary | Vendel 1 | Logistics Warehousing | | 13,034 | 10,404 |
| Total Completed Area | | | | 116,688 | 250,715 | 275,958 |
| JV Share of Completed Area | | | | 116,688 | 226,962 | 252,205 |

| Completions in 2007 | | UK | Continental Europe | Total |
|----------------------------|--------------|----------------|--------------------|----------------|
| Total space (sq m) | Investment | 109,435 | 190,175 | 299,610 |
| | Trading | 7,253 | 60,540 | 67,793 |
| | Total | 116,688 | 250,715 | 367,403 |
| % Let | % | 55% | 84% | 75% |

DEVELOPMENT PIPELINE (continued)

140. Development Pipeline: Under Construction at 31 December 2007

| | Space to be built (sq m) | Prelet space (sq m) | Estimated ERV (£m) | Current Book value (£m) | Estimated future spend (£m) | Estimated total spend (£m) | Expected completion |
|--|--------------------------------|---------------------------|--------------------------|-------------------------------|-----------------------------------|----------------------------------|------------------------|
| UK | | | | | | | |
| Camberley – Stanhope Rd | 9,962 | 3,983 | | 5.1 | 6.5 | 11.6 | Nov-08 |
| Epsom – Blenheim Rd | 3,515 | | | 6.4 | 1.0 | 7.4 | Feb-08 |
| IQ Farnborough Infrastructure | n/a | | | 0.5 | 8.1 | 8.6 | Mar-08 |
| North Feltham Trading Estate | 3,285 | | | 4.1 | 0.6 | 4.7 | Jun-08 |
| Portsmouth – Merlin Park | 3,354 | 3,354 | | 3.6 | 1.6 | 5.2 | Feb-08 |
| Rotherhithe, Surrey Quays shopping centre (50%) | 1,858 | 1,858 | | 0.2 | 1.1 | 1.3 | Jun-08 |
| Slough Trading Estate | | | | | | | |
| – Bath Rd | 10,226 | 10,226 | | 29.3 | 18.5 | 47.8 | Dec-08 |
| – Dundee Rd | 789 | 789 | | 2.1 | 1.0 | 3.1 | Apr-08 |
| – Galvin Rd | 13,935 | 13,935 | | 4.3 | 13.4 | 17.7 | Sep-08 |
| Thurrock | 890 | | | 0.6 | 0.4 | 1.0 | Apr-08 |
| Thurrock – Frogmore Business Center | 2,696 | | | 3.2 | 0.0 | 3.2 | Feb-08 |
| West Drayton – Stockley Close | 2,973 | | | 5.8 | 0.5 | 6.3 | Mar-08 |
| Total UK | 53,483 | 34,145 | 8.2 | 65.2 | 52.7 | 117.9 | |
| | 64% | | | | | | |
| Continental Europe | | | | | | | |
| Belgium – Bornem (50%) | 8,000 | | | 1.3 | 1.5 | 2.8 | Jun-08 |
| Belgium – Kontich | 14,000 | | | 2.3 | 3.7 | 6.0 | Oct-08 |
| Belgium – Pegasus Park | 17,081 | 17,081 | | 13.4 | 10.3 | 23.7 | Sep-08 |
| Czech Republic – Prague | 11,088 | 5,000 | | 5.1 | 0.4 | 5.5 | Jan-08 |
| France – Gonesse, Paris | 19,927 | | | 5.4 | 10.9 | 16.3 | Sep-08 |
| France – La Courneuve, Paris | 9,420 | | | 4.2 | 4.8 | 9.0 | Jun-08 |
| France – Le Blanc Mesnil (4) | 3,599 | 3,599 | | 1.8 | 1.5 | 3.3 | Jul-08 |
| France – Le Blanc Mesnil (8) | 4,695 | | | 2.4 | 1.7 | 4.1 | Mar-08 |
| France – Marly La Ville | 20,795 | | | 5.3 | 6.5 | 11.8 | Jun-08 |
| France – Saint Denis, Paris (50%) | 12,379 | 12,379 | | 17.1 | 11.4 | 28.5 | Sep-08 |
| Germany – Berlin | 10,553 | 7,667 | | 5.4 | 0.9 | 6.3 | Jan-08 |
| Germany – Braunschweig | 15,316 | | | 1.7 | 1.8 | 3.5 | Mar-08 |
| Germany – Darmstadt | 4,885 | | | 1.4 | 0.7 | 2.1 | Feb-08 |
| Germany – Essen | 5,490 | 1,710 | | 2.5 | 0.6 | 3.1 | Jan-08 |
| Hungary – Vendel Park, Budapest | 16,327 | | | 1.7 | 5.6 | 7.3 | May-08 |
| Poland – Domaniewksa, Warsaw | 17,818 | 6,139 | | 12.8 | 13.6 | 26.4 | Mar-08 |
| Poland – Silesia, Gliwice | 41,725 | 25,966 | | 15.1 | 2.5 | 17.6 | Feb-08 |
| Poland – Strykow, Lodz | 20,098 | | | 1.9 | 3.8 | 5.9 | May-08 |
| Total Continental Europe | 253,196 | 79,541 | 14.9 | 100.8 | 82.2 | 183.0 | |
| | 31% | | | | | | |
| Total Group | 306,679 | 113,686 | 23.1 | 166.0 | 134.9 | 300.9 | |
| | 37% | | | | | | |

Development Pipeline: Potential Construction Starts in 2008

141.

| | Planning status | Space to be built (sq m) | Prelet space (sq m) | Estimated ERV (£m) | Current Book value (£m) | Estimated future spend (£m) | Estimated total spend (£m) | Anticipated start | Anticipated completion |
|--|-----------------|--------------------------|---------------------|--------------------|-------------------------|-----------------------------|----------------------------|-------------------|------------------------|
| UK | | | | | | | | | |
| Birmingham – Kings Norton Business Park | Outline | 1,877 | | | 1.5 | 1.5 | 3.0 | Jun-08 | Dec-08 |
| Birmingham – Kings Norton Business Park | Outline | 1,115 | | | 0.4 | 1.6 | 2.0 | Jun-08 | Mar-09 |
| Bristol – Yate | None | 3,344 | | | 1.0 | 2.5 | 3.5 | Apr-08 | Feb-09 |
| Cambridge – Cambridge Research Park | Outline | 0 | | | 0.2 | 0.8 | 1.0 | Apr-08 | Apr-08 |
| Cardiff – Treforest Industrial Estate, B13 | None | 3,252 | | | 0.1 | 2.5 | 2.6 | Jun-08 | Mar-09 |
| Crawley – London Road | Full | 8,000 | 8,000 | | 10.0 | 24.0 | 34.0 | Apr-08 | Jun-10 |
| Dunstable – Woodside | Outline | 13,935 | | | 4.9 | 11.3 | 16.2 | Jun-08 | Apr-09 |
| Enfield – Ponders End | None | 7,922 | | | 5.1 | 7.1 | 12.2 | Apr-08 | Jan-09 |
| HelioSlough – Nimbus Doncaster (50%) | Outline | 0 | | | 1.3 | 0.0 | 1.3 | Jan-08 | Jan-08 |
| HelioSlough – Sheffield (50%) | Outline | 0 | | | 2.0 | 0.0 | 2.0 | Sep-08 | Sep-08 |
| HelioSlough – Wynyard Park (50%) | Outline | 0 | | | 3.3 | 0.0 | 3.3 | Apr-08 | Apr-08 |
| London – Tudor Works, Park Royal | None | 3,205 | | | 4.9 | 2.5 | 7.4 | Nov-08 | Jun-09 |
| Manchester – Heywood Infrastructure | Outline | NA | | | 0.5 | 1.1 | 1.6 | Mar-08 | Jun-09 |
| Newbury – Plenty site | Full | 8,678 | | | 3.4 | 6.9 | 10.3 | Jan-08 | Sep-08 |
| Portsmouth – Merlin Park | None | 4,500 | | | 1.1 | 4.3 | 5.4 | Jun-08 | Mar-09 |
| Reading – Winnersh Triangle | Full | 18,719 | 6,736 | | 12.0 | 56.3 | 68.3 | Feb-08 | Sep-09 |
| Reading – Winnersh Triangle | None | 2,787 | 2,787 | | 2.2 | 5.4 | 7.6 | May-08 | Mar-09 |
| Reading – Winnersh Triangle | None | 11,148 | 11,148 | | 7.4 | 33.4 | 40.8 | Sep-08 | Dec-09 |
| Slough Trading Estate – Buckingham Ave | Full | 5,463 | | | 4.7 | 4.3 | 9.0 | Oct-08 | Dec-09 |
| Slough Trading Estate – Galvin Rd | Full | 4,180 | | | 3.6 | 3.5 | 7.1 | Sep-08 | Jun-09 |
| Slough Trading Estate – Liverpool Rd | Full | 4,938 | | | 3.6 | 4.3 | 7.9 | Jul-08 | Jul-09 |
| Slough Trading Estate – Yeovil Rd | Full | 3,800 | | | 2.6 | 4.3 | 6.9 | Jul-08 | Feb-09 |
| St Albans – Radlett, Parkbury | Full | 3,737 | | | 1.9 | 3.4 | 5.3 | Apr-08 | Jan-09 |
| York – Clifton Moore shopping centre (50%) | Full | 1,626 | | | 0.0 | 1.0 | 1.0 | Aug-08 | May-09 |
| Total UK | | 112,226 | 28,671 | 17.2 | 77.7 | 182.0 | 259.7 | | |
| | | 26% | | | | | | | |
| Continental Europe | | | | | | | | | |
| Belgium – Bornem (50%) | Outline | 10,050 | | | 1.2 | 2.7 | 3.9 | Sep-08 | Jun-09 |
| Belgium – Kontich | None | 15,333 | | | 1.2 | 4.3 | 5.5 | Jul-08 | Dec-09 |
| Belgium – Nivelles logistics (50%) | Full | 7,000 | | | 0.3 | 1.9 | 2.2 | Apr-08 | Dec-08 |
| Belgium – Pegasus Park | Outline | 10,000 | | | 1.6 | 14.0 | 15.6 | Oct-08 | Jan-10 |
| Belgium – Rumst (50%) | Full | 3,440 | 3,440 | | 0.3 | 1.1 | 1.4 | Jan-08 | Jun-08 |
| Belgium – Rumst (50%) | Outline | 4,592 | | | 0.5 | 1.2 | 1.7 | Jun-08 | Dec-08 |
| Czech Republic – Tulipan Park III, Prague | Outline | 25,000 | 11,000 | | 4.9 | 7.5 | 12.4 | May-08 | Dec-08 |
| Germany – Alzenau | Outline | 17,176 | | | 1.7 | 6.0 | 7.7 | Mar-08 | Oct-08 |
| Germany – Essen | Full | 10,307 | 10,307 | | 1.2 | 5.5 | 6.7 | Jan-08 | Nov-08 |
| Germany – Floersheim Business Park | None | 13,000 | | | 1.7 | 5.6 | 7.3 | Apr-08 | Dec-08 |
| Germany – Floersheim Logistics Park | None | 12,000 | | | 1.7 | 4.8 | 6.5 | Apr-08 | Dec-08 |
| Germany – Krefeld Business Park | Outline | 7,601 | | | 0.9 | 3.6 | 4.5 | Apr-08 | Dec-08 |
| Germany – Krefeld Logistics Park | Outline | 20,000 | | | 2.6 | 7.6 | 10.2 | Apr-08 | Dec-08 |
| Germany – Willich-Munchheide | Outline | 3,099 | | | 0.4 | 1.3 | 1.7 | Jun-08 | Dec-08 |
| Germany – Frankfurt | Full | 5,750 | | | 1.5 | 2.8 | 4.3 | Mar-08 | Sep-08 |
| Hungary – M3, Budapest | Outline | 16,117 | | | 1.3 | 6.2 | 7.5 | Sep-08 | Apr-09 |
| The Netherlands – De Formaeren (20%) | Full | 2,860 | | | 0.7 | 2.0 | 2.7 | Oct-08 | Dec-10 |
| The Netherlands – De Hoek Noord, Schipol (51%) | Full | 10,040 | | | 2.3 | 5.4 | 7.7 | Mar-08 | Dec-08 |
| The Netherlands – Rijswijk (60%) | Full | 0 | | | 0.9 | 0.0 | 0.9 | Jul-08 | Jul-08 |
| Poland – Gliwice | Outline | 15,000 | | | 0.6 | 3.9 | 4.5 | Apr-08 | Dec-08 |
| Poland – Lodz | Outline | 14,438 | | | 1.4 | 3.8 | 5.2 | Jun-08 | Dec-08 |
| Poland – Nadarzyn | Outline | 30,000 | | | 2.3 | 7.1 | 9.4 | Apr-08 | Dec-08 |
| Poland – Poznan | Full | 20,500 | | | 1.1 | 5.6 | 6.7 | Jan-08 | Sep-08 |
| Poland – Poznan | Outline | 40,000 | | | 2.4 | 11.0 | 13.4 | Jul-08 | Mar-09 |
| Poland – Strykow | Outline | 40,000 | | | 2.1 | 10.8 | 12.9 | Apr-08 | Dec-08 |
| Total Continental Europe | | 353,303 | 24,747 | 14.0 | 36.8 | 125.7 | 162.5 | | |
| | | 7% | | | | | | | |
| Total Group | | 465,529 | 53,418 | 31.2 | 114.5 | 307.7 | 422.2 | | |
| | | 11% | | | | | | | |

SHAREHOLDER INFORMATION

142.

February 2008

| | | |
|----------|--|----------------------------|
| Payment: | 7½ per cent bonds 2010 interest 6¾ per cent bonds 2024 interest | 18 February 25 February |
|----------|--|----------------------------|

March 2008

| | | |
|----------------------------------|--------------------------------|----------|
| Announcement of year end results | | 6 March |
| Payment: | 7 per cent bonds 2022 interest | 14 March |

April 2008

| | | |
|-------------------------------------|---|----------|
| Ex-dividend date for final dividend | Property Income Distribution & Dividend | 16 April |
| Record date | Property Income Distribution & Dividend | 18 April |

May 2008

| | | |
|------------------------|---|--------|
| Final date for PIDRIP | | 1 May |
| Annual General Meeting | | 20 May |
| Payment: | Property Income Distribution & Dividend | 23 May |

June 2008

| | | |
|----------|--|--------------------|
| Payment: | 5½ per cent bonds 2018 interest 5¾ per cent bonds 2035 interest | 20 June 20 June |
|----------|--|--------------------|

August 2008

| | | |
|-----------------------------------|--|------------------------|
| Payment: | 7½ per cent bonds 2010 interest 6¾ per cent bonds 2024 interest | 18 August 25 August |
| Announcement of half year results | | August |

September 2008

| | | |
|----------------------------------|---|------------------------------|
| Payment: | 7 per cent bonds 2022 interest 6¼ per cent bonds 2015 interest | 15 September 30 September |
| Record date for interim dividend | Property Income Distribution & Dividend | September |

October 2008

| | | |
|----------|---|---------|
| Payment: | Property Income Distribution & Dividend | October |
|----------|---|---------|

December 2008

| | | |
|----------|---------------------------------|------------|
| Payment: | 5½ per cent bonds 2020 interest | 8 December |
|----------|---------------------------------|------------|

Analysis of shareholders – 31 December 2007

Shareholder Analysis

| Range | Holdings | % of Holdings | Shares | % of Shares |
|---------------|---------------|---------------|--------------------|-------------|
| 1–100 | 333 | 2.9 | 17,389 | 0 |
| 101–500 | 1,925 | 17.0 | 616,825 | 0.1 |
| 501–1,000 | 2,517 | 22.2 | 1,912,964 | 0.4 |
| 1,001–5,000 | 4,977 | 43.9 | 10,683,745 | 2.5 |
| 5,001–10,000 | 683 | 6.0 | 4,787,002 | 1.1 |
| 10,001–25,000 | 349 | 3.1 | 5,400,490 | 1.2 |
| 25,001–50,000 | 152 | 1.3 | 5,438,665 | 1.3 |
| 50,000+ | 409 | 3.6 | 407,221,350 | 93.4 |
| Totals | 11,345 | 100 | 436,078,430 | 100 |

Shareholder enquiries

If you have any questions about your shareholding or if you require further guidance (e.g. to notify a change of address) please contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. Telephone 0870 707 1296. Alternatively you can email your query to web.queries@computershare.co.uk. You can also check your shareholding by registering at www-uk.computershare.com/investor.

Category Analysis

| Category | Holdings | % of Holdings | Shares | % of Shares |
|-------------------|---------------|---------------|--------------------|-------------|
| Bank/Nominee | 3,525 | 31.06 | 389,573,597 | 89.33 |
| Other Corporate | | | | |
| Bodies | 18 | 0.16 | 249,895 | 0.06 |
| Other Companies | 255 | 2.25 | 15,628,818 | 3.58 |
| Individuals | 7,476 | 65.90 | 30,113,151 | 6.90 |
| Insurance | | | | |
| Companies | 35 | 0.31 | 157,544 | 0.04 |
| Investment Trusts | 29 | 0.26 | 245,055 | 0.06 |
| Pension Trusts | 7 | 0.06 | 110,370 | 0.03 |
| Totals | 11,345 | 100 | 436,078,430 | 100 |

Shareholders can also take advantage of a telephone share dealing service offered by our Registrars, Computershare, which provides shareholders with a low-cost way of selling shares.

Electronic Communications via eTree UK

Shareholders now have the opportunity to elect to receive shareholder communications electronically e.g. Annual Reports, Interim Reports, Corporate Responsibility Reports, Notice of the Annual General Meeting and Proxy Forms. For every shareholder that signs up to electronic communications eTree will donate a sapling to the "Woodland Trust's Tree for All" campaign.

When you register, there will be a quick verification process and you will need to provide your SRN number (which appears on your share certificate) and once registered, eTree will send you an email confirming your registration. To register, or find out more, please visit www.etreuk.com.

ISA and low cost share dealing service

The Company has selected the Halifax as its preferred Individual Savings Account (ISA) provider. Details of this service can be obtained from Halifax Share Dealing Limited on telephone 0845 722 5525.

ShareGift

The purpose of ShareGift is to make it easy for shareholders to donate any number of shares to charity. The service can be particularly useful for shareholders with a small number of shares, which would be uneconomic to sell. Shares donated through ShareGift are transferred into the name of The Orr Mackintosh Foundation, registered charity number 1052686. ShareGift's purpose is to realise as much value as possible by collecting such shares, selling them and using the proceeds to make donations to a wide range of UK charities. Further details can be obtained from The Orr Mackintosh Foundation, 17 Carlton House Terrace, London SW1Y 5AH, telephone 0207 930 3737. The website address is www.sharegift.org.

Dividends

A requirement of the REIT regime is that a REIT must distribute to shareholders by way of dividend at least 90 per cent of its profits from the Tax Exempt Business (calculated under UK tax principles after the deduction of interest and capital allowances and excluding chargeable gains). Such distributions are referred to as Property Income Distributions or PIDs. Any further distributions may be designated as PIDs or as ordinary dividends. As stated in the Circular to shareholders dated 20 November 2006, SEGRO intends to continue a relatively full and progressive dividend policy.

Property Income Distribution Reinvestment Plan

SEGRO now operates a Property Income Distribution Reinvestment Plan (PIDRIP). The PIDRIP provides shareholders with an easy and convenient way to grow their shareholding by using their whole PID to buy SEGRO shares (following SEGRO assuming REIT status, PIDs are now paid rather than dividends, although SEGRO may make dividend payments as appropriate). There is a minimum £1 charge on the purchase of the shares and a 0.5 per cent charge on the value of shares after that. Stamp duty reserve tax is currently 0.5 per cent of the value of shares purchased. Shareholders may join or leave PIDRIP at any time and at no cost.

Participants in the PIDRIP should be aware that entitlements from the ordinary cash dividend will not be eligible for the PIDRIP and as such shareholders will receive a cheque or have the funds credited to their nominated bank account.

If you wish to participate in the PIDRIP, you can apply online or by telephone direct with Computershare (see shareholder enquiries on facing page).

Withholding tax

SEGRO is required to withhold tax at source from its PIDs at the basic tax rate (20 per cent for PIDs paid on or after 6 April 2008, previously 22 per cent). UK shareholders need take no immediate action (unless they qualify for exemption as described below) and will receive with each dividend payment a tax deduction certificate stating the amount of tax deducted.

UK shareholders who fall into one of the classes of shareholder able to claim an exemption from withholding tax may be able to receive a gross PID payment if they have submitted a valid relevant Exemption Declaration form (either as a beneficial owner of the shares, or as an intermediary if the shares are not registered in the name of the beneficial owner. The Exemption Declaration form is available at www.SEGRO.com) to Computershare by the deadline stated in the dividend timetable. A valid declaration form, once submitted, will continue to apply to future payments of PIDs until rescinded, and so it is a shareholder's responsibility to notify SEGRO plc if their circumstances change and they are no longer able to claim an exemption from withholding tax.

Shareholders resident outside the UK may be able to claim a partial refund (either as an individual or as a company) from HMRC subject to the terms of a double tax treaty, if any, between the UK and the country in which the shareholder is resident.

Taxation

The values at the following dates for the purposes of UK capital gains tax were:

| | 6 April 1965 | 31 March 1982 |
|---|--------------|---------------|
| Ordinary shares of 25 pence each (adjusted for capitalisation issues in 1967, 1979, 1982 and rights issue in 1993) | 11.76p | 108p |

Stock Market prices

| Financial Year | Highest | Lowest | 31 December |
|----------------|---------|---------|---------------------|
| 2007 | 801.5p | 390.75p | 470p |
| 2006 | 796p | 559p | 785.5p ¹ |
| 2005 | 598.5p | 469p | 598.5p ² |
| 2004 | 551.25p | 413.5p | 550.0p |
| 2003 | 442.0p | 273.0p | 439.25p |

1 As at 29/12/2006

2 As at 30/12/2005

GLOSSARY OF TERMS

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Adjusted earnings per share

EPS based on adjusted profit before tax and excluding deferred tax on investment properties.

Adjusted net asset value per share

NAV per share adjusted to add back deferred tax associated with investment properties, as recommended by EPRA.

Adjusted profit before tax

Reported profit before tax, after reflecting EPRA adjustments and excluding items which are exceptional by virtue of their size or incidence.

Book value

The amount at which assets and liabilities are reported in the accounts.

Combined portfolio

The investment, development and trading properties of the Group, including the relevant share of joint ventures' properties.

Continuing operations

The remaining ongoing operations of the Group after excluding the operations of the Group's US property business and Slough Heat & Power.

Development pipeline

The Group's current programme of developments authorised or in the course of construction at the balance sheet date, together with potential schemes not yet commenced on land owned or controlled by the Group or its joint ventures.

Diluted figures

Reported amounts adjusted to reflect the dilutive effects of convertible preference shares and of shares held by the employee share ownership plan trusts.

Discontinued operations

The operations of the Group's US property business which was sold on 1 August 2007, and Slough Heat & Power which was sold on 31 December 2007. Under IFRS 5, these operations are required to be accounted for as discontinued and disclosed separately in the income statement and balance sheet.

Dividend cover

Adjusted earnings per share divided by the ordinary dividend per share.

Earnings per share (EPS)

Profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

EPRA adjustments

Adjustments to income statement and balance sheet amounts reported under IFRS arising from adopting the recommendations of the Best Practices Committee of the European Real Estate Association ("EPRA"). The adjustments to income statement amounts principally relate to the exclusion of valuation gains and losses, whilst the balance sheet adjustments relate to the exclusion of deferred tax on investment properties.

Equivalent yield

The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time.

Estimated rental value (ERV)

The estimated annual market rental value of lettable space as determined biannually by the Company's valuers. This will normally be different from the rent being paid.

Estimate to complete (ETC)

Costs still to be expended on a development or redevelopment to practical completion (not to complete lettings), including attributable interest.

Finance lease

A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

Gearing (net)

Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus non-equity shareholders' funds as a percentage of equity shareholders' funds.

Gross rental income

Contracted rental income recognised in the period, including surrender premiums, interest receivable on finance leases and service charge income. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight line basis over the lease term.

Hectares (ha)

The area of land measurement used in this report. The conversion factor used, where appropriate, is 1 hectare = 2.471 acres.

Initial yield

Annualised current passing rent expressed as a percentage of the property valuation.

IPD

Investment Property Databank.

IRR

The Internal Rate of Return is the discount rate at which the net present value of the expected cash flows of a project is zero (ie the breakeven rate of return).

Joint venture

An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

Net asset value (NAV) per share

Equity shareholders' funds divided by the number of ordinary shares in issue at the period end.

Net rental income

Gross rental income less ground rents paid, service charge expenses and property operating expenses.

Over-rented

Space that is let at a rent above its current ERV.

Passing rent

The annual rental income currently receivable on a property as at the balance sheet date (which may be more or less than the ERV – see over-rented and reversionary). Rents on leases signed but currently subject to a rent-free period are excluded.

Pre-let

A lease signed with an occupier prior to completion of a development.

REIT

A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications. SEGRO plc and its UK subsidiaries elected for REIT status from 1 January 2007.

Rent roll

See passing rent.

Reversionary or under-rented

Space where the passing rent is below the ERV.

Reversionary yield

The ERV of a property, expressed as a percentage of the property's valuation. In the case of portfolio data, the reversionary yield assumes all properties are fully occupied.

SIIC (Sociétés d'Investissements Immobiliers Cotées)

A qualifying entity which has elected to be a French Real Estate Investment Trust. In France, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications. SIICs are exempt from corporation tax. SEGRO plc, whose shares are listed on Euronext Paris, and its eligible French subsidiaries elected for SIIC status with effect from 1 January 2007.

Square metres (sq m)

The area of buildings measurements used in this report. The conversion factor used, where appropriate, is 1 square metre = 10.639 square feet.

Total development cost

All capital expenditure on a project including the opening book value of the property on commencement of development, together with all finance costs capitalised during the development.

Total property return

The valuation surplus, profit/(loss) on sale of investment properties and net rental income in respect of investment properties, expressed as a percentage of the closing book value of the investment property portfolio.

Total return

Dividends per share plus annual growth in diluted adjusted net asset value per share, expressed as a percentage of the opening diluted adjusted net asset value per share.

Trading properties

Properties held for trading purposes and shown as current assets in the Balance Sheet.

TSR

Total shareholder return based upon share price movement over the period and assuming reinvestment of dividends.

Voids

The area in a property or portfolio, excluding developments, which is currently available for letting.

QUICK REFERENCE

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