Registered Number

1087015

SEGRO Administration Limited (formerly Slough Estates Administration Limited)

Directors' report and accounts for the year ended 31 December 2006

SEGRO Administration Limited (formerly Slough Estates Administration Limited)
Directors' report and accounts for the year ended 31 December 2006

Directors	I D Coull	
	A S Gulliford	
	J A N Heawood	
	R D Kingston	(retired 31 December 2006)
	J R Probert	
	D J R Sleath	(appointed 1 January 2006)
	J I Titford	
Secretary	J R Probert FCIS	
Registered Office and Head Office	234 Bath Road, Slough SL1 4EE	
Registered Number	1087015	

Directors' report
The directors submit their annual report together with the audited financial statements for the year ended 31st December 2006 which were approved by the board on 12 September 2007

Change of name
SEGRO Administration Limited (The "Company") changed its name from Slough Estates (Administration) Limited on 22 May 2007

Business of the Company
SEGRO Administration Limited (the "Company") principal activity is the provision of a central service of administration, secretarial, accounts, business information systems and personnel control for the SEGRO plc group of companies The Company has performed in line with expectations and the directors are satisfied with the year end position The level of activity in 2006 is expected to be maintained during the forthcoming year

Key performance Indicators ("KPI's")
Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Results and dividends
The results for the year ended 31st December 2006 are set out on page 6 The directors do not recommend a dividend for the year (2005 £nil)

Directors
The present directors of the Company all of whom served throughout the year, unless otherwise stated, are as shown above

Directors' Interests
The interests of I D Coull, D J R Sleath, J A N Heawood and R D Kingston are disclosed in the financial statements of SEGRO plc, the Company's parent company
Set out below is a list of the other directors and the beneficial interests of these directors and their families in the share capital of SEGRO plc Their own holdings include any shares held on behalf of directors by the Trustees of the SEGRO plc Share Incentive Plan

Ordinary shares	**Own holdings**		**Under option**				
	01 01 06	**31 12 06**	**01 01 06**	**Granted**	**Exercised**	**Lapsed**	**31 12 06**
J I Titford	566	1,082	19,240	-	-	-	19,240
A S Gulliford	-	516	32,620	-	-	-	32,620
J R Probert	12,132	12,942	64,037	-	(42,659)	-	21,378

	Other Interests	
	01 01 06	**31 12 06**
J R Probert	25,253	27,467

The shares under option are at exercise prices ranging from 218 4p to 528 4p expiring on various dates up to 13th September 2011

SEGRO plc has operated an approved SAYE Share Option Scheme since 1981 Savings contracts can be for a three, five or seven year period and are not subject to any performance criteria except that employees must remain with the group for the term of the option

The following are details of the options held by J I Titford, A S Gulliford and J R Probert

	Date of grant	**Maturity date**	**Option price**	**Number of shares**
J I Titford	26 08 04	01 10 07	372 0p	1,520
J I Titford	22 03 05	01 05 10	394 8p	1,674
A S Gulliford	22 09 05	01 10 08	432 4p	438
A S Gulliford	13 04 06	01 05 09	483 2p	387
A S Gulliford	13 09 06	01 10 09	528 4p	353
J R Probert	22 04 03	01 05 08	218 4p	7,520

Directors' report (continued)

Directors' interests (continued)

Dunng the year, the share pnce of SEGRO plc ranged between a high of 796 0p and a low of 559 0p The share pnce at 29 December 2006 was 785 50p

At 31 December 2006, the executive directors above, together with other senior executives were potential beneficianes in respect of a total of 1,754,937 ordinary shares in the Company held by the Trustees of the 1994 Employees' Benefit Trust

The following are the non-beneficial interests of the directors who were in office at 31 December 2006

Number of ordinary shares held by the following, as Trustees of the Share Incentive Plan

	31 12 06	01 01 06
R D Kingston, J A N Heawood and J R Probert	494,170	378,133

R D Kingston retired as a Trustee of Share Incentive Plan on 31 December 2006 Mrs J I Titford was appointed as a Trustee of the Share Incentive Plan in his place on 15 January 2007

Three of the other directors received shares under the SEGRO plc long term share incentive scheme (2005 3)

Charitable, political and other donations
The Company made no chantable, political or other donations dunng the year

Payment policy
It is the Company's payment policy, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders Trade creditors as a proportion of amounts invoiced by suppliers represents 2 days (2005 5 days)

Employment policy
Details of the Company's policies on employment and on employee development are given in SEGRO plc's Operating and Financial Review (p 44) The Group is committed to achieving a high standard of health and safety and is continually reviewing its policies and practices to ensure that those standards are maintained We are committed to ensunng safe and healthy working conditions for our employees and visitors

Auditors and disclosure of information to auditors
The board will elect to appoint Deloitte & Touche LLP as the Company's auditors for the year ending 31 December 2007 PncewaterhouseCoopers LLP, who have acted as the Company's auditors previously, will complete the audit of the Company for the year ended 31 December 2006

So far as each director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with prepanng their report) of which the Company's auditors are unaware Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the Board

J A N Heawood
Director
12 September 2007

SEGRO Administration Limited (formerly Slough Estates Administration Limited)
Statement of the Directors' responsibilities

UK company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year In preparing the financial statements the directors are required to

* select suitable accounting policies and then apply them consistently,

* make judgements and estimates that are reasonable and prudent,

* state that the financial statements comply with IFRS, and

* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

By order of the Board

J A N Heawood
Director
12 September 2007

SEGRO Administration Limited (formerly Slough Estates Administration Limited)
Independent Auditors' Report to the members of SEGRO Administration Limited

We have audited the financial statements of SEGRO Administration Limited for the year ended 31 December 2006 which comprise the Income Statement, Balance Sheet, Statement of Recognised Income and Expense, Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing 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 in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements to be audited have been properly prepared in accordance with the Companies Act 1985 We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements

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 read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

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 It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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

Opinion
In our opinion

* the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended,
* the financial statements have been properly prepared in accordance with the Companies Act 1985, and
* the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

14 September 2007

SEGRO Administration Limited (formerly Slough Estates Administration Limited)
Income statement for the year ended 31 December 2006

	Note	2006 £000's	2005 £000's
Revenue	2	**28,114**	24,584
Administration recharge received from fellow Group subsidiaries		**28,114**	24,584
Administration expenses	3	**(28,193)**	(24,936)
Gain/(loss) on disposal of non-current assets		**45**	(11)
(Loss) before tax		**(34)**	(363)
Tax credit/(charge)			
- current		**3,791**	(508)
- deferred		**(125)**	276
Total tax	4	**3,666**	(232)
Profit/(Loss) for the year		**3,632**	(595)
Attributable to equity shareholders		**3,632**	(595)

SEGRO Administration Limited (formerly Slough Estates Administration Limited)
Statement of recognised income and expense for the year ended 31 December 2006

	2006 £000's	2005 £000's
Profit/(loss) for the year	**3,632**	(595)
Total recognised income and expense for the year	**3,632**	(595)
Attributable to equity holders	**3,632**	(595)

SEGRO Administration Limited (formerly Slough Estates Administration Limited)
Balance Sheet as at 31 December 2006

	Note	2006 £000's	2005 £000's
Non-current assets			
Plant and equipment	5	**4,159**	3,491
Amount due from group companies	8	**12,024**	12,010
Deferred tax asset	6	**454**	579
Total non-current assets		**16,637**	16,080
Current assets			
Trade and other receivables	7	**417**	1,036
Cash and cash equivalents		**3**	3
Total current assets		**420**	1,039
Total assets		**17,057**	17,119
Non-current liabilities			
Provision for liabilities and charges	10	**315**	332
Other payables		**42**	671
Total non-current liabilities		**357**	1,003
Current liabilities			
Trade and other payables	11	**10,265**	14,552
Total current liabilities		**10,265**	14,552
Total liabilities		**10,622**	15,555
Net assets		**6,435**	1,564
Equity			
Share capital	12	**25**	25
Share based payment reserve	14	**2,131**	1,295
Retained earnings	15	**4,279**	244
Total equity	13	**6,435**	1,564

The financial statements on pages 6 to 20 were approved by the Board of directors and authorised for issue on 12 September 2007 and signed on its behalf by

J.Heawood

J A N Heawood
Director

SEGRO Administration Limited (formerly Slough Estates Administration Limited)
Cash flow Statement for the year ended 31 December 2006

	Note	2006 £000's	2005 £000's
Cash (outflow)/inflow generated from operations	16	**(1,814)**	7,902
Tax recovered/(paid) from group companies		**3,791**	(508)
Net cash inflow from operating activities		**1,977**	7,394
Cash flows from investing activities			
Purchase of plant and equipment		**(2,316)**	(1,680)
Sale of plant and equipment		**353**	79
Net decrease/(increase) in loans to group companies		**(14)**	(5,793)
Net cash used in investing activities		**(1,977)**	(7,394)
Net movement in cash and cash equivalents		**-**	-
Cash and cash equivalents at the beginning of the year		**3**	3
Cash and cash equivalents at the end of the year		**3**	3
Cash and cash equivalents per balance sheet		**3**	3

1 General

SEGRO Administration Limited is a limited company incorporated in England The Company's parent company is SEGRO plc (the Group) which is also incorporated in England

These financial statements are presented in thousands and in sterling since that is the currency in which the majority of the Company's transactions are denominated

The financial statements have been prepared under the historical cost convention A summary of significant accounting policies is shown in note 20

2 Revenue

	2006 £000's	2005 £000's
Administration expenses recharged to fellow Group subsidiaries	**28,114**	24,584
Total revenue	**28,114**	24,584

3 Adminstration expenses

	2006 £000's	2005 £000's
Directors' remuneration	**379**	290
Depreciation	**1,326**	1,080
Employee costs	**21,229**	18,296

Employees

The Company bears the cost of property related UK employees of the Group and then recharges them to other group subsidiaries, the recharge being included in revenue

The aggregate payroll costs of these employees were

	2006 £000's	2005 £000's
Wages and salaries	**14,942**	14,049
Social security costs	**2,213**	1,462
Other pension costs		
- defined benefits	**2,407**	1,559
- curtailment credit	**(1,122)**	-
- defined contibutions	**107**	172
Termination benefits	**1,094**	-
Share scheme costs	**1,169**	1,054
Provision for national insurance on unexpired share options	**419**	-
	21,229	18,296

Services provided by the Group's auditor and network firms

SEGRO Administration Limited incurs the cost of auditor remuneration for all UK companies within the SEGRO plc Group (the "Company") This forms a component of the overall recharge that is made to other Group companies, the recharge being included in revenue and is analysed below

	2006 £000	2005 £000
Fees payable to Company auditor for the audit of Company and consolidated accounts	**337**	334
Fees payable to the Company's auditor and associates for other services		
- The audit of the Company's subsidiaries pursuant to legislation	**93**	159
- Other services pursuant to legislation	**57**	55
- Tax services	**86**	131
Services relating to corporate finance transactions entered into on behalf of the company or any of its associates	**-**	268
All other services	**12**	326
	585	1,273

	2006	2005
Fees in respect of the Slough Estates plc pension schemes (included in 'non-audit services' above)		
- Audit of pension schemes	**20**	17

3 Adminstration expenses (continued)

Employees (continued)

The average monthly number of employees of the Company was 221 (2005 221) all of whom were engaged in property management

The Company operates pension schemes for its employees and those of the other group companies Total pension costs for the Company were £1,392,000 (2005 £1,731,000)

Directors' remuneration

I D Coull, J A N Heawood, R D Kingston and D J R Sleath are directors of SEGRO plc, the Company's ultimate holding company, and their remuneration is disclosed in the financial statements of that company A S Gulliford received no remuneration in respect of his services as a director of the Company The remuneration of the other directors is as follows

	2006 £000's	2005 £000's
Aggregate remuneration (excluding pension contributions)	**379**	290
Amounts receivable under long term incentive plans	**22**	-

During the year 4 (2005 0) directors received shares under the long term incentive scheme and three (2005 one) directors exercised share options

Retirement benefits are accruing to 3 (2005 3) of the other directors under a defined benefit scheme

4 Tax (credit) / charge

	2006 £000's	2005 £000's
Current tax		
Provision for UK Corporation taxation based on loss for the year		
Corporation tax credit at 30 per cent (2005 30 per cent)	**(2,799)**	(120)
Adjustment in respect of prior periods	**(992)**	628
Total current tax	**(3,791)**	508
Deferred tax		
Origination and reversal of timing differences	**125**	(276)
Total deferred tax	**125**	(276)
Total tax (credit)/charge on profit on ordinary activities	**(3,666)**	232

Factors affecting tax charge for the period

The tax for the year is lower (2005 higher) than the standard rate of corporation tax in the UK The differences are explained below -

	2006 £000's	2005 £000's
(Loss) on ordinary activities before tax	**(34)**	(363)
(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 per cent (2005 30 per cent)	**(10)**	(109)
Effects of		
Adjustment in respect of prior periods	**(992)**	628
Origination and reversal of timing differences	**313**	-
Permanent timing differences	**(2,977)**	(287)
Total tax (credit)/charge on profit on ordinary activities	**(3,666)**	232

5 Plant and equipment

	2006 £000's	2005 £000's
Cost		
At 1 January	**10,775**	9,826
Additions	**2,302**	1,661
Disposals	**(739)**	(712)
At 31 December	**12,338**	10,775
Depreciation		
At 1 January	**(7,284)**	(6,826)
Charge for the year	**(1,326)**	(1,080)
Disposals	**431**	622
At 31 December	**(8,179)**	(7,284)
Net book value at 31 December	**4,159**	3,491
Depreciation method	**Straight Lin**	Straight Line
Measuring basis for carrying value	**Cost**	Cost
The depreciation rates used	**15-33%**	15-33%

6 Deferred tax asset

	2006 £000's	2005 £000's
Balance as at 1 January	**579**	303
Credit to income statement	**(125)**	276
Balance at 31 December	**454**	579
Deferred tax asset consists of		
Timing differences	**639**	536
Accelerated capital allowances	**(185)**	43
Total deferred tax	**454**	579

7 Trade and other receivables

	2006 £000's	2005 £000's
Trade receivables	**-**	32
Other receivables	**103**	781
Prepayments and accrued income	**314**	223
	417	1,036

The directors consider that the carrying amount of the trade receivables and other receivables approximate their fair value

8 Amounts due from group companies

Intercompany loans have no fixed repayment terms and are non-interest bearing SEGRO Administration Ltd has agreed that it will not demand repayment of these loans within the next twelve months

9 Financial instruments and fair value

Fair values

The directors are of the opinion that the fair values of amounts due from Group companies are equal to their carrying amount

Credit risk

At the balance sheet date there were no significant concentrations of credit risk

10 Provision for liabilities and charges

The provision relates to the non-current portion of an unfunded retirement benefit scheme for a retired director of the ultimate holding company The annual release is approximately £17,000

	£000's
Balance at 1 January 2005	349
Credited to income statement	(17)
Balance at 1 January 2006	**332**
Credited to income statement	(17)
Balance at 31 December 2006	**315**

SEGRO Administration Limited (formerly Slough Estates Administration Limited)
Notes to the financial statements (continued)

11 Trade and other payables

	2006 £000's	2005 £000's
Current		
Trade payables	**852**	1,738
Other payables	**39**	787
Other taxation and social security	**5,250**	9,648
Pension accrual	**17**	17
Accruals and deferred income	**4,107**	2,362
Total trade and other payable due within one year	**10,265**	14,552

12 Share capital

	Authorised, issued and fully paid Shares	£000's
Ordinary shares of £1 each		
At 1 January 2006 and 31 December 2006	25,000	**25**

13 Statement of changes in equity

2006	Balance 1 January 2006 £000's	Movement in period £000's	Profit for the period £000's	Balance 31 December 2006 £000's
Share capital	25	-	-	**25**
Share based payment reserve	1,295	(403)	1,239	**2,131**
Retained earnings	244	403	3,632	**4,279**
Total equity attributable to equity shareholders	1,564	-	4,871	**6,435**

2005	Balance 1 January 2005 £000's	Movement in period £000's	Profit for the period £000's	Balance 31 December 2005 £000's
Share capital	25	-	-	25
Share based payment reserve	514	781	-	1,295
Retained earnings	839	-	(595)	244
Total equity attributable to equity shareholders	1,378	781	(595)	1,564

14 Share based payment reserve

	2006 £000's	2005 £000's
Balance at 1 January	**1,295**	514
Movement in the fair value of share based payments	**836**	781
Balance 31 December	**2,131**	1,295

This reserves represents the fair value of the share options granted for share based payments

15 Retained earnings

	2006 £000's	2005 £000's
Balance at 1 January	**244**	839
Transfer from Equity reserve	**403**	-
Profit/(loss) for the year	**3,632**	(595)
Balance at 31 December	**4,279**	244

All of the retained earnings is available for distribution to ordinary shareholders

16 Reconciliation of cash generated from operations

	2006 £000's	2005 £000's
Operating (loss)	(34)	(363)
Adjustments for		
Share based payments charge	1,239	1,054
Depreciation of plant and equipment	1,326	1,080
(Gain)/Loss on disposal of plant and equipment	(45)	11
	2,486	1,782
Changes in working capital		
Decrease / (increase) in debtors	618	(55)
(Decrease) / increase in creditors	(4,918)	6,175
Net cash (outflow)/inflow generated from operations	(1,814)	7,902

17 Related party transactions

During the year the Company entered into the following transactions with related parties

Group company	Nature of transaction	2006 £000's	2005 £000's
SEGRO plc	Recharge	6,592	5,285
SEGRO Properties Limited	Recharge	21,425	18,867
SEGRO Finance plc	Recharge	97	81
Slough Trading Estate Limited	Recharge	-	351

Significant balances outstanding between the Company and SEGRO PLC group companies are shown below

	Amount payable		Amount receivable	
Group company	2006 £000's	2005 £000's	2006 £000's	2005 £000's
Slough Heat and Power Limited	-	(14)	-	-
SEGRO plc	-	-	12,024	12,024

None of the above balances are secured and are not interest bearing

The parent company is SEGRO Properties Limited and the ultimate controlling party is SEGRO plc Copies of the consolidated accounts of SEGRO plc can be obtained from 234 Bath Road, Slough, SL1 4EE, England

Directors' and executives' remuneration

Remuneration paid to directors and other members of key management during the year was as follows

	2006 £000's	2005 £000's
Salaries, bonuses and other short-term benefits	3,729	3,002
Post-employment benefits	1,000	900
Termination benefits	577	-
Share-based payments	802	216
	6,108	4,118

The Company has investments in three (2005 three) subsidiaries These are dormant and the investment consists of the £1 of issued ordinary share capital in each company The companies are all registered in the United Kingdom

The investments are
SEI Limited
SEI (No 1) Limited
SEI (No 2) Limited

SEGRO Administration Limited (formerly Slough Estates Administration Limited)
Notes to the financial statements (continued)

18 Share-based payment arrangements

Dunng the penod ended 31 December 2006, the Company had five share-based payment arrangements, which are descnbed below The detail below relates to the Company's employees only In each case, the expected volatility was determined by calculating historical volatility of the Group's share pnce over multiple time penods

18(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 cntena The employee would normally have to remain with the Company for the three year penod If the performance conditions have not been met by the third anniversary of the date of the grant the options lapse The performance cntena are based on an increase in adjusted diluted earnings per share by the Retail pnce index (RPI) plus 3 per cent per annum over the three year penod

	2006		2005	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise pnce
At 1 January	**2,502,823**	**386 0p**	**2,986,276**	**374 9p**
Options granted	**-**	**-**	**527,357**	**476 8p**
Options exercised	**(1,018,248)**	**305 3p**	**(93,031)**	**353 3p**
Options expired/lapsed	**(64,348)**	**473 0p**	**(917,779)**	**395 8p**
At 31 December	**1,420,227**	**447 9p**	**2,502,823**	386 0p

The options outstanding at 31 December 2006 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	06-Jan-03	20-Mar-03	14-May-04	02-Sep-04	29-Apr-05
Exercise pnce/market pnce	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

18(ii) - Save-as-you-earn option scheme (SAYE)

The SAYE options are exercisable after three, five and seven years and are not subject to any performance cntena except the employees must remain with the company for the term of the option

	2006		2005	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
At 1 January	**546,631**	**274 4p**	556,034	257 8p
Options granted	**91,253**	**499 6p**	82,443	459 3p
Options exercised	**(172,059)**	**254 0p**	(81,715)	-
Options expired/lapsed	**(38,672)**	**353 4p**	(10,131)	-
At 31 December	**427,153**	**337 6p**	546,631	274 4p

The options outstanding at 31 December 2006 were exercisable between 218 4p and 528 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**	**28-Aug-04**	**23-Mar-04**	**22-Sep-05**	**13-Apr-06**	**13-Sep-06**
Market pnce	290 0p	380 8p	465 5p	465 0p	493 5p	540 5p	604 0p	660 5p
Exercise pnce	218 4p	304 6p	372 4p	372p	394 8p	432 4p	483 2p	528 4p
Risk-free interest rate	5 1%	5 1%	5 1%	5 1%	4 8%	4 8%	4 7%	4 7%
Dividend yield	4 8%	3 8%	4 8%	4 1%	3 8%	3 5%	2 9%	2 9%
Volatility	21 2%	22 4%	22 6%	22 7%	21 0%	21 2%	22 0%	22 0%
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
Fair value per share 3 years	74p	96p	123p	122p	118p	134p	158p	172p
Fair value per share 5 years	74p	103p	135p	134p	126p	144p	174p	191p
Fair value per share 7 years	73p	106p	142p	140p	129p	150p	184p	202p

Details of share options exercisable at 31 December 2006

Date of grant	**Scheme**	**Price per share pence**	**shares number**	**Exercisable between**
22 March 2000	Save-as-you-earn option scheme 1981	249 6	15,898	2003 and 2007
21 March 2001	Save-as-you-earn option scheme 1981	296 4	9,918	2001 and 2008
28 March 2001	Executive share option plan 1994	356 5	11,445	2004 and 2011
28 March 2001	Executive share option plan 1994	356 5	22,723	2004 and 2011
30 August 2001	Save-as-you-earn option scheme 1981	284 8	1,677	2004 and 2008
29 August 2002	Save-as-you-earn option scheme 1981	276 4	15,927	2005 and 2009
19 March 2003	Save-as-you-earn option scheme 1981	218 4	149,597	2006 and 2010
20 March 2003	Executive share option plan 2002	290 0	20,688	2006 and 2013
20 March 2003	Executive share option plan 2002	290 0	139,860	2006 and 2013
28 August 2003	Save-as-you-earn option scheme 1981	304 6	23,473	2006 and 2010
17 March 2004	Save-as-you-earn option scheme 1981	272 4	22,117	2007 and 2011
14 April 2004	Executive share option plan 2002	467 8	32,065	2007 and 2014
14 April 2004	Executive share option plan 2002	467 8	627,318	2007 and 2014
26 August 2004	Save-as-you-earn option scheme 1981	372 0	29,655	2007 and 2011
2 September 2004	Executive share option plan 2002	459 8	19,572	2007 and 2014

SEGRO Administration Limited (formerly Slough Estates Administration Limited)
Notes to the financial statements (continued)

18(ii) - Save-as-you-earn option scheme (SAYE) (continued)

Details of share options exercisable at 31 December 2006 (continued)

Date of grant	Scheme	Price per share pence	shares number	Exercisable between
2 September 2004	Executive share option plan 2002	459 8	33,880	2007 and 2014
23 March 2005	Save-as-you-earn option scheme 1981	394 8	38,191	2008 andf 2012
29 April 2005	Executive share option plan 2002	476 8	18,873	2008 and 2015
29 April 2005	Executive share option plan 2002	476 8	493,803	2008 and 2015
22 September 2005	Save-as-you-earn option scheme 1981	432 4	30,955	2008 and 2012
13 April 2006	Save-as-you-earn option scheme 1981	483 2	56,113	2009 and 2013
13 September 2006	Save-as-you-earn option scheme 1981	528 4	33 632	2009 and 2013
Total			1,847,380	

The weighted average remaining contractual life for share options outstanding at the year end is 1 91 years (2005 2 02 years)

18(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

	2006 Number	2006 Weighted average exercise price	2005 Number	2005 Weighted average exercise price
At 1 January	**342,999**	**398 2p**	238,716	355 0p
Shares granted	**432,329**	**589 2p**	104,283	491 2p
Shares vested	**(13,435)**	**304 0p**	-	-
Shares sold	**(7,562)**	**304 0p**	-	-
Shares expired/lapsed	**(10,074)**	**304 0p**	-	-
At 31 December	**744,257**	**544 9p**	342,999	398 2p

At 31 December 2006, employees held the right to be granted 744,257 shares (2005 - 331,355) if performance criteria is 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	07-Jan-03	20-Mar-03	01-Apr-04	02-Sep-04	04-May-05	04-May-06
Exercise price/market price	344p	306p	433 2p	461p	491 2p	589 2p
Risk-free interest rate	5 0%	5 0%	5 0%	5 0%	4 8%	4 6%
Dividend yield	4 6%	4 6%	3 5%	3 3%	3 9%	2 9%
Volatility	20 0%	21 3%	20 0%	20 0%	21 0%	22 0%
Term of option	3 years	3 years	3 years	3 years	3 years	3 years
Fair Value per share	299p	267p	390p	417 8p	437p	540p

18(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 company for at least three years

	2006 Number of options	2006 Weighted average exercise price	2005 Number of options	2005 Weighted average exercise price
At 1 January	**277,549**	**432 4p**	208,298	393 6p
Shares granted	**65,540**	**581 2p**	75,812	529 8p
Shares paid out to leavers	**(55,288)**	**442 9p**	(4,191)	389 1p
Shares forfeited	**(25,565)**	**421 3p**	(2,370)	392 2p
At 31 December	**262,236**	**466 2p**	277,549	432 4p

Of the shares outstanding at 31st December 2006 - 262,236 (2005 - 264,458) were exercisable The fair values of the share incentive plan were determined by the price of the shares at the date of the grant.

18(v) - Cash settled share based payments plan

The plan for senior employees was settled for cash of £0 2 million on 6 June, and then closed

This plan had shadowed the LTIS A notional number of shares were granted to the employee equal to 25 per cent of their salary and divided by the share price on the date of the grant 108,359 notional shares had been granted in June 2003 and the Black-Scholes model was used to fair value these shares at prevailing market rates At the settlement date, there were 102,627 shares at the price of 635 0 pence Under the performance criteria of the LTIS, 40 per cent of the total value was paid to the employees in 2006

	2006	2005
Number of shares	102,627	102,627
Number of shares vested	(102,627)	-
Current stock price (settlement date 6 June 2006, 31 December 2005 for 2005)	635 0p	553 5p
Risk-free rate	-	5 0%
Expected life of option (years)	-	0 4
Volatility	-	0 1%
Dividend yield	-	2 6%
Fair value of option 31 December	-	547p

18(vi) - Total payments

The total payments for share based payments for the Company were £1 2 million (2005 £1 05 million)

19 Retirement benefit schemes

General

The Company's employees are either members of the defined benefit section of Slough Estates (1957) Pension Scheme ("the scheme") or are members of the defined contribution section of the same scheme The latter section is a separate element of the entire scheme and the following notes exclude any detail relating to the defined contribution section The Company has no legal liability in respect of the scheme as the entire scheme is in the name of the ultimate parent company, SEGRO plc, whose accounts reflect the full outstanding liability The Company makes specific contributions to the scheme for both defined benefit and defined contribution sections based on the amounts requested by the actuaries There is no formal, contractual relationship between SEGRO plc and the Company in regard to the scheme

Defined benefit scheme

The defined benefit scheme's assets are held by trustees separately from the assets of the employer Contributions to the scheme, which are assessed in accordance with 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 cost of pensions over employees' working lives with the Company

The valuation of the scheme has been based on the most recent actuarial valuation at 31 March 2004 and updated by the independant actuaries in order to assess the liabilities of the scheme at 31 December 2006 Assets of the scheme are stated at their market value at 31 December 2006

Actuarial assumptions

The projected unit method of valuation was used for the scheme and the financial assumptions, except where indicated to the contrary, used to calculate the scheme's liabilities are as follows

	2006	2005
	%	%
Discount rate for scheme liabilities	**5 2**	4 7
Rate of Inflation	**3 0**	2 9
Rate of increase to pensions in payment in excess of GMP		
Before April 2003	**4 1**	4 1
From April 2003 to October 2005	**3 0**	2 8
After October 2005	**2 3**	2 1
Rate of general long-term increase in salaries	**5 0**	4 9

The long term rates of return at the balance sheet date were as follows

	Expected rate of return	
	2006	2005
	%	%
Equities	**7 6**	7 5
Bonds	**4 6**	4 3
Property	**6 6**	6 5
Other assets	**5 3**	4 5
Overall - Slough Scheme	**6 4**	6 5

The mortality rates used were as follows	**Mortality table**	**Life expectancy at age 65 (years)**	
		Male	**Female**
Current pensioners	PA92C2014SC	20 8	23 6
Future pensioners	PA92C2024SC	21 5	24 3

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% p a lower than those on equities Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the scheme's holdings of these instruments

19 Retirement benefit schemes (continued)

The most recent full formal actuarial valuation for the scheme has been updated by qualified actuaries for the financial year ended 31 December 2006 to provide the IAS 19 disclosure below

Analysis of the Slough scheme's assets at 31 December is as follows

	2006 £m	2005 £m	2006 %	2005 %
Equities	**53 1**	56 1	**59.8**	70 2
Bonds	**35 3**	22 7	**39.8**	28 4
Other	**0 4**	1 1	**0.4**	1 4
	88 8	79 9	**100.0**	100 0

The scheme has no investments in the Company's equity securities or in property currently used by the Company

Fair value of the assets and liabilities of the scheme
The amount included in the balance sheet of SEGRO plc arising from the obligations of the scheme is as follows

Analysis of net assets / (deficits)	2006 £m	2005 £m
Market value of schemes' assets	**88.8**	79 9
Present value of funded scheme's liabilities	**(101 4)**	(106 8)
Net deficit before related deferred tax at 31 December	**(12 6)**	(26 9)
Related deferred tax	**-**	8 1
Net liability included in the books of SEGRO plc	**(12 6)**	(18 8)

Reconciliation of the assets and liabilities of the scheme

	2006 £m	2005 £m
Movement in assets		
At 1 January	**79 9**	49 7
Expected return on scheme assets	**5.3**	4 0
Actuarial gains	**0 7**	8 2
Employer cash contributions	**4 0**	19 1
Member cash contributions	**0 8**	0 6
Benefits paid	**(1 9)**	(1 7)
At 31 December	**88 8**	79 9
Movement in liabilities		
At 1 January	**106 8**	89 3
Service cost	**3 2**	2 9
Curtailments	**(1.2)**	-
Past service cost	**-**	(0 7)
Interest cost	**5 0**	4 7
Member contributions	**0 8**	0 6
Actuarial (gains)/losses	**(11 3)**	11 7
Benefits paid	**(1 9)**	(1 7)
At 31 December	**101 4**	106 8
Net deficit before related deferred tax at 31 December	**(12 6)**	(26 9)

The expected regular employer's contributions to be paid in the year ending 31 December 2007 are £4 0 million

There are no health benefit related obligations

The defined benefit section has been closed to new members since October 2006

There is a provision for the payment of an annual pension to a former director of the parent company - see note 10

20 Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards, IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates

Investment in subsidiaries

The Company's investment in subsidiaries is held at cost or provided against where the net worth of the investment falls below this balance

Plant and equipment

Plant and equipment comprise computers, motor vehicles, furniture, fixtures and fittings, and improvements to the Company's offices These assets are stated at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives

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 company 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

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 method

Impairment

The Company's assets are reviewed at each reporting date to assess impairment Where indication of impairment exists, the asset's recoverable amount is estimated, and if found to be lower than its carrying value, it is written down to the recoverable amount The impairment loss is taken to the income statement The recoverable amount is the higher of an asset's net selling price and its value-in-use (i e the net present value of its future cash flows, discounted at a pre-tax interest rate that reflects the borrowing costs and risks for the asset)

An impairment loss is reversed if estimates for the recoverable amount change, but only to the extent that its carrying amount after reversal does not exceed the net asset value that would arise had there been no impairment loss

Provisions

A provision is recognised where there is an obligation from past events requiring settlement by an outflow of economic benefits Where material, expected outflows are discounted at rates reflecting prevailing interest rates and risks A provision for an onerous contract is recognised where the unavoidable cost of meeting contractual obligations exceeds its benefits Dilapidations are provided for if an obligation exists at the reporting date which can be reliably estimated

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 charge 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 Company can benefit in the future

Pensions - Defined contribution schemes

Contributions to such schemes are expensed as incurred

Revenue

Revenue comprises of recharges to other Group companies for administration expenses and wages and salary costs

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 eventually vest Charges are reversed if it appears that performance will not be met Options are valued using the Black-Scholes model 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

20 Summary of 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 substantively 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 company 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 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 Indexation relief on land is allowed as a reduction of the deferred tax liability, but not on the buildings, unless the properties are in the process of being sold

Standards, amendments and interpretations effective in 2006 but have no effect on the Company's operations

- IAS 21 (Amendment), Net investment in a foreign operation,
- IAS 39 (Amendment), Cash flow hedge accounting of forecast intra-group transactions,
- IAS 39 (Amendment), The fair value option,
- IFRS 1, (Amendment), First-time adoption of international financial reporting standards,
- IFRS 6, Exploration for and evaluation of mineral resources,
- IFRIC 4, Determining whether an arrangement contains a lease,
- IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds, and
- IFRIC 6, Liabilities arising from participating in a specific market – Waste electrical and electronic equipment

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

It is not expected that they will have any significant future impact on the Company's accounts

- IFRS 7, 'Financial instruments Disclosures', and the complementary amendment to IAS 1, Presentation of financial statements - Capital disclosures',
- IFRS 8, Operating Segments,
- IFRIC 8, Scope of IFRS 2,
- IFRIC 10, Interim Financial Reporting and Impairment, and
- IFRIC 11, Group and treasury share transactions

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

- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies,
- IFRIC 9, Reassessment of embedded derivatives, and
- IFRIC 12, Service Concession Arrangements

The Directors anticipate that the adoption of these Standards and interpretations in future periods will have no material financial impact on the financial statements of the Company