Group income statement

For the year ended 31 December 2007

Continuing operations	Notes	2007 Adjusted income & expense[1] £m	2007 Adjustments[2] £m	2007 Total income & expense £m	2006 Adjusted income & expense[1] £m	2006 Adjustments[2] £m	2006 Total income & expense £m
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

		Group		Company	
Continuing and discontinued operations	Notes	**2007 £m**	2006 £m	**2007 £m**	2006 £m
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

Balance sheets

As at 31 December 2007

		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

	Notes	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 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

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.

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)

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.

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

	2007			2006		
Continuing operations	**Adjusted income & expense £m**	**Adjustments £m**	**Total income & expense £m**	Adjusted income & expense £m	Adjustments £m	Total income & expense £m
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

2 (b). Segmental analysis

Geographical segments	United Kingdom*		Continental Europe		Group	
Adjusted profit – continuing operations	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
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)

Geographical segments

Summary balance sheet	United Kingdom* 2007 £m	United Kingdom* 2006 £m	Continental Europe 2007 £m	Continental Europe 2006 £m	Group 2007 £m	Group 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.

2 (c). Segmental analysis (continued)

Business segments	Property investment		Trading property		Other activities		Group	
Adjusted profit – continuing operations	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
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)

	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

Continuing operations	2007 £m	2006 £m
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.

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

Continuing operations	2007 £m	2006 £m
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.

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)

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.

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)

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.

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)

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

15. Properties

Properties are included in the balance sheet as follows:

Properties carried at valuation:	Notes	UK 2007 £m	Continental Europe 2007 £m	**2007 £m**	2006 £m
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)

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).

	Group	
Pre-paid operating lease incentives are:	**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

15. Properties (continued)

15(ii) – 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)

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	Cost	Cost	
The depreciation rates per annum are (straight-line)	2-33%	15-33%	

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	
Investments by the Group	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
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)

Group's share of joint ventures and associates	Joint ventures 2007 £m	Joint ventures 2006 £m	Associates 2007 £m	Associates 2006 £m	Total 2007 £m	Total 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 Investment property £m	2007 Trading property £m	2007 Total £m	2006 Investment property £m	2006 Trading property £m	2006 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).

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

Investments by the Company	Investments 2007 £m	Investments 2006 £m	Loans 2007 £m	Loans 2006 £m	Total 2007 £m	Total 2006 £m
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.

The investments were in the following funds:	Investment balance 2007 £m	Investment balance 2006 £m	Remaining commitment at year end 2007 £m	Remaining commitment at year end 2006 £m
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

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 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 2007 £m	Group 2006 £m	Company 2007 £m	Company 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	Group 2006 £m
Total inventory (all related to utilities)	**–**	1.0

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)

24(i) – Borrowings by type (continued)

The maturity profile of borrowings is as follows:

	Group		Company	
Maturity profile of debt	**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

	Group		Company	
Maturity profile of undrawn borrowing facilities	**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:

	31 December 2007					31 December 2006				
Interest rate profile – Group	**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.

24. Borrowings (continued)

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

Interest rate profile – Company	31 December 2007 Fixed rate %	Fixed period Years	Fixed debt £m	Variable debt £m	Total £m	31 December 2006 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										
Sterling				**(3.0)**	**(3.0)**				(20.3)	(20.3)
US dollars				**(69.8)**	**(69.8)**				–	–
Euros				**–**	**–**				(0.6)	(0.6)
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

Financial assets	Group Carrying amount 2007 £m	Group Fair value 2007 £m	Group Carrying amount 2006 £m	Group Fair value 2006 £m	Company Carrying amount 2007 £m	Company Fair value 2007 £m	Company Carrying amount 2006 £m	Company Fair value 2006 £m
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)

Financial liabilities	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
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.

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	
The gearing ratio at the year end is as follows:	**2007 £m**	2006 £m
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)

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.

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)

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.

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)

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:

Group – 2007	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	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

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				
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)

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	
The major assumptions used were as follows:	**2007 %**	2006 %	**2007 %**	2006 %
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

27. Retirement benefit schemes (continued)

The long term rates of return on plan assets in the year were expected to be:	UK 2007 %	UK 2006 %
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	Life expectancy at age 65 (years) 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	
Charges on the basis of the assumptions were:	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
(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)

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	
Actual return on scheme assets	**2007 £m**	2006 £m	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Actual return on scheme assets	**4.1**	6.9	**–**	–	**4.1**	6.9

27. Retirement benefit schemes (continued)

History of experience adjustments	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
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

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 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 2007 £m	Minimum lease payments 2006 £m	Present value of minimum lease payments 2007 £m	Present value of minimum lease payments 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 Shares m	Authorised £m	Issued and fully paid Shares m	Issued and fully paid £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 27½2p 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 27½2p 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 27½2p for every 13 old ordinary shares of 25p held on 17 August 2007.

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 27 1/12p 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

	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

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

	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

		Group		Company	
	Notes	**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

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

	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:

	UK		International		Total	
Group	**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.

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

Future aggregate minimum rentals receivable under non-cancellable operating leases are:	**2007 £m**	2006 £m
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

At 31 December, annual commitments on operating leases on land and buildings were:	**2007 £m**	2006 £m
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.

Future aggregate minimum lease payments on non-cancellable operating leases are:	**2007 £m**	2006 £m
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

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

42. Share-based payment arrangements (continued)

42(ii) – 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)

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.

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

44(i) – Reconciliation of cash generated from operations

	Group		Company	
Continuing operations	**2007 £m**	2006 £m	**2007 £m**	2006 £m
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

Net cash flows after tax of the US property business and Slough Heat & Power	**2007 £m**	2006 £m
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**

44. Notes to cash flow statements (continued)

44(iv) – Reconciliation of net cash flow to movement in net debt

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 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

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

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

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.

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	Pre-acquisition		
	Group results* £m	Lyon £m	Vimercate £m	Total £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.

Independent Auditors' Report to the members of SEGRO plc

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

	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