SEGRO
WHERE BUSINESS WORKS

2014
ANNUAL REPORT AND ACCOUNTS

WHO WE ARE

SEGRO is a UK Real Estate Investment Trust ('REIT'), and a leading owner, asset manager and developer of modern warehousing and light industrial property. It owns or manages 5.7 million square metres of space in £6.0 billion of assets (SEGRO share: £4.8 billion), serving 1,200 customers from a wide range of industry sectors. Its properties are located around major conurbations and at key transportation hubs across eight European countries, but principally in the UK, Germany, France and Poland.

The Directors present the Annual Report for the year ended 31 December 2014 which includes the strategic review, governance report and audited financial statements for the year. References to 'SEGRO', the 'Group', the 'Company', 'we' or 'our' are to SEGRO plc and/or its subsidiaries, or any of them as the context may require. Pages 1 to 61 inclusive, comprise the Strategic Report, pages 99 to 101 inclusive comprise the Directors' Report and pages 83 to 93 inclusive comprise the Directors' Remuneration Report, each of which have been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with these sections shall be subject to the limitations and restrictions provided by such law.

The Annual Report contains forward-looking statements. For further information see inside back cover.

In 2011, SEGRO adopted a strategy aimed at delivering attractive and sustainable returns to shareholders based on disciplined capital allocation and operational excellence, underpinned by a sound financial structure. A key objective — the strategic repositioning of the portfolio — is substantially complete. The consequent improvement in the overall quality of our portfolio is reflected in an historically low vacancy rate and growth in like-for-like net rental income, while a more resilient and efficient financial structure has allowed us to accelerate our profitable development pipeline and to acquire high quality assets.

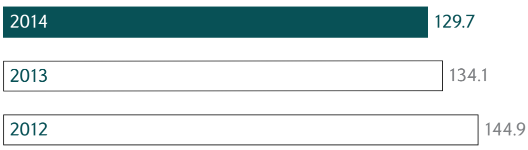
CAT, Warsaw

Overview/Financial Record

SUMMARY FINANCIAL KEY PERFORMANCE INDICATORS

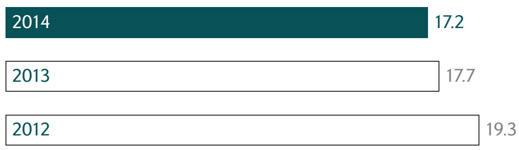
£129.7M

EPRA PROFIT BEFORE TAX (£ MILLION)



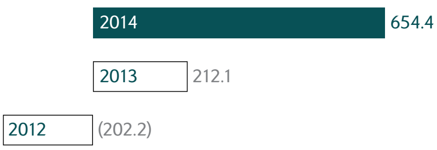
17.2P

EPRA EPS (PENCE)



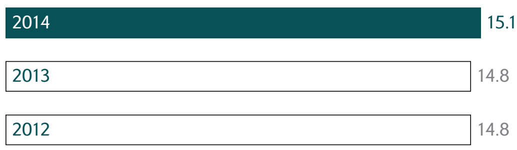
£654.4M

PROFIT BEFORE TAX (£ MILLION)



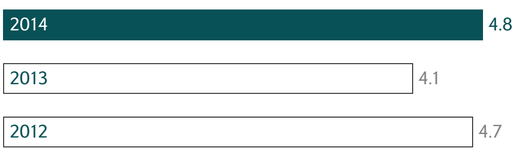
15.1P

TOTAL DIVIDEND PER SHARE (PENCE)



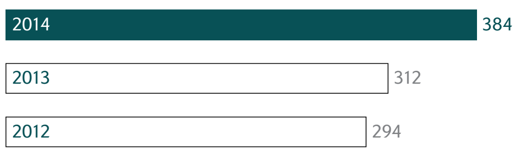
£4.8BN

PORTFOLIO VALUE (£ BILLION)
(SEGRO SHARE)



384P

EPRA NET ASSET VALUE PER SHARE
(PENCE)



For details on EPRA metrics, **SEE PAGE 15**

Overview/Chairman's Statement

DELIVERING ON OUR STRATEGIC PRIORITIES

We have continued to deliver on the strategy adopted three years ago to reposition SEGRO's portfolio. We have also accelerated our growth strategy through increased investment in our development pipeline and greater accretive acquisition activity.

The investment market for industrial and logistics assets was strong across the UK and Continental Europe in 2014, despite the varying economic performances in our core markets. In the prevailing low interest rate environment, industrial property yields are attractive, enhanced by improving occupier demand and structural changes in the nature of retailing towards e-commerce and convenience shopping, which are starting to be reflected in rental growth in some of our market.

Tightening yields, development and asset management gains, and improving rental values were the main drivers behind the 12.3 per cent increase in the value of our portfolio. As a result, our EPRA net asset value per share increased to 384 pence (2013: 312 pence).

A key priority of the strategy was to re-position the portfolio, disposing of assets which no longer fitted our objectives or met our return requirements. We sold £483 million of such assets during the year and, as a result, this element of the strategy is substantially complete.

The proceeds have helped to fund an accelerated development programme and the acquisition of big box warehouses in our core markets both on our own behalf and within the SEGRO European Logistics Partnership (SELP) joint venture.

These actions have improved the quality of our portfolio. They have also strengthened our capital structure: our loan to value ratio (including our share of debt in joint ventures) has fallen to 40 per cent, in line with our long term target level, assisted by an increase in the value of our assets.

Our investment activity will remain disciplined and is likely to favour development (including replenishment of the land bank), although we will continue to seek attractive acquisitions in our core markets while also investigating opportunities to expand our geographic footprint in Continental Europe's major logistics markets.

As expected, our EPRA earnings per share were impacted by disposal activity, particularly by those transactions completed late in 2013, falling by 3 per cent to 17.2 pence. Behind the headline decline was a marked improvement in our operating metrics, in particular the portfolio vacancy rate which fell to 6.3 per cent, an increase in like-for-like net rental income of 2.4 per cent and new income starting to be generated from completed developments.

Looking ahead, the structural drivers of demand for our products, combined with an improving economic situation, particularly in the UK, and accommodative monetary policy across all our markets, are likely to remain supportive of healthy property returns, even if not quite at the same very strong level of 2014.

Three years into our strategic repositioning programme, we have made progress faster than we expected when we embarked upon it. Successful and timely delivery of the strategy is a key objective for every one of the Group's employees, with their short and long term remuneration dependent on its success.

The Board is grateful to all our employees for their hard work in delivering these results and for the continuing support of the Group's customers, shareholders and other stakeholders.

Dividend

The Board has assessed the results for 2014 and the outlook for earnings in the medium term. It has concluded that it is appropriate to recommend an increase in the final dividend per share of 0.3 pence to 10.2 pence (2013: 9.9 pence) which will be paid as a Property Income Distribution. On this basis, the total dividend for the year will be 15.1 pence, a rise of 2 per cent on 2013 (14.8 pence). The final dividend will be paid on 8 May 2015 to shareholders on the register at the close of business on 27 March 2015.

The Board has decided to recommend the re-introduction of a scrip dividend option for the 2014 final dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. As a consequence, the Dividend Reinvestment Plan will be suspended. There are more details on page 155 of this Report.

Board Changes

I would like to welcome Martin Moore to the Board, who joined as an Independent Non-Executive Director in July 2014.

NIGEL RICH CBE
Chairman

Overview/At a Glance

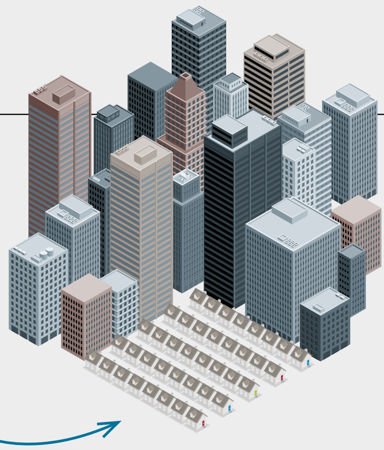
OUR STORY IN BRIEF

WE SERVE A GROWING MARKETPLACE...

The growth in international trade, distribution outsourcing, consumer spending and online and convenience retailing, as well as the growth in technology and the need for secure data are driving demand for modern, well-located warehousing.

SEE PAGE 8

Proximity to population centres which rely on rapid delivery of goods and services



WITH A MODERN PORTFOLIO IN CAREFULLY SELECTED EUROPEAN MARKETS...

BIG BOX LOGISTICS

SMALLER WAREHOUSES AND LIGHT INDUSTRIAL BUILDINGS

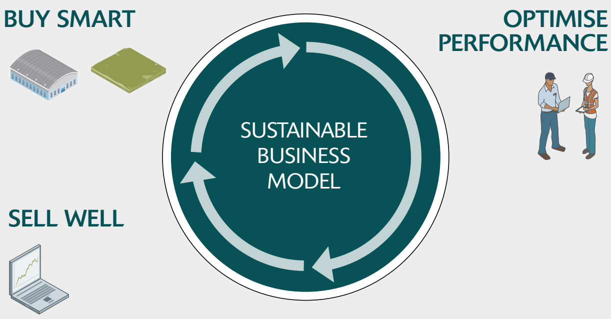
Our portfolio of modern warehouse and light industrial buildings is concentrated in four major European countries: the UK, France, Germany and Poland.

SEE PAGE 10

WE HAVE A SIMPLE BUSINESS MODEL...

We own, develop and manage warehouse and industrial property assets in the UK and Continental Europe. Our aim is to use our Business Model to generate attractive risk-adjusted returns for our shareholders by delivering low risk, progressive income returns (EPS growth) and capital appreciation (NAV growth).

SEE PAGE 12



AND A STRATEGY DESIGNED TO ACHIEVE OUR GOAL

Our CEO discusses how we are performing against our strategy to achieve our goal of becoming the best owner-manager and developer of warehouse and industrial properties and a leading income-focused REIT.

SEE PAGE 13

GOOD GOVERNANCE IS ESSENTIAL TO SUPPORT DELIVERY OF OUR STRATEGY

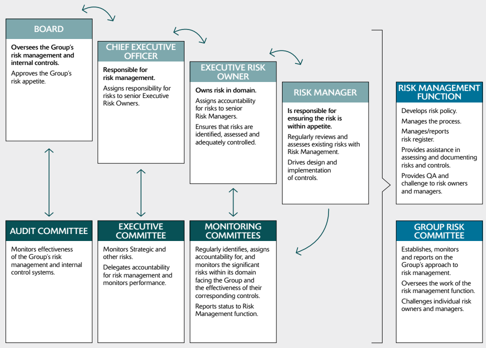
Good corporate governance is central to all aspects of the business and is designed to create an environment where matters can be considered and decisions made at the appropriate level in the organisation.

SEE PAGE 64

MANAGING RISK IS CENTRAL TO OUR SUCCESS...

The Group's ability to manage risk consistently across the organisation is central to its success. Risk management ensures a structured approach to decision making that aims to reduce the uncertainty surrounding expected outcomes, balanced against the objective of creating value for our shareholders.

FULL RISK MANAGEMENT ON PAGE 38



WE WORK RESPONSIBLY ACROSS THE PORTFOLIO...

Our customers, employees and shareholders are vital to SEGRO's success. We seek to ensure that our interaction with all of our stakeholders is professional and fair.

We strive to ensure that our existing and new buildings comply with the highest possible environmental standards.

SEE PAGE 44

RENEWABLE ENERGY

WE MEASURE OUR PERFORMANCE AGAINST OUR TARGET KPI'S...

Our objective is to deliver attractive returns to our shareholders through the execution of our strategy.

There are a number of Key Performance Indicators on which we report, and against which management and employees are remunerated, to track our progress. They are based on metrics combining the wholly-owned business and our share of joint ventures.

SEE PAGE 14

15.7% TOTAL SHAREHOLDER RETURN

17.2P EPRA EPS

384P EPRA NET ASSET VALUE PER SHARE

6.3% VACANCY RATE

19.4% TOTAL PROPERTY RETURN

40% LOAN TO VALUE RATIO

STRATEGIC REPORT

IN THIS SECTION

TESLA, Düsseldorf

A MODERN, FLEXIBLE PORTFOLIO OF WAREHOUSES AND INDUSTRIAL PROPERTY...

Demand for warehouse and industrial space has always been influenced by economic growth, but is now also affected by structural changes in how businesses service their customers, such as through e-commerce.

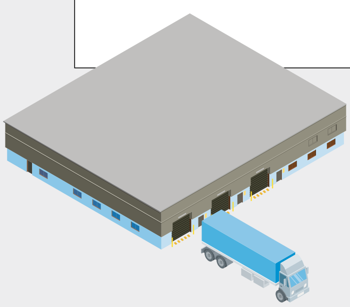
DISTRIBUTION: RETAILERS, MANUFACTURERS AND LOGISTICS COMPANIES NEED MODERN, WELL LOCATED LOGISTICS WAREHOUSES TO SERVE THEIR CUSTOMERS

AIRPORT WAREHOUSES

- Warehouses near Europe's largest freight airports, with particular concentration around Heathrow, Gatwick and Charles de Gaulle.
- Serving airlines, international distributors and cargo handling companies
- Heathrow cargo volumes +5% vs 2013

NATIONAL DISTRIBUTION CENTRES

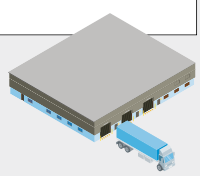
- Single occupier big box warehouses, over 10,000 sq m
- Serving national and international logistics supply chains
- Close to major transport hubs in the UK (Midlands and South-East), France (central logistics spine), Germany and Poland
- E-commerce continuing to grow rapidly as a proportion of retail sales across Europe



Access to population centres which need rapid delivery of products

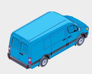
REGIONAL DISTRIBUTION CENTRES

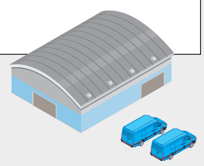
- Single occupier warehouses usually over 10,000 sq m
- Serving regional markets, close to major cities and associated transport networks



URBAN DISTRIBUTION WAREHOUSES

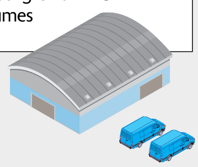
- Warehouses less than 10,000 sq m on the edge of major cities
- Serving wholesalers, distributors and convenience food retailers
- UK convenience retailing accounts for over 20% of supermarket sales

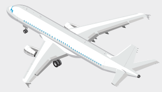




PARCEL DELIVERY CENTRES

- Cross-dock warehouses on the edge of major cities
- Facilitating rapid and efficient distribution of parcels for delivery to final destination
- Royal Mail expects 4% "medium term" annual growth in UK parcel volumes



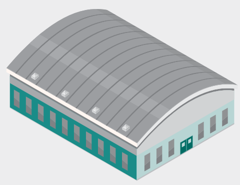


BUSINESS SPACE: COMPANIES NEED PREMISES CLOSE TO POPULATION CENTRES

Access to major cities

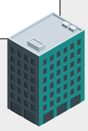
DATA CENTRE

- A 'higher value use' of warehouses on the edge of major cities
- Serving financial institutions and third party providers of data storage
- Slough Trading Estate is a major data centre hub due to its proximity to London, excellent power supply, fibre-optic cables and high security



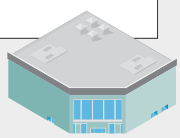
OFFICES

- A 'higher value use' of land on the edge of major cities
- Serving international businesses requiring an out of town location with easy access to cities, airports and a skilled workforce
- Our office portfolio is concentrated on the Slough Trading Estate



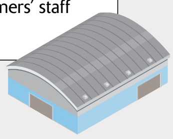
RETAIL

- A 'higher value use' of industrial land suitable for trade counters, self storage and car showrooms
- Require high visibility locations, near centres of population and providing easy access for customers
- Retail exposure is focused on the Slough Trading Estate and our portfolios in Greater London and Paris



BUSINESS SPACE

- Our edge-of-town light industrial estates appeal to businesses requiring smaller warehouses (often with a small office) or with space for storage, servicing and showroom uses
- They are located close to population centres allowing quick access for our customers' staff and suppliers



...IN CAREFULLY CHOSEN LOCATIONS TO MEET DEMAND FROM A VARIETY OF CUSTOMER TYPES

OUR PRODUCTS & MAIN LOCATIONS

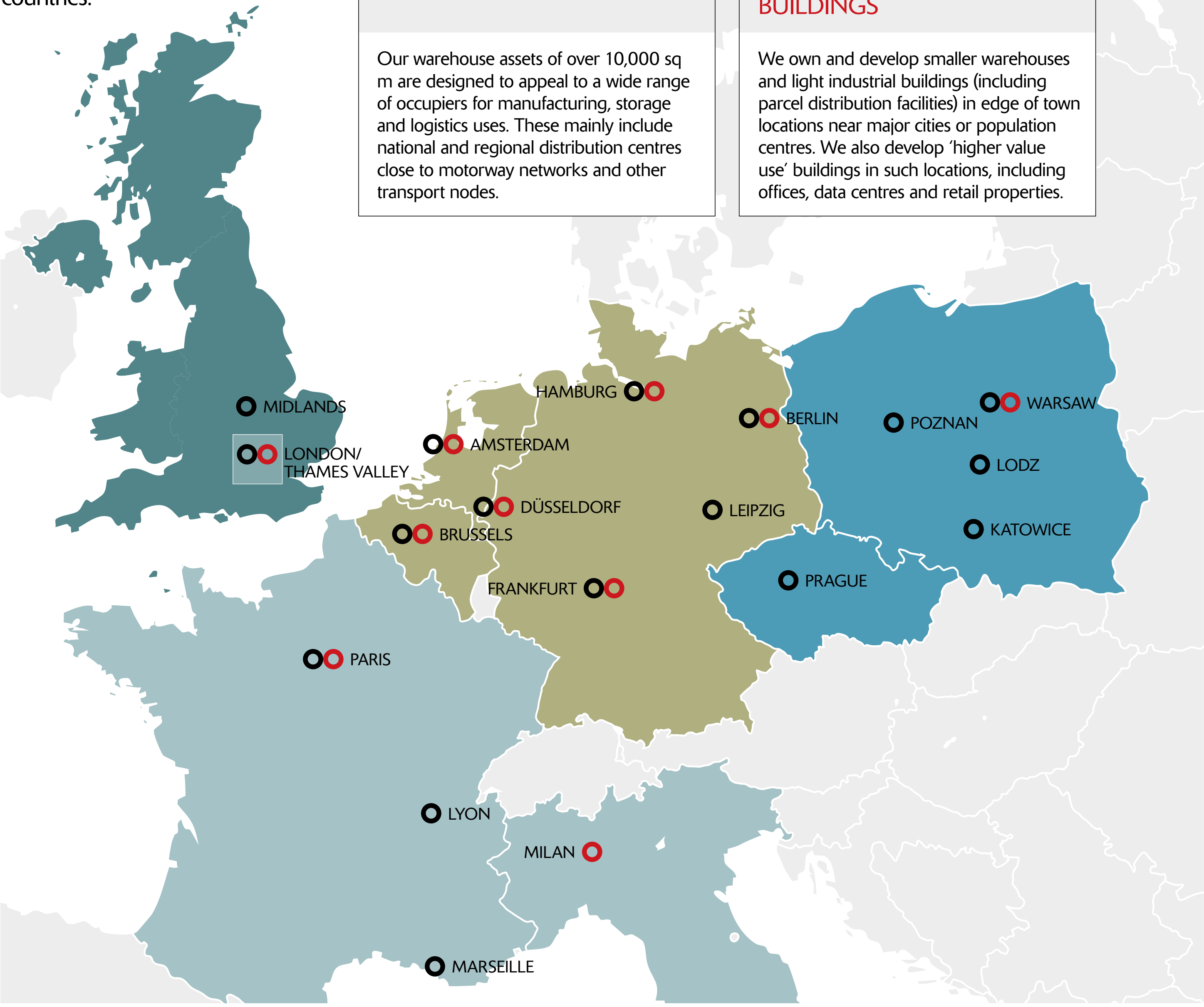
Our portfolio is concentrated in areas expected to benefit from strong tenant demand with a limited supply of competing product. Our buildings are located on the edge of major urban conurbations and around key transport hubs in eight European countries.

BIG BOX LOGISTICS

Our warehouse assets of over 10,000 sq m are designed to appeal to a wide range of occupiers for manufacturing, storage and logistics uses. These mainly include national and regional distribution centres close to motorway networks and other transport nodes.

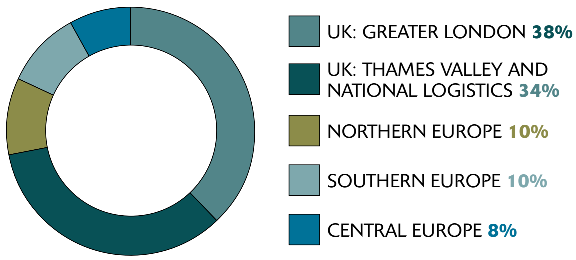
SMALLER WAREHOUSES AND LIGHT INDUSTRIAL BUILDINGS

We own and develop smaller warehouses and light industrial buildings (including parcel distribution facilities) in edge of town locations near major cities or population centres. We also develop 'higher value use' buildings in such locations, including offices, data centres and retail properties.

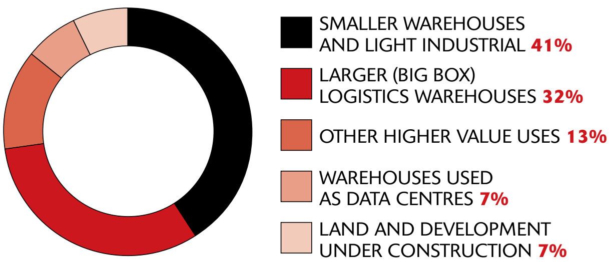


OUR PORTFOLIO

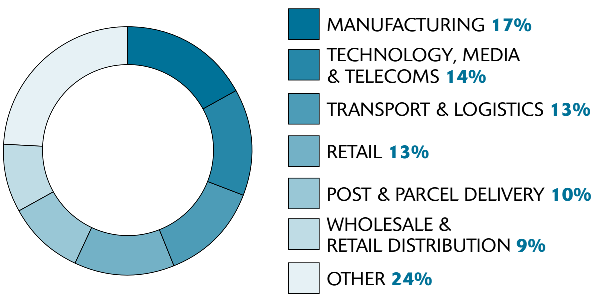
GEOGRAPHICAL SPLIT BY VALUE (SEGRO SHARE)



ASSET TYPE BY VALUE (SEGRO SHARE)



CUSTOMER TYPE BY RENT (SEGRO SHARE)



TOP 20 CUSTOMERS

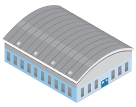
The top 20 customers represent 27 per cent of total headline rent (including JVs at share) at 31 December 2014.

CUSTOMER
Deutsche Post (DHL)
Telefonica (O2)
Sainsbury's
Royal Mail
IAG (British Airways)
Booker Belmont
Mars Chocolate
Tesco
UCB
Alcatel-Lucent
Federal Express
Wincanton
La Poste (Geopost/DPD)
Primark
Staples
Airworld Airlines
Antalis
Barclays Bank
Infinity
London City Bond

WE HAVE A CLEAR STRATEGY AND A SIMPLE BUSINESS MODEL THAT SEEK TO DELIVER ATTRACTIVE RETURNS

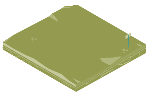
We own, develop and manage warehouse and industrial properties for our customers in the UK and Continental Europe. Our aim is to generate attractive risk-adjusted returns for our shareholders by delivering low risk, progressive income returns (EPS growth) and capital appreciation (NAV growth), through the implementation of our strategy.

BUY SMART



ASSETS

We invest in industrial and warehouse properties. We analyse markets and determine what, when and where to buy.



LAND

We acquire land which enables us to create new buildings, seeking to deliver attractive development returns without over-exposing ourselves to assets which do not produce any income.

SELL WELL

While we expect to retain most of our properties for the long term, we aim to sell assets at the right stage of both an asset's life cycle and the overall market cycle in order to generate proceeds which can be recycled into opportunities with a more attractive risk-return profile.

OPTIMISE PERFORMANCE

LET
available space promptly.

MANAGE
our assets efficiently and to a high standard to retain and grow our rent roll.

MAXIMISE
customer retention through excellent and responsive customer service, and well-located, modern buildings.

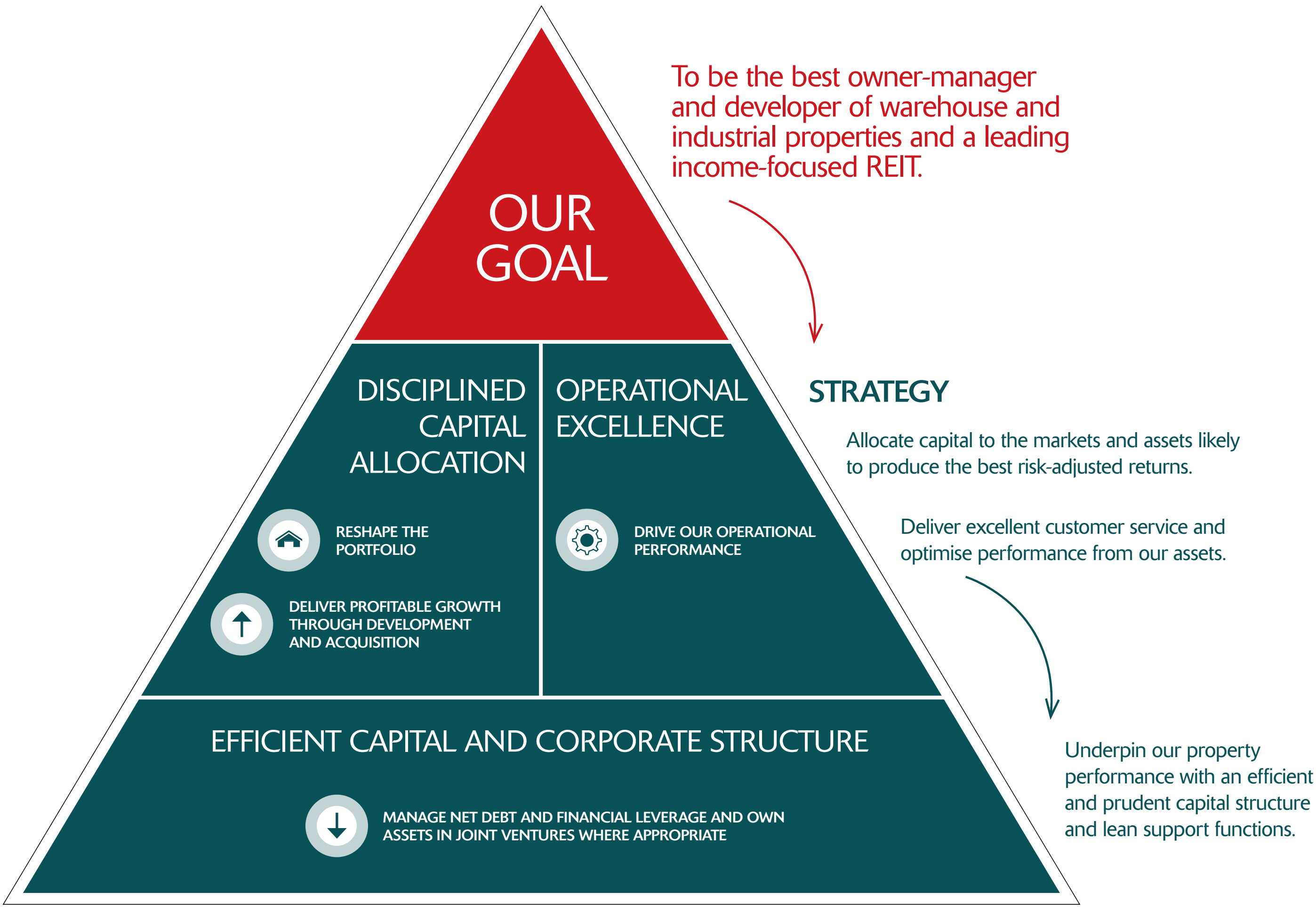
DELIVER
development projects on time and to budget in terms of costs and rental income.

In November 2011, we set out our strategy to address areas of historical underperformance and to deliver better future returns to our shareholders.

In order to achieve our goal, we have been creating a portfolio comprising modern warehousing, light industrial and 'higher value use' assets (including data centres, retail assets and offices) which are well specified and located, with good sustainability credentials, and which will benefit from a low structural void rate and relatively low-intensity asset management requirements. These assets are concentrated in the strongest European sub-markets which have attractive property market characteristics, including good growth prospects, limited supply availability, and where we already have, or can achieve, critical mass.

We believe that such a portfolio should deliver attractive, low-risk income-led returns with above-average rental and capital growth when market conditions are positive, and show resilience in a downturn.

We aim to enhance these returns through development, seeking to ensure that the income 'drag' associated with holding land does not outweigh the potential benefits. This should generate an attractive, income-oriented total property return ('TPR') which, if underpinned by an efficient overhead structure and appropriate financial leverage through the cycle, should translate into attractive total shareholder returns.



Strategic Report/Key Performance Indicators

MEASURED AGAINST OUR TARGETS

Our objective is to deliver attractive returns to our shareholders through the execution of our strategy.

We have set out the Key Performance Indicators on which we report each year to track the progress we are making. They are based on metrics for the wholly-owned business and our share of joint ventures.

Some of these metrics are also used to determine how management and employees are remunerated.

Further details on our remuneration policies and the key metrics used to determine awards and bonuses are set out in the Remuneration Committee Report on pages 83 to 98.

OUR STRATEGY

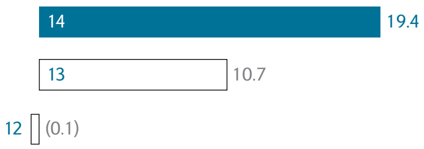
RISK MANAGEMENT

We recognise that the management of risk has a role to play in the achievement of our nine KPIs since risks can hinder or help us meet our desired level of performance. The relationship between our principal risks and our KPIs is identified in the Principal Risks section on pages 38 to 43.

19.4%

TOTAL PROPERTY RETURN

(TPR)†

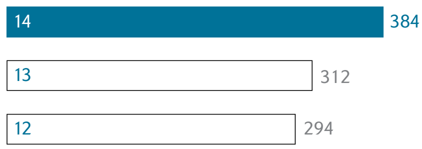


What it is: TPR is the ungeared combined income and capital return from the Group's portfolio during the year (including our share of joint venture assets). It is an important measure of the success of our strategy in terms of asset selection and asset management. IPD prepares this calculation for us, as well as providing benchmark TPR data for similar properties in their wider IPD universe. We aim to outperform the benchmark over the long term. Details on how TPR impacts short and long term incentives are provided on page 85.

Our performance: The TPR of the Group in 2014 was 19.4 per cent (2013: 10.7 per cent). Our UK portfolio generated a very strong TPR of 22.8 per cent, performing in line with an IPD All Industrial benchmark of 22.7 per cent (the most relevant benchmark information at the time of going to print). The TPR of our Continental Europe portfolio was 10.1 per cent, reflecting a strong performance in Poland, offset by weaker performance from our remaining non-core assets and assets in Benelux. No market IPD benchmark data is yet available for Continental Europe: this will be received later in the year.

384 PENCE

EPRA NAV PER SHARE*



What it is: The value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that is attributable to our shareholders. We aim for sustainable long term asset value growth whilst carefully managing our liabilities to maintain balance sheet strength.

Our performance: EPRA NAV increased by 72 pence per share over the year to 31 December 2014, most of which was due to a 12.3 per cent increase in the value of the Group's property portfolio. Our completed UK portfolio generated an uplift of 17.1 per cent and our Continental European portfolio increased by 2.2 per cent. Approximately 4 pence of the uplift was due to the agreement of a repayment due from California tax authorities in relation to the sale of Slough Estates USA in 2007.

6.3%

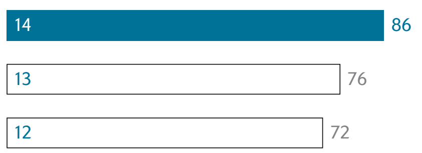
EPRA VACANCY RATE*

What it is: The vacancy rate measures our ability to minimise the quantity of non income-producing assets within our portfolio. An improving vacancy rate generally implies additional rental income and lower vacant property costs. Some level of vacancy will always exist within our portfolio in order to support our asset management activities and allow our customers the opportunity to move premises. We target a longer term vacancy rate of 6–8 per cent.

Our performance: The portfolio vacancy rate improved to 6.3 per cent (31 December 2013: 8.5 per cent) due primarily to letting up vacant space on existing assets, with most of the remainder due to transactional activity.

86%

CUSTOMER SATISFACTION



What it is: The percentage of our customers who rate their experience as occupiers of our buildings as 'good' or 'excellent' as opposed to 'poor' or 'average'. Our customers are at the heart of our business and we strive to ensure that we are providing the best level of service possible to maximise customer retention.

Our performance: Overall satisfaction (derived from a sample of 213 customers surveyed across five countries) as an occupier of our buildings was rated as 'good' or 'excellent' by 86 per cent of our customers during 2014 (2013: 76 per cent). This reflects our focus on communication, being responsive and understanding the needs of our customers. Whilst this is an exceptionally high score, we will continue to strive towards reaching similar levels in the future.

KEY

- DISCIPLINED CAPITAL ALLOCATION
- OPERATIONAL EXCELLENCE
- EFFICIENT CAPITAL AND CORPORATE STRUCTURE
- ITEMS ARE DIRECTLY CAPTURED IN SEGRO'S INCENTIVE SCHEMES

40%

LOAN TO VALUE RATIO (LTV) (INCLUDING JOINT VENTURES AT SHARE)††

14	40
13	42
12	51

What it is: The proportion of our property assets (including investment, owner-occupier and trading properties at carrying value and our share of properties in joint ventures) that are funded by borrowings. We remain committed to maintaining the LTV ratio at around 40 per cent over the longer term because we believe that REITs with lower leverage offer a lower risk and less volatile investment proposition for shareholders.

Our performance: The Group's LTV ratio (including our share of joint venture assets and liabilities) improved to 40 per cent from 42 per cent year on year, principally as a result of the reduction in net borrowings achieved through asset disposals during the year and the total portfolio valuation increase. Although we are at our longer term target of 40 per cent, the timing of investment decisions and disposals may cause the LTV to fluctuate in the short term.

15.7%

TOTAL SHAREHOLDER RETURN (TSR)

14	15.7
13	43.2
12	26.1

What it is: TSR measures the change in our share price over the year assuming that dividends paid are reinvested. This KPI reflects our commitment to delivering enhanced returns for our shareholders through the execution of our strategy over the medium term. TSR is a key metric used in setting the Executive Directors' and senior management team's long term incentive plan targets.

Our performance: The TSR of the Group was 15.7 per cent, compared with 24.2 per cent for the FTSE 350 Real Estate sector, after a very strong relative performance in 2013. This performance reflects a combination of the 14.8 pence dividend paid during the year and an increase in the share price from 334.0 pence at 31 December 2013 to 370.3 pence at 31 December 2014.

17.2 PENCE

EPRA EPS*

14	17.2
13	17.7
12	19.3

What it is: The after tax earnings we generate, calculated in accordance with EPRA guidelines, that are attributable to our shareholders. This measures how profitable our operations have been during the year. Earnings are a key element in the annual bonus targets applied to all employees.

Our performance: As expected, EPRA EPS fell by 3 per cent year on year, reflecting the residual effect of disposals in the second half of 2013, as well as the effects of transaction activity during 2014 on gross rental income. This was partly offset by lower property operating and net finance costs.

23.7%

EPRA TOTAL COST RATIO*

14	23.7
13	24.3
12	22.9

What it is: The ratio of our total administration and property operating costs expressed as a percentage of gross rental income. This is an indicator of how cost effectively we manage both our property assets and our administrative costs in order to improve profitability. Over the medium term we are targeting a total cost ratio of 20 per cent.

Our performance: The cost ratio improved to 23.7 per cent (2013: 24.3 per cent). Disposal activity in late 2013 and in 2014 was reflected in a 10 per cent reduction in gross rental income, while total costs fell by 12 per cent, reflecting mainly lower vacancy costs and higher joint venture management fee income.

£15.0M

RENT ROLL GROWTH

14	15.0
13	6.5
12	2.4

What it is: The headline annualised gross rental income contracted during the year less income lost from takebacks. There are two elements: to grow income from our standing assets by reducing vacancy and increasing rents from lease renewals and rent reviews; and to generate new rent by developing buildings either on a pre-let or speculative basis. This KPI is a variable compensation target for all employees.

Our performance: In total, we generated £15.0 million of net new annualised rent during the year (2013: £6.5 million) including rent from pre-lets agreed based on year-end exchange rates.

EPRA measures

* EPRA earnings, EPRA NAV and EPRA EPS are alternate metrics to their IFRS equivalents that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). SEGRO uses these alternative metrics, as well as for vacancy rate and total cost ratios, as they provide a transparent and consistent basis to enable comparison between European property companies. See www.epra.com for further details.

† The 2014 TPR has been calculated independently by IPD in order to provide a consistent comparison with an appropriate IPD benchmark using the methodology to be applied under the rules of the LTIP scheme. It is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned and excluding land.

†† The LTV ratios include our share of joint venture borrowings and property assets. In 2013 and 2014, we treat deferred consideration from our partner in the SELP joint venture as cash within the LTV ratio as it is callable at three months notice. The balance is due to be paid to us in October 2015 at the latest.

Strategic Report/Chief Executive's Review

THREE YEARS ON: BENEFITS OF STRATEGIC REPOSITIONING STARTING TO SHOW

We have continued to focus on making progress towards our ambition of becoming the best owner, asset manager and developer of industrial and warehouse properties, and a leading income-focused REIT.

Our actions have been concentrated on delivering against the four strategic priorities outlined in November 2011:

1. Reshaping the existing portfolio by divesting assets which do not meet our strategic and financial criteria and reducing non-income producing assets as a proportion of the total portfolio;
2. Delivering profitable growth and reinvesting in core markets and asset types by taking advantage of attractive development and acquisition opportunities;
3. Reducing net debt and managing financial leverage over time and owning assets in joint ventures where appropriate; and
4. Driving our operational performance across the business through greater customer focus, knowledge sharing, efficiency improvements and cost reductions.

Three years into the strategic repositioning, we have made substantial progress and the programme is almost complete.

1. **Reshaping the portfolio:** since the start of 2012, we have disposed of £1.6 billion of assets which were no longer core to our strategy, at a blended average yield of 7.5 per cent. There are £211 million of the original £1.6 billion of non-core assets remaining;
2. **Delivering profitable growth:** we have invested £0.9 billion in asset and land acquisitions and £0.4 billion in developing new buildings in our core markets. The blended yield, including completed developments but excluding land, was 8.5 per cent;
3. **Reducing net debt:** we have reduced the net debt on our own balance sheet by around £650 million, or 28 per cent, improving the loan to value ratio (in which we also reflect our share of joint ventures' assets and debt) to 40 per cent from a peak of 52 per cent. We established the SEGRO European Logistics Partnership (SELP) joint venture to enable us to build scale in big box logistics warehouses in our chosen Continental Europe markets without placing an undue burden on our balance sheet; and
4. **Driving operational performance:** our vacancy rate has improved to 6.3 per cent, from 10.2 per cent at the end of September 2011, as has our cost ratio (property operating and central administrative costs, including vacant property costs, as a proportion of gross rental income) to 23.7 per cent from 24.5 per cent.

Our development pipeline continues to offer returns well in excess of those available from acquiring similar assets and we expect that it will continue to deliver long term attractive income and capital returns. We believe that the Group is well placed to benefit from improvements in occupier and investor demand for industrial and warehouse properties driven, in part, by the continued growth in online retailing and other structural changes affecting many of our customers' businesses.

OUR STRATEGIC PRIORITIES:

RESHAPING THE EXISTING PORTFOLIO
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DELIVERING PROFITABLE GROWTH THROUGH DEVELOPMENT AND ACQUISITION
PAGE 19 ▶

REDUCING NET DEBT AND INTRODUCING THIRD PARTY CAPITAL
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DRIVING OUR OPERATIONAL PERFORMANCE
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RESHAPING THE EXISTING PORTFOLIO

What we said we would do in 2014	What we achieved in 2014	What to expect in 2015
Disciplined Capital Allocation – *Re-shape the portfolio:* Continue to sell non-core assets and sell core assets if their risk/return profile does not meet our targets.	Sold £233 million of non-core assets to improve focus on our core assets and markets. Sold a further £250 million of assets where maximum returns were achieved through disposal rather than through continued management (figures reflect SEGRO's share of disposal proceeds).	With few non-core assets remaining, most future disposals will involve taking advantage of strong investment market conditions to dispose of assets where the risk-adjusted returns from sale outweigh those from retention, and to invest the proceeds in new acquisition and development opportunities.

Toll Global Forwarding, Heathrow

RESHAPING THE EXISTING PORTFOLIO CONTINUED...

We disposed of £483 million of assets this year, at an average 6 per cent premium to 31 December 2013 book values. The proceeds of the asset disposals reflect an average topped-up initial yield of around 7.4 per cent.

£250 million of sales were of assets where the return crystallised by disposal was judged to be greater than the return we expected from retaining them. The remaining £233 million were 'non-core' and included one of the six large, non-strategic assets identified in November 2011: Pegasus Park in Belgium. We have now sold five of these, leaving Energy Park, outside Milan, as the last remaining in our portfolio. We completed the latest phase of development at Energy Park in 2014 and the principal tenant, Alcatel-Lucent, has now taken occupation of its new space.

The remaining non-core assets are now almost exclusively in Continental Europe and total £211 million, or 4 per cent of our portfolio. We will continue to manage these assets in order to maximise the income and returns from them prior to sale, but will no longer distinguish them from the rest of our portfolio.

Disposals: What to expect in 2015

We will continue to identify assets for disposal within our portfolio where we believe that the expected risk-adjusted returns from retaining them are less than the returns offered by disposal. However, we are also conscious of the desire to balance disposal activity with appropriate investment in line with our goal to generate growing and resilient income streams. We expect that our future asset recycling strategy will be focused on generating sufficient proceeds to fund investment in acquisitions and developments.

PHIL REDDING
Chief Investment Officer

"The disposals carried out in 2014 mean the original non-core assets represent just 4% of our portfolio, from around 30% in 2011"

Disposals completed in 2014

ASSET LOCATION / TYPE	GROSS PROCEEDS (£M SEGRO SHARE)	NET INITIAL YIELD %	TOPPED-UP NET INITIAL YIELD %
UK: Light industrial	162.1	5.2	6.3
UK: Big box logistics	173.2	5.7	6.6
UK: Land	4.1	n/a	n/a
Continental Europe: Light industrial	68.3	9.5	9.6
Continental Europe: Offices (Pegasus Park)	67.3	10.1	10.1
Continental Europe: Land	7.6	n/a	n/a
Disposals during the year	482.6	6.7[1]	7.4[1]

1. Yield excludes land disposals

DELIVERING PROFITABLE GROWTH THROUGH DEVELOPMENT AND ACQUISITION

What we said we would do in 2014	What we achieved in 2014	What to expect in 2015
Disciplined Capital Allocation – *Deliver profitable growth through development and acquisitions:* Source new acquisitions in our core markets and add to our development programme.	£648 million investment during the year including £491 million of acquisitions and £157 million of capital expenditure (SEGRO share), reflecting a material acceleration in our development programme (268,000 sq m completed in 2014, from 144,000 sq m in 2013).	The investment market is becoming more competitive so we expect to place greater emphasis on developing new assets. Where we decide to make an acquisition, we will do so on a disciplined basis. In particular, we will seek to replenish our land bank in our core markets and we will investigate new European markets, seeking entry through the SELP joint venture if appropriate.

Zabka construction, Gdansk

DELIVERING PROFITABLE GROWTH THROUGH DEVELOPMENT AND ACQUISITION CONTINUED...

We secured £491 million of asset acquisitions (SEGRO share, before acquisition costs), predominantly in off-market transactions, in an increasingly competitive investment market. Increased investor demand and limited supply of quality assets means that it is becoming more difficult to source assets which meet our risk-return requirements. We therefore accelerated our development activity during the year to £157 million (SEGRO share; 2013: £111 million), utilising our land bank to take advantage of improved occupier demand for modern urban distribution and big box logistics space.

Investing to grow: Acquisitions

During the year, we acquired £718 million of assets (SEGRO share: £491 million), of which £453 million was acquired through our SELP joint venture and £265 million was on our own balance sheet. The SELP joint venture acquired £442 million of big box warehouses in Continental Europe, as well as £11 million of land to enhance the medium term development pipeline. There are significant scale benefits to owning big box logistics warehouses and, by investing with a partner, we are able to access these without over-burdening our balance sheet.

In the UK, our partner in the big box logistics joint venture, Logistics Property Partnership (LPP), gave us notice of its desire to sell its interest. We took advantage of a right of first refusal to purchase the property interest for £175 million. Within the portfolio, there were a small number of assets which displayed a higher risk profile than the rest of our portfolio, due to location or age, and we decided to sell them into a market short of big box logistics product. Within four months, we sold the surplus assets for £153 million, a small premium to book value, substantially funding the original acquisition.

As a result, we now have a total UK big box logistics portfolio of £553 million, almost entirely wholly-owned, and concentrated in the Midlands (within the logistics 'golden triangle') and South East regions of the UK.

Investing to grow: Developments

As competition in the investment market grows, the returns we can generate from developments are increasingly attractive. We invested £157 million (SEGRO share) in new developments during 2014, 41 per cent more than in 2013, reflecting the improving occupier market for urban distribution space on the edge of major conurbations and big box logistics around major transport hubs and corridors.

Development projects completed

We completed 25 projects during the year, totalling 268,000 sq m of new space. These projects were 62 per cent pre-let prior to the start of construction; at the end of the year, post completion, we had let 79 per cent, generating £15 million of annualised net rent, with a further potential £4 million when the remainder of the space is let (SEGRO share). This translates into a yield on total development cost (including land, construction and finance costs) of 9.1 per cent when fully let, substantially higher than yields accessible through acquisitions.

Although the majority of developments completed were pre-let, we had considerable success in letting up speculatively-developed urban distribution space around London and Düsseldorf.

For example, at our 7,800 sq m light industrial estate development in Enfield, north London, we achieved higher rents, longer leases and lower incentives than we expected when we started development. This estate, on London's inner ring road, is now 67 per cent let, primarily as trade counters which rely on having storage space on site and on being easily accessible to their customers and suppliers.

In Düsseldorf, we completed a 13,000 sq m speculatively-developed urban logistics park at Rhine Park, a site perfectly located for delivering goods into the city. The park was completed in November and, as at the end of December, it was 22 per cent let.

Active development projects

At 31 December 2014, we had 22 development projects approved, contracted or under construction totalling 241,000 sq m, representing £108 million of future capital expenditure and £17 million of annualised rental income (both representing SEGRO share) when fully let. The projects are due to complete in 2015 and 2016. They are 44 per cent pre-let and should generate a yield on total development cost of 8.6 per cent when fully let.

We remain disciplined in our exposure to speculative development, which will be undertaken only in areas where we are confident about levels of demand. We are unlikely to build big box logistics warehouses speculatively in Continental Europe due to insufficient supply-demand tension in most of our chosen markets. In the UK, our speculative development activity is focused more around smaller, urban logistics warehouses, particularly around the edge of London where occupier demand is strong and suitable land is scarce.

In the UK our development pipeline is 28 per cent pre-let, reflecting mainly a big box logistics warehouse we are building on the Slough Trading Estate for a major food wholesale distributor.

We have recently completed the first phase of Origin, a 14,700 sq m development across three units in the heart of Park Royal, London's prime industrial area. We have let two of the units and have good interest in the third. We have agreed to build a 10,000 sq m urban distribution warehouse for retailer John Lewis Partnership, which will enter the pipeline in the first quarter of 2015. We will build out the remaining space speculatively, given the level of occupier demand for the location.

In Continental Europe, we have 156,000 sq m of space in the development pipeline, of which 71 per cent is pre-let, including the second phase of a big box logistics warehouse for ASICS, the sportswear manufacturer, outside Düsseldorf. We completed 37,350 sq m for the company in 2014 and will complete a further 35,500 sq m in 2015. Our development of the new warehouse for ASICS involved provision of improved infrastructure to service the site. In anticipation of the estate becoming an established logistics location, we built 15,900 sq m of warehouse space speculatively on an adjoining plot of land. We have completed this and have already let 5,900 sq m to UPS for use as a parcel delivery warehouse.

Highlights from the broad range of active development projects, as well as our perspective on investor and occupier demand in our core markets, are detailed on pages 33 to 37 and in the 2014 Property Analysis Report available at www.segro.com/investors. We also provide greater detail about our activities on the Slough Trading Estate on page 29, in which development plays a vital, rejuvenating role as we upgrade the Estate to cater for business and industry in the 21st Century.

Future development projects

Our land bank not currently under development totalled 458 hectares at the end of 2014, equating to £202 million, or around 4 per cent of our total portfolio (SEGRO share). The development potential of land is an important source of growth, but it produces no income and can be a burden on returns in the period prior to development. Land valuations can also be volatile. We are vigilant about our exposure to land and will normally only acquire land if it has the potential to be fully developed within five years. Consequently, our longer term and residual land bank now amounts to £37 million, 0.7 per cent of our total portfolio (from £55 million, or 1.3 per cent at 31 December 2013) (SEGRO share).

We have identified future development projects which could be delivered in 2015 and beyond on 328 hectares of land, of which 45 hectares are in the Midlands and South East regions of the UK and the remaining 283 hectares are in Continental Europe, mainly Central Europe and Germany. Approximately 85 per cent of the land bank is intended for development of big box logistics warehouses. This equates to 71 per cent of the potential rent, reflecting the lower building density to cater for larger yard space and associated infrastructure. The majority of the remainder is suitable for light industrial development and is concentrated around our existing holdings in Berlin, Düsseldorf, London and Paris.

The potential future capital expenditure associated with these projects is £504 million. We estimate that these developments could generate £63 million of gross rental income (SEGRO share), reflecting a yield on total development cost of 9.4 per cent (12.5 per cent excluding the value of the land). These figures are indicative of our current expectations but are dependent on our ability to secure pre-let agreements, planning permission, construction contracts and on our outlook for occupier conditions in the local markets.

During the year, we disposed of £11 million of land in the longer term land bank and acquired £11 million of land in Germany within SELP (SEGRO share £5.5 million) to facilitate further big box logistics development. Since year-end, we have exchanged or completed £107 million of land acquisitions in Germany and in our Greater London and Thames Valley Business Units, increasing options for our wholly-owned medium term development programme.

Investment plans: What to expect in 2015

As the investment market becomes more competitive in our core geographies, we expect to deploy a greater proportion of our investment resources to development. Improving occupier demand, combined with tight supply of modern industrial and logistics warehouses, should allow us to generate more attractive risk-adjusted returns from building new assets than buying existing ones.

We will continue to seek attractive acquisitions in our core markets, but we will also review opportunities to expand the geographic boundaries of our current Continental European footprint. Land acquisitions are also a priority to replenish our development pipeline: as demonstrated by our late 2014/early 2015 land purchases, we will search for suitably priced and located plots of land which can be developed in a manner which meets our internal return targets.

Further detail on our completed and active development projects is available in our 2014 Property Analysis Report, which is available to download at www.segro.com/investors.

DELIVERING PROFITABLE GROWTH THROUGH DEVELOPMENT AND ACQUISITION CONTINUED...

Acquisitions completed in 2014

ASSET LOCATION / TYPE	PURCHASE PRICE (£M, SEGRO SHARE)[1]	NET INITIAL YIELD (%)	TOPPED UP NET INITIAL YIELD (%)
UK: Big box logistics	259.1	5.9	6.7
Continental Europe: Big box logistics	221.1	7.2	7.2
Continental Europe: Land	11.2	n/a	n/a
Acquisitions during the year	491.4	6.5[2]	6.9[2]

1. Excluding acquisition costs
2. Yield excludes land acquisitions

Development pipeline as at 31 December 2014

COMPLETED PROJECTS

BUSINESS UNIT	SPACE COMPLETED (SQ M, AT 100%)	SPACE LET (SQ M, AT 100%)	TOTAL ERV (£M, SEGRO SHARE)	ERV OF LET SPACE (£M, SEGRO SHARE)
Greater London	38,614	23,732		
Thames Valley & National Logistics	47,713	44,424		
UK	**86,327**	**68,156**	**10.6**	**8.2**
Northern Europe	111,858	82,447		
Southern Europe	36,582	36,582		
Central Europe	32,775	25,866		
Continental Europe	**181,215**	**144,895**	**9.0**	**7.2**
Group Total	267,542	213,051	19.6	15.4

CURRENT PIPELINE

BUSINESS UNIT	SPACE TO BE BUILT (SQ M, AT 100%)	% PRE-LET	YIELD ON COST
Greater London	26,559		
Thames Valley & National Logistics	59,033		
UK	**85,592**	**28%**	**8.5%**
Northern Europe	64,077		
Southern Europe	14,566		
Central Europe	77,143		
Continental Europe	**155,786**	**71%**	**8.7%**
Group Total	241,378	44%	8.6%

REDUCING NET DEBT AND INTRODUCING THIRD PARTY CAPITAL

What we said we would do in 2014

Efficient capital and corporate structure – *Reduce net debt and introduce third party capital:* Retain long-term 40 per cent loan to value (LTV) target, although LTV could fluctuate depending on timing and extent of investment and disposal activity.

What we achieved in 2014

LTV is 40 per cent, in line with the target, reflecting improved asset valuations during the year.

We acquired £227 million (SEGRO share) of Continental European big box assets and land within the SELP joint venture.

What to expect in 2015

We continue to manage our levels of net debt to target a 40 per cent LTV across the cycle. We will aim to fund investment activity with disposals but net debt levels may continue to be impacted by the timing of transactions.

Origin, Park Royal

REDUCING NET DEBT AND INTRODUCING THIRD PARTY CAPITAL CONTINUED...

Net debt, including our share of joint venture net debt, increased by £152 million, mainly reflecting net investment activity of £165 million. The 12.3 per cent valuation gain on our portfolio was the main driver behind the improvement of the look-through (i.e. including our share of assets and liabilities in joint ventures) loan to value ratio (LTV) to 40 per cent, from 42 per cent at 31 December 2013.

The acquisition of our partner's stake in the Logistics Property Partnership joint venture resulted in £153 million of net debt being moved onto the balance sheet. This was the most significant reason for the increase in Group net debt during the year of £220 million.

This year was the first full operating year of the SEGRO European Logistics Partnership (SELP) joint venture. SEGRO manages the assets within SELP, for which it receives a management fee, but decisions on matters such as acquisitions, disposals and development starts are taken by the SELP Board. Owning assets in this way allows us to build scale in Continental European big box logistics without over-burdening our balance sheet. The joint venture was seeded with €1.0 billion of assets and development land in October 2013; it now owns €1.7 billion of assets, reflecting €0.6 billion of acquisitions and development expenditure and capital value growth of 3.8 per cent.

In December 2014, Californian tax authorities confirmed that we were entitled to receive a £33.6 million net refund of tax associated with the sale of Slough Estates USA in 2007. We have provided for this receipt in 2014 and expect to receive the cash in the first half of 2015.

Managing leverage: What to expect in 2015

Although the LTV is now in line with our long term target of 40 per cent, it may fluctuate depending on the timing and extent of disposals, acquisitions and developments, and the valuation of our portfolio. The strategy set out in November 2011 is intended to improve the quality of our portfolio and the strength of our balance sheet to ensure that SEGRO is able to withstand volatility in real estate asset values.

However, our goal is to be a leading income-focused REIT. At a time when debt costs are very low, disposing of assets is dilutive to earnings. So we will balance our objective to manage gearing through the cycle with the desire to generate strong income flows and to take advantage of attractive growth opportunities that arise.

"We need to ensure that investors can have confidence in the resilience of our financial structure in all economic environments."

JUSTIN READ
Group Finance Director

DRIVING OUR OPERATIONAL PERFORMANCE

What we said we would do in 2014	What we achieved in 2014	What to expect in 2015
Operational Excellence – ***Drive operational performance:*** Generate positive rent roll growth from standing assets; Target a vacancy rate of between 6 and 8 per cent; Target a 20 per cent cost ratio over time; and At least maintain customer satisfaction levels.	We generated positive rent roll growth of £3.8 million on standing assets (2013: £(1.9) million); Vacancy rate improved to 6.3 per cent (2013: 8.5 per cent); Cost ratio improved to 23.7 per cent (2013: 24.3 per cent); and 86 per cent of customers rated us 'good' or 'excellent' (2013: 76 per cent).	Rent roll growth remains a key priority, as does cost efficiency, although disposals late in 2014 may mean that our cost ratio rises slightly in 2015. The vacancy rate may rise slightly as speculative developments complete but we expect this impact to be temporary and for the rate to remain within our target range.

SR Technics, North Feltham

DRIVING OUR OPERATIONAL PERFORMANCE CONTINUED...

Improving occupier demand

Over the last three years, we have concentrated our portfolio on modern warehouses in major logistics hubs and on the edge of large conurbations in the UK and Continental Europe. These are locations which demonstrate consistent levels of demand throughout the real estate cycle, limited supply of quality space and which therefore offer maximum potential for long term growth.

Our light industrial and urban logistics assets are located mainly on the edges of London, Paris, Düsseldorf, Berlin and Warsaw. In each of these locations, there is a lack of quality warehouse space and competing uses for land, particularly from residential development. This situation is creating conditions where lease terms are improving and, particularly around London, rents are starting to increase.

Our big box logistics warehouses are focused on the major logistics hubs and corridors in the UK (South East and Midlands regions), France (the logistics 'spine' linking Lille, Paris, Lyon and Marseille), Poland (Warsaw, Lodz, Poznan and Silesia) and Germany (Düsseldorf, Berlin, Leipzig and Hamburg). Compared to the UK, the availability of land and competition between developers in our major Continental Europe big box logistics markets means that rental growth prospects here are less pronounced and there are greater risks in developing new buildings on a speculative basis. Nevertheless, the total returns available from owning and developing such assets (on a pre-let basis) remain attractive in a low interest rate environment.

Strong letting and pre-letting activity

During 2014, we secured 245 new leases across the Group, totalling 718,000 sq m and generating £35.4 million of annualised rental income. This is 16 per cent higher than last year reflecting improved lettings on existing stock as well as pre-let activity. Annualised rent from existing space returned to us was £16.1 million, 23 per cent lower than last year. This compares to £19.9 million of annualised rent generated from letting existing space, resulting in a £4.8 million net take-up, which is an important performance target for all SEGRO employees.

Levels of net take-up were particularly high in the UK logistics portfolio where we let 87,400 sq m of space in our two largest warehouses in Corby and Sheffield (having let the Sheffield warehouse, we sold it in November). In Greater London, we let 48,900 sq m of older space in estates near Heathrow Airport and we achieved significantly higher lettings volumes of existing space in Germany (66,800 sq m) and France (98,000 sq m).

Like-for-like net rental income improved by 2.4 per cent (1.8 per cent including allocated central costs) for the portfolio as a whole. Strong momentum in our UK portfolio (+4.9 per cent) was partly offset by Continental Europe where like-for-like net rental income fell by 4.3 per cent. This was mainly due to the administration of Mory Ducros in France early in the year but, by year-end, all the buildings had been either let or sold.

Rent at risk from break clauses or lease expiry during the year was £28 million, of which we retained 68 per cent, in line with the level achieved in 2013. In 2015, the rent at risk is £31 million, of which £7 million is within our Greater London portfolio which is experiencing healthy occupier demand.

Vacancy rate sharply improved

The vacancy rate at 31 December 2014 improved to 6.3 per cent from 8.5 per cent at 31 December 2013 (excluding short term lets, the vacancy rate is 7.7 per cent, from 10.0 per cent at 31 December 2013). The reduction reflects mainly the combination of net absorption of existing space and acquisition and disposal activity.

We target a vacancy rate of between 6 and 8 per cent. Apart from day-to-day take-up and take-backs of properties, the vacancy rate will fluctuate with the pace of speculative development completions. We only build speculatively where we are confident about levels of demand compared to supply and expect vacancy in these estates to be filled over a period of 12 to 18 months after completion. Speculative developments completed during 2014 were 44 per cent let at 31 December 2014; the un-let space added 0.3 percentage points to the Group vacancy rate.

During the year, we lost £3.8 million of rent due to insolvencies, of which £2.1 million related to Mory Ducros, the French third party logistics provider, which entered into administration in November 2013 and vacated its buildings in the first half of the year. We have since sold two of the four buildings formerly occupied by Mory Ducros and let the remaining units. At 31 December 2014, customers in administration represented £0.2 million of annualised rent (31 December 2013: £2.3 million).

The portfolio's average lease length remained stable at 6.7 years to first break (8.6 years to expiry) at 31 December 2014, compared to 6.7 years (8.9 years to expiry) at 31 December 2013, reflecting both leasing progress and transactional activity during the year.

Growing portfolio value

The strong investor demand for good quality warehouse and logistics assets we identified in 2013 has continued into 2014, reflecting structural trends in retailer distribution and relatively high income yields. The market in the UK has been particularly strong, but this strength has also been in evidence in Continental Europe. According to CBRE, investment volumes in the UK and in Continental Europe increased by around 50 per cent in 2014 compared to 2013.

The higher investment volumes have been accompanied by increased asset values, reflected in CBRE's prime yields which have tightened by between 25 and 50 basis points during the year. It implies that investors are discounting near term economic weakness in their search for attractive yielding assets.

GDP growth is starting to emerge across all of our major markets, albeit more slowly in Continental Europe than in the UK. Our portfolio is concentrated in the strongest regions in our chosen markets, including London, Paris, Düsseldorf, Berlin and Warsaw which are best placed to benefit from the improving economy and the structural change towards online and convenience retailing.

The total value of the Group's property portfolio, comprising completed properties, land and development (including our share of joint venture assets), increased by £492 million (2013: £133 million), or 12.3 per cent. This mainly reflects a 12.9 per cent increase in value of our completed properties on a like-for-like basis.

The UK completed portfolio was the strongest component of performance, delivering a 17.1 per cent valuation uplift on a like-for-like basis, outperforming the IPD UK Industrial Quarterly Index which increased by 16.1 per cent. The capital return on our UK portfolio was driven by the combination of a reduction in the true equivalent yield to 6.3 per cent (31 December 2013: 7.2 per cent) and a 3.2 per cent improvement in valuers' estimated rental values.

Property portfolio by country as at 31 December 2014

		SEGRO SHARE						
BY GEOGRAPHY	LETTABLE AREA (100%) SQ M	COMPLETED £M	LAND & DEVELOPMENT £M	COMBINED PROPERTY PORTFOLIO £M	NET INITIAL YIELD[1] %	NET TRUE EQUIVALENT YIELD[1] %	VALUATION MOVEMENT[1,2] %	VACANCY BY ERV[1,3] %
UK								
Greater London	1,282,025	1,752.0	67.2	1,819.2	4.6	6.1	18.4	7.8
Thames Valley and National Logistics	1,006,475	1,601.1	64.8	1,665.9	5.5	6.5	15.6	4.0
UK TOTAL	2,288,500	3,353.1	132.0	3,485.1	5.0	6.3	17.1	6.0
CONTINENTAL EUROPE								
Germany	953,964	314.4	67.8	382.2	6.1	7.2	0.8	10.3
Belgium/Netherlands	223,005	69.4	19.0	88.4	7.8	8.3	(8.1)	10.1
France	1,044,828	357.3	11.6	368.9	6.7	7.9	1.3	4.5
Italy	114,666	101.2	0.8	102.0	6.0	9.0	7.3	8.0
Poland	982,556	262.4	60.8	323.2	7.1	7.9	5.2	6.1
Czech Republic/Hungary	105,047	30.2	21.4	51.6	6.9	7.8	12.4	5.0
CONTINENTAL EUROPE TOTAL	3,424,066	1,134.9	181.4	1,316.3	6.6	7.9	2.2	7.2
GROUP TOTAL	5,712,566	4,488.0	313.4	4,801.4	5.4	6.7	12.9	6.3
BY OWNERSHIP								
Wholly owned	2,675,634	3,306.6	251.0	3,557.6	5.3	6.6	14.4	6.8
Joint ventures	3,036,932	1,181.4	62.4	1,243.8	5.8	6.9	8.9	5.0
GROUP TOTAL	5,712,566	4,488.0	313.4	4,801.4	5.4	6.7	12.9	6.3

1 In relation to the completed properties only.
2 The valuation movement percentage is based on the difference between the opening and closing valuations for completed properties, allowing for capital expenditure, acquisitions and disposals.
3 Vacancy rate excluding short term lettings for the Group at 31 December 2014 is 7.7%.

DRIVING OUR OPERATIONAL PERFORMANCE CONTINUED...

In Continental Europe, the completed portfolio value increased by 2.2 per cent on a like-for-like basis. The increase reflects the benefits of the portfolio re-shaping strategy: disposing of weaker assets and investing in prime assets most likely to retain value through the cycle. Our Central Europe portfolio benefited from strong transactional evidence in the Czech Republic and Poland, and rose by 5.9 per cent. In France, the disposal and letting of some of the non-core assets, as well as investors' willingness to look past wider economic weakness, allowed the portfolio to deliver a 1.3 per cent increase in value. In Germany, values increased by 0.8 per cent, reflecting strong lettings progress during the year.

Operating metrics: What to expect in 2015

We continue to prioritise rent roll growth through intensive management of our existing assets to reduce vacancy and realise market rental growth through re-leasing, while ensuring that newly developed assets are pre-let or leased up during or soon after completion.

On the basis of the current portfolio, we expect the total cost ratio to be flat or slightly improved, in 2015.

Outlook: What to expect for SEGRO in 2015

In November 2011, we set out a three to five year strategy to re-position our portfolio and address underperforming areas of the business.

Today, the portfolio re-shaping is substantially complete. We are more focused on our preferred asset types and markets, with a higher quality asset base and a more resilient capital base, operating at a lower cost and with sharply reduced leakage from vacancy and bare land. Consequently, our focus is now on maintaining the discipline we have instigated over the past three years and on capitalising on the strengths of the transformed business to generate long term, sustainable returns for our shareholders.

The UK economic outlook continues to improve, while growth rates in France, Germany and Poland are positive but somewhat more muted. National economic prospects are an important driver of overall occupier demand, but our portfolio is mostly concentrated in sub-markets near large population centres and major transport hubs where demand is expected to be greatest and supply most constrained.

In addition to economic drivers of demand, consumers across Europe continue to embrace e-commerce and convenience retailing which are driving a wave of demand for warehouse space from various occupiers who need to reconfigure their logistics supply chains in response to these trends. Food retailers must deliver goods to a growing network of in-town convenience stores, as well as to their superstores, while also catering for the growing use of home delivery. Non-food retailers must adapt their supply chains to enable fast and efficient delivery to homes, offices and click-and-collect sites, as well as to their existing store network.

These trends, combined with a firmer economic outlook, give us confidence that occupier demand for our range of warehouses should continue to improve, encouraging investors to bid more competitively for assets which stand out for their relatively high yields in a low interest rate environment. We therefore expect our portfolio to generate healthy property returns in 2015, even if not at quite the same very strong level as 2014.

Our focus in 2014 was to capitalise on the growing occupier demand, and we accelerated our development pipeline in response. We were also able to execute accretive acquisitions of quality logistics assets across our markets. In 2015, with an investment market likely to become more competitive, we intend to take the opportunity to dispose of further assets to fund our profitable development pipeline and further acquisitions of both land and assets in our core markets. We will also consider expanding our geographic footprint within Continental Europe's major logistics warehouse markets.

Operationally, our underlying performance in 2014 has been very encouraging. There is more work to be done, but we retain our goal of becoming the best European owner-manager and developer of warehouse and industrial properties and a leading income-focused REIT.

The Strategic Report has been approved by the Board and signed on its behalf by

DAVID SLEATH
Chief Executive

SLOUGH TRADING ESTATE

CASE STUDY

The Slough Trading Estate is integral to SEGRO's history. It was our first asset, acquired in 1920, and is also our largest single asset, valued at £1.2 billion.

It is a microcosm of SEGRO as a whole, representing our major property types, range of customers and execution of strategy on a single 165 hectare site.

Strategic Report/Operational Review

SLOUGH TRADING ESTATE
CONTINUED...

The Slough Trading Estate originated as a site where decommissioned military vehicles from the First World War were stored, repaired and then sold. This work happened in workshops and factories. In 1920, Sir Noel Mobbs led a consortium of investors which bought the land and let out the buildings as factories for occupiers including Johnson & Johnson, Citroen, Gillette and Mars, which are still household names today.

As the nature of British manufacturing changed, the Estate's occupiers changed too, from heavy manufacturing to lighter industrial uses in the 1950s, towards electronics, IT and pharmaceutical industries in the 1980s. Today, the Estate is dominated by modern buildings, housing a wide range of occupiers, from manufacturers to data centres, which depend on the Estate's reliable power supply, as well as its proximity to the City of London to ensure the fastest possible data transfer.

The Trading Estate is a major employment hub in the Thames Valley, housing around 350 businesses in 592,000 sq m of warehouse and office space, employing 17,000 people. It is also in an enviable location: Slough is 17 minutes by train from Central London, 10 miles from Heathrow Airport and close to junctions on the M4, M40 and M25 motorways.

The evolution of the Estate, and the changes we have planned, demonstrate the three elements of our strategy in action, as well as the wider principles we apply to running SEGRO as a whole.

Disciplined Capital Allocation

- **Estate regeneration:** £1.2 billion, or 26 per cent, of our capital base is invested in the Estate. Between 2008 and 2013, we reduced the floorspace on the Estate by 10 per cent, demolishing obsolete buildings effectively creating a land bank entirely under our control on which we can build modern warehousing suitable for current occupier requirements. In 2014, we completed 22,200 sq m of new buildings and we have a further 32,400 sq m in the current development pipeline. In combination, these will increase the Estate's floorspace by just under 10 per cent.
- **Maximising returns:** Although the Estate remains most suited to industrial and warehouse buildings, we are able to generate a greater return from the asset by building 'higher value uses', including offices, car showrooms and trade counter units in prominent locations. These tend to attract higher rents due to their prime location along major transport routes: higher value uses account for 23 per cent of floorspace but 31 per cent of rent.
- **Reducing obsolescence risk:** We build warehouses capable of multiple uses by a wide variety of occupier types. Consequently, if they are vacated for any reason, they are easy to adapt quickly for a new customer. For example, we have over 20 data centres on the Trading Estate. These, like the higher value use buildings, attract premium rents, reflecting the locational advantages of the Estate. However, we build data centres to the same specification as our other warehouses to ensure that they could be let to other customers without major modification if a data centre operator leaves the premises.

"The Slough Trading Estate has been evolving for over 90 years. Our job is to make sure it continues to do so for the next 90."

ANDY GULLIFORD
Chief Operating Officer


FedEx, Slough Trading Estate


Simplified Planning Zone renewal signing

Operational Excellence

- **Customer engagement:** Our full ownership of the Trading Estate means that we can work with our customers to ensure that they are happy in their buildings and that, when they are looking to expand, we can provide suitable premises elsewhere on the Estate. UK Mail has been a customer on the Estate for over 20 years. In order to facilitate its expansion plans, it needed larger space. In 2013, we were able to offer them an existing building with double the space, retaining them on the Estate.
- **Improving operational performance:** The diversity of the tenant base means that the performance of the Trading Estate is not reliant on any one customer type or industry. This diversity helped to maintain the Estate's vacancy rate within our 6–8 per cent target range throughout the recent economic downturn. Indeed, our letting activity in 2014 has improved the Estate's vacancy rate to 5.2 per cent, and the average lease length on the Estate to around eight years to expiry from around six years in 2008.
- **Simplified planning:** The Slough Trading Estate benefits from being a Simplified Planning Zone which was agreed in partnership with Slough Borough Council in 1995 for 10 years and was renewed in 2004. In 2014, we have secured agreement to renew it for another 10 year period. The terms of the Zone allow us to demolish or develop industrial use buildings on the Estate, subject to specific parameters, without the need to apply for planning permission each time. It allows us to respond more rapidly to our customers' needs and to wider occupier demand, as well as improving our capital efficiency. It is a competitive advantage for both the Trading Estate and Slough as a whole when attracting new customers (and therefore employment) to the area. For example, when one of our long term tenants, Selig, relocated from its ageing premises to a new building on the Estate (double the size) in November 2012, we had demolished the old premises by April 2013. We signed a pre-let with FedEx in July 2013, began construction immediately and FedEx took occupation of the building in May 2014, just 10 months later.

Strategic Report/Operational Review

SLOUGH TRADING ESTATE
CONTINUED...

Corporate and Social Responsibility

The Slough Trading Estate is an important part of Slough and we take our responsibilities to the wider community and environment very seriously.

- One of our proudest achievements is helping to create Slough Aspire, a public-private sector social enterprise dedicated to developing the skills of local people to meet the needs of Slough businesses, including those on the Estate.
- We are working with Slough Borough Council and First Group on a Sustainable Transport Initiative including bicycle hire, discounted rail fares and car sharing for our customers and other users on the Estate.
- For our customers on the Estate, we have introduced a high-speed Wifi service. The UK is a world leader in its provision of Wifi to residential areas, but Government support has not been extended to businesses. We believe that Wifi is of critical importance to businesses and are ensuring that this advantage is provided across the Estate.
- Business Watch is our state-of-the-art security system on the Estate. It is operated in partnership with Thames Valley Police in an office at the heart of the Estate, from which a network of CCTV cameras across the Estate are monitored on a 24 hour basis. It has cut crime levels by 96 per cent since 2001, providing our customers and their employees with significant peace of mind.

Investor & Analyst Event, May 2014

Corporate Governance

In March 2014, the local management team hosted the Board at the Slough Trading Estate, conducting a tour and presenting on the performance and medium term plans for the Estate. It allowed the Board to engage with the local asset teams and to experience at first hand the execution of the Company's strategy.

Investor Relations

Our buildings, employees and customers are at the heart of our business and we were able to showcase all of them to our major shareholders and market analysts at our operations headquarters on the Slough Trading Estate in May 2014. The Executive Committee hosted the event and the local management team presented the history, performance and future plans for the Estate to the audience. Two representatives of customers on the Estate – Infinity, the data centre operator, and UK Mail, the mail and parcel delivery company – also presented on why they chose to locate on the Estate, while Cushman & Wakefield, the agents for the Estate, gave an overview of the local occupier and investment markets. The presentations can be found on our website at www.segro.com/investors.

After the presentations, the participants were given a tour of the Estate, including visits to Infinity's data centre and UK Mail's parcel delivery warehouse, finishing at Slough Aspire to hear from its manager how the organisation is helping to improve the employability of local people.

The event provided an opportunity not only for our investors and analysts to ask questions of the management team, but for our team at Slough to understand the priorities of these important stakeholders in our business.

ORGANISED AROUND OUR CUSTOMERS IN CORE MARKETS

We manage our day-to-day operations through five geographic Business Units – two in the UK (Greater London, and Thames Valley and National Logistics), Northern Europe (principally Germany), Southern Europe (principally France) and Central Europe (principally Poland). Each Business Unit is tasked with optimising performance from our assets ("Operational Excellence") through its team's expertise in customer service, asset management and development, and reports to the Chief Operating Officer. Each Business Unit is supported by a local investment team, reporting to the Chief Investment Officer, which is responsible for ensuring that we allocate our capital to the markets and assets likely to deliver the best possible risk-adjusted returns ("Disciplined Capital Allocation").

GREATER LONDON

Heathrow, Park Royal

Royal Mail, Heathrow

1.3M LETTABLE AREA, SQ M (100%)	£1,752M COMPLETED ASSETS (SEGRO SHARE)	+18.4% VALUATION MOVEMENT
6.1% EQUIVALENT YIELD	7.8% VACANCY BY ERV	£87M GROSS PASSING RENT (SEGRO SHARE)

The Greater London Business Unit manages our wholly-owned and joint venture holdings around Heathrow Airport and in Park Royal.

Market trends: London's economy continues to outperform the UK as a whole with an estimated growth rate of 4.8 per cent in 2014[1] compared to 2.6 per cent GDP growth for the UK as a whole. London's economy is expected to continue to outperform the UK in 2015. At the same time, the e-commerce revolution in retailing is driving demand for urban distribution space to service London's large, relatively affluent and growing population. Occupier demand is increasing at the same time as the amount of industrial and distribution floorspace is falling, as industrial land is re-zoned for residential and retail uses to cater for a population expected to be over 10 million by 2030[1]. This is reflected in London industrial property market rental growth of 4.0 per cent during 2014, as well as an improvement in investment yields which fell to 6.0 per cent from 6.8 per cent at 31 December 2013[2].

Operational Excellence: Our Greater London portfolio performed strongly during 2014. The vacancy rate improved to 7.8 per cent (from 8.7 per cent a year ago), reflecting particular success in letting up vacant space in estates which are older but are still well located for the national motorway network and rapid distribution into London. The strong demand for well located, modern space also spurred our development programme. We delivered 38,600 sq m of new space during the year, including 14,650 sq m of speculative development at Origin, Park Royal, which is 76 per cent let. At the end of the year, the Greater London pipeline included 26,600 sq m of committed development to be delivered in 2015 and 2016. In addition to this, we have pre-let a 10,000 sq m unit to John Lewis Partnership at Origin and a 13,900 sq m unit to DHL near to Heathrow Airport which will be added to the pipeline in the first quarter of 2015.

Disciplined Capital Allocation: We took advantage of the depth of investor demand for London industrial estates and sold £157 million of assets during the year. In one instance, we agreed to exchange a Greater London multi-let industrial estate for a single big box logistics warehouse in the heart of the UK's logistics 'golden triangle' in the Midlands. This allowed us to improve the quality of our portfolio whilst minimising the impact on income returns. We sold six estates for £113.8 million in a single portfolio transaction in December at a premium in excess of 10 per cent compared to the previous valuation at 30 June 2014. In early January 2015, we purchased a 12 hectare plot of land close to Heathrow Airport in West London, a prime position for distribution both nationally and into central London, in order to replenish our land bank for future development.

1 Source: Greater London Assembly
2 Source: IPD UK Quarterly Index

ORGANISED AROUND OUR CUSTOMERS IN CORE MARKETS CONTINUED…

THAMES VALLEY AND NATIONAL LOGISTICS

Slough Trading Estate, Thames Valley and big box logistics outside London

Fiat Unetversity, Slough Trading Estate

1.0M LETTABLE AREA, SQ M (100%)	£1,601M COMPLETED ASSETS (SEGRO SHARE)	+15.6% VALUATION MOVEMENT
6.5% EQUIVALENT YIELD	4.0% VACANCY BY ERV	£93M GROSS PASSING RENT (SEGRO SHARE)

The Thames Valley and National Logistics Business Unit incorporates our assets in South East England outside London, including the Slough Trading Estate, and £345 million of big box logistics warehouses.

Market trends: The Thames Valley, and Slough in particular, is a major employment area in the UK for the IT and corporate sectors, benefiting from a well-qualified workforce and the proximity to Heathrow Airport and Central London. Our National Logistics portfolio is concentrated in the logistics 'golden triangle', roughly between Birmingham, Northampton and Leicester, where the major M1 and M6 motorways meet which means that most of the UK population is accessible within around four hours and London, Birmingham and Manchester within around two hours. The growing UK economy (2.6 per cent in 2014, compared to 0.9 per cent for the eurozone), as well as retailers' need for fast and easy access to major conurbations, is driving occupier demand for warehouse space in the Thames Valley, South East and the Midlands and this has been reflected in rising rental values. Strong investment demand (particularly for big box warehouses) has improved industrial property yields in the South East to 6.7 per cent (from 7.8 per cent at December 2013) and to 6.8 per cent (from 8.4 per cent) in the East Midlands[1].

Operational Excellence: The Business Unit's vacancy rate improved to 4.0 per cent from 8.1 per cent at December 2013, reflecting improved occupier markets. On the Slough Trading Estate (discussed in more detail on pages 29 to 32), there was a net take-up of 7,300 sq m of space, and we secured a tenant for our 49,100 sq m distribution warehouse in Corby. Our development programme was particularly active, and we completed 47,700 sq m of new space in the portfolio, 93 per cent of which was let by the end of the year. Development completions included a 22,000 sq m big box distribution warehouse pre-let to a major international fashion retailer. There are 59,000 sq m of new development projects in the pipeline, including the speculative development of a 22,000 sq m big box warehouse in Rugby and a 10,900 sq m warehouse pre-let to a food distributor on the Slough Trading Estate. The development pipeline is 35 per cent pre-let.

Disciplined Capital Allocation: We had an active year, investing around £260 million in big box logistics assets in the logistics 'golden triangle'. Central to this activity was the acquisition of our joint venture partner's stake in the Logistics Property Partnership to take full control of the portfolio, paying £175 million for the 50 per cent share of the assets. We took advantage of healthy investment demand to dispose of properties within the portfolio which did not meet our longer-term return criteria, generating proceeds of £153 million. In January 2015, we exchanged contracts to buy a five hectare plot of land adjacent to the Slough Trading Estate, allowing us to expand the reach of our largest single asset through future development.

1 Source: IPD UK Quarterly Index

NORTHERN EUROPE

Germany, Belgium, The Netherlands

JAPO Motorsport, SEGRO Business Park, Essen

1.2M LETTABLE AREA, SQ M (100%)	**£384M** COMPLETED ASSETS (SEGRO SHARE)	**(0.9)%** VALUATION MOVEMENT
7.2% EQUIVALENT YIELD (GERMANY)	**10.2%** VACANCY BY ERV	**£28M** GROSS PASSING RENT (SEGRO SHARE)

The Northern European Business Unit manages our wholly-owned and SELP joint venture assets in Germany, Belgium and the Netherlands.

Market trends: Economic growth in Germany, the location of the majority of our Northern Europe assets, was 1.5 per cent in 2014, well above the 0.9 per cent growth rate of the eurozone (according to Eurostat). The OECD expects growth in Germany to slow slightly in 2015, but to accelerate in 2016. Our wholly-owned, multi-let industrial assets are concentrated in Düsseldorf, the historic manufacturing centre of Germany; the big box logistics warehouse portfolio, held within the SELP joint venture, is concentrated in the major logistics hubs across the country, focused on Düsseldorf, Frankfurt, Berlin, Hamburg and Leipzig. CBRE reports that market rental values have remained stable over the past year but, in common with elsewhere in Continental Europe, investment markets have been strong and prime yields for industrial warehouses have improved to 6.0 per cent, from 6.25 per cent a year ago.

Operational Excellence: The vacancy rate in our Northern Europe Business Unit has fallen to 10.2 per cent from 11.2 per cent in December 2013. We let 117,000 sq m of existing space during the year, rising to 211,500 sq m when development completions are included. Our development team had an extremely busy year in Germany. We completed the development of 112,000 sq m of new space, of which 62 per cent was let by the end of 2014, including pre-lets to ASICS in Krefeld, Düsseldorf (the first of two phases) and Takko in Hamburg, totalling 60,200 sq m, and an 8,200 sq m parcel delivery centre to Deutsche Post (DHL) at our new City Park development. We also secured 26,300 sq m of lettings in speculatively developed space, the largest of which were to logistics companies Van Eupen Logistik in Frankfurt and UPS in Krefeld. Germany continues to dominate the development pipeline, accounting for around a quarter of the Group's pipeline by space, including the second phase of the ASICS warehouse (35,500 sq m) and speculative development of City Park and Rhine Park multi-let industrial estates, all in Düsseldorf.

Disciplined Capital Allocation: We made significant progress in disposing of our non-core assets in Northern Europe during the year. We sold Pegasus Park, a business park outside Brussels, in September and a £32 million portfolio of regional multi-let industrial estates across Germany in November. In total, we disposed of £133 million (SEGRO share) of assets, recycling the proceeds into big box distribution warehouse and land acquisitions. This recycling activity will allow the operations team to focus on our core markets and products in a more efficient manner. The land acquisitions, including a prime plot next to our completed development at Rhine Park, will allow us to replenish our development pipeline in markets showing improving occupier demand.

Strategic Report/Operational Review

ORGANISED AROUND OUR CUSTOMERS IN CORE MARKETS CONTINUED…

SOUTHERN EUROPE
France, Italy

FedEx, La Courneuve

1.2M LETTABLE AREA, SQ M (100%)	£458M COMPLETED ASSETS (SEGRO SHARE)	+2.6% VALUATION MOVEMENT
7.9% EQUIVALENT YIELD (FRANCE)	5.2% VACANCY BY ERV	£35M GROSS PASSING RENT (SEGRO SHARE)

The Southern Europe Business Unit manages our wholly-owned and SELP joint venture assets in France and Italy.

Market trends: Economic growth in France in 2014 was 0.2 per cent, well below the 0.9 per cent growth rate of the eurozone (according to Eurostat). The OECD expects growth to improve in 2015, but remain below the long-term trend. Our portfolio is concentrated around Paris, where we have a strong, wholly-owned presence in light industrial estates around Charles de Gaulle Airport. We also own big box logistics warehouses on the outskirts of Paris, Marseille and Lyon, the dominant logistics markets in France, within our SELP joint venture. Occupier demand for urban logistics space in Paris is healthy, reflected in our low vacancy rate and early signs of rental growth, while rents for big box logistics warehouses have stabilised. Investment demand remains strong for the core industrial and logistics locations and the best assets, and prime yields have improved to 6.75 per cent, from around 7.0 per cent a year ago.

Operational Excellence: The vacancy rate in Southern Europe has fallen to 5.2 per cent, from 7.6 per cent a year ago, reflecting good lettings progress, particularly in our older estates. We were impacted by the failure of Mory Ducros at the end of 2013 which resulted in four buildings in our non-core portfolio being returned to us. We have since sold two of the buildings and let the others. We completed a small development in Paris, pre-let to Zodiac, during the year and have approved construction of two further projects totalling 14,600 sq m for completion in 2015 and 2016: a 7,900 sq m speculative multi-let industrial estate close to Charles de Gaulle Airport and a 6,645 sq m pre-let logistics unit close to Orly Airport.

Disciplined Capital Allocation: We invested £50 million (SEGRO share) in new acquisitions, exclusively through the SELP joint venture, entering the Marseille market by acquiring three big box warehouses. We sold £10 million of wholly-owned, non-core assets in Paris and Lille.

The Business Unit also manages the last of the original six large, non-strategic assets: Energy Park, on the outskirts of Milan. We completed the development of a new office campus for Alcatel-Lucent in 2014 and it has now taken occupation of the space. Energy Park is now almost fully let and it remains our intention to take advantage of improving investment demand and dispose of this asset in due course.

CENTRAL EUROPE
Poland, Czech Republic, Hungary

Komfort, Strykow

1.1M LETTABLE AREA, SQ M (100%)	£293M COMPLETED ASSETS (SEGRO SHARE)	+5.9% VALUATION MOVEMENT
7.9% EQUIVALENT YIELD (POLAND)	6.0% VACANCY BY ERV	£21M GROSS PASSING RENT (SEGRO SHARE)

The Central Europe Business Unit manages our wholly-owned and SELP joint venture assets in Poland, the Czech Republic and Hungary.

Market trends: Poland's position on the Continent makes it an important country in Europe for international logistics and our portfolio is weighted towards the major transport hubs of Warsaw, Poznan, Lodz and Silesia. The Polish economy continued to grow strongly in 2014: Eurostat reports 3.1 per cent GDP growth, and the OECD expects 3.0 per cent in 2015. Although economic growth is an important driver of occupier demand, the availability of land and the speed with which logistics buildings can be constructed means that supply can respond quickly to changes in demand. As a result, although the level of speculative new supply is low, there is little prospect of meaningful near-term increases in rental values in big box logistics and this is borne out by CBRE which reports stable prime rents in 2014. To compensate for this, prime yields in Poland are relatively high at around 7.0 per cent, an improvement from 7.4 per cent a year ago, reflecting investor demand for high-yielding, quality assets.

Operational Excellence: We secured 60,500 sq m of lettings in Central Europe during 2014, around twice the level of space returned to us. We also completed around 32,800 sq m of new space, further improving the overall quality of our portfolio, of which 80 per cent was let at the end of 2014. We continue to develop new, pre-let buildings and have 77,100 sq m in the pipeline. We expect to complete two buildings, totalling 59,300 sq m, in the first quarter of 2015, let to Zabka (the convenience store food retailer) in Gdansk and Volkswagen in Poznan. We have agreed to build a 8,700 sq m parcel delivery centre in Poznan for DPD, who are a customer in a number of our geographies.

Disciplined Capital Allocation: We did not dispose of any properties in Central Europe during the year, but added around £49 million (SEGRO share) of properties and land to our holdings in Poland and the Czech Republic.

MANAGING RISK REMAINS CENTRAL TO OUR SUCCESS

The Group recognises that its ability to manage risk effectively across the organisation is central to its success. Risk management ensures a structured approach to decision making that aims to reduce the uncertainty surrounding expected outcomes, balanced against the objective of creating value for our shareholders.

Risk Appetite

The Group's risk appetite is reviewed annually and approved by the Board in order to guide management. It is equally applicable to investment interests in both wholly-owned operations and joint ventures.

Whilst our appetite for risk will vary over time and during the course of the property cycle, in general the Group maintains a fairly low appetite for risk, appropriate to our strategic objective of delivering a sustainable low risk progressive dividend stream, supported by long-term growth in net asset value per share.

Property Risk

We recognise that, in seeking outperformance from our portfolio, the Group must accept a balanced level of property risk in order to provide opportunities for superior returns.

Our target portfolio should deliver attractive low risk income returns with strong rental and capital growth when market conditions are positive and show resilience in a downturn. We aim to enhance these returns through development, but seek to ensure that the 'drag' associated with holding development land does not outweigh the potential benefits.

In line with our income focus, we have a low appetite for risks to income from customers, and accordingly seek a diverse occupier base with strong covenants and avoid over-exposure to individual occupiers in bespoke properties.

Financial Risk

The Group maintains a low to moderate appetite for financial risk in general, with a very low appetite for risks to solvency and to gearing covenant breaches.

As an income-focused REIT, we seek to maintain a stable progression in earnings and dividends over the long term. We have a low appetite for risks to this stability, but are prepared to tolerate fluctuations in dividend cover as a consequence of ongoing capital recycling activity.

We also seek long-term growth in net asset value per share. Our appetite for risks to net asset value from the factors within our control is low, albeit acknowledging that our appetite for moderate leverage across the cycle amplifies the impact of asset valuation movement on net asset value.

Corporate Risk

We have a very low appetite for risks to our obligations to being responsible and well-regarded by our investors, regulators, employees, customers, business partners, suppliers, lenders and by the wider communities and environments in which we operate.

An integrated approach to managing risk

The Board has overall responsibility for ensuring that risk is effectively managed across the Group. The Audit Committee reviews the effectiveness of the Group's risk management process on behalf of the Board. Further information on compliance with the risk management provisions of the UK Corporate Governance Code can be found on page 70.

The risk management process is designed to identify, evaluate and mitigate the significant risks that the Group faces. The process aims to understand and mitigate, rather than eliminate, the risk of failure to achieve business objectives, and therefore can only provide reasonable and not absolute assurance.

Accountabilities for risk management are outlined in the diagram opposite.

Appetite towards risk is considered at Board meetings whenever significant strategic, financial or operational decisions are made, and is a key part of ongoing discussions about strategy. Risk appetite is also formally reviewed by the Board annually.

Whilst the nature of the principal risks faced by the Group do not tend to change substantially from year to year, their degree of impact and likelihood may change more significantly.

RISK MANAGEMENT

BOARD

Oversees the Group's risk management and internal controls.

Approves the Group's risk appetite.

CHIEF EXECUTIVE

Responsible for risk management.

Assigns responsibility for risks to senior Executive Risk Owners.

EXECUTIVE RISK OWNER

Owns risk in domain.

Assigns accountability for risks to senior Risk Managers.

Ensures that risks are identified, assessed and adequately controlled.

RISK MANAGER

Responsible for ensuring the risk is within appetite.

Regularly reviews and assesses existing risks with Risk Management.

Drives design and implementation of controls.

RISK MANAGEMENT FUNCTION

Develops risk policy.

Manages the process.

Manages/reports risk register.

Provides assistance in assessing and documenting risks and controls.

Provides quality assurance and challenge to risk owners and managers.

AUDIT COMMITTEE

Monitors effectiveness of the Group's risk management and internal control systems.

EXECUTIVE COMMITTEE

Monitors Strategic and other risks.

Delegates accountability for risk management and monitors performance.

MONITORING COMMITTEES

Regularly identify, assign accountability for, and monitor the significant risks and corresponding controls within their domains.

Report status to Risk Management function.

GROUP RISK COMMITTEE

Establishes, monitors and reports on the Group's approach to risk management.

Oversees the work of the risk management function.

Challenges individual risk owners and managers.

	EXECUTIVE RISK OWNER	MONITORING COMMITTEE	RISK MANAGER	RISK MANAGEMENT FUNCTION
Strategic	Chief Executive	Executive	As assigned by Executive Risk Owner	Provides information, assists in documentation and provides quality assurance to risk managers, executive risk owners and committees.
Financial	Group Finance Director	Finance		
Operational	Chief Operating Officer/ Others as appropriate	Operations Business Information Systems Executive		
Investment	Chief Investment Officer	Executive/Investment		
Compliance	As appropriate	As appropriate		

MANAGING RISK REMAINS CENTRAL TO OUR SUCCESS CONTINUED…

The Board recognises that it has limited control over many of the external risks it faces, such as the macro-economic environment, but it reviews the impact of such risks on the business and actively considers them in its decision making. The Board also monitors internal risks and ensures that appropriate controls are in place to manage them.

Risks are considered within each area of the business to ensure that risk management is embedded within the Group's decision making processes and culture. Each risk in the Group Risk Register is owned by a member of the Executive Committee who works with a senior manager who is responsible for the monitoring and mitigation of that risk within appetite. Communication across a relatively small management team, and regular consideration of risk at key management committees, allows management to respond quickly to changing events so as to reduce adverse effects on the Group's risk profile.

Risks are assessed in both unmitigated (assuming that no controls are in place) and residual (with mitigating controls operating normally) states. This assessment makes explicit reference to risk appetite so that it is clear whether each risk is within appetite, within tolerance, beyond appetite or below appetite.

The most significant risks and mitigating controls are detailed in the Group Risk Register.

Controls relevant to each risk are also documented and monitored in the Group Risk Register. The risks and controls in the register are used to inform the Group's internal audit assurance work and drive management's annual assessment of control effectiveness. Strengthening the link between significant risks and control assurance has been a particular focus in 2014.

The Group has a Risk Management Committee responsible for regularly reviewing the Group Risk Register, monitoring the most important controls and prioritising risk management activities. The Group's approach to risk management has been documented and formalised in a policy. The Executive Committee considers emerging risks and their impact on the Group Risk Register. The Board reviews the principal risks twice a year and the Audit Committee receives a report twice a year on how the Group Risk Register has been compiled.

Principal Risks

The principal risks have the potential to affect SEGRO's business materially – either favourably or unfavourably. Risks are classified as 'principal' according to their potential to exceed our appetite and cause material harm to the Group.

Some risks that may be unknown at present, as well as other risks that are currently regarded as immaterial and therefore not detailed here, could turn out to be material in the future.

The current principal risks facing the Group are described across the following pages, along with the potential areas of impact on the Group's strategy and the principal activities that are in place to mitigate and manage such risks. The direction of change in the level of the risk during the course of 2014, along with an assessment of whether the risk is within our appetite, is indicated along with links to further relevant information provided in other sections of this report.

The principal risks that the Group reported last year have evolved in nature, as has the Group's response to them. No additional risks have been classified as principal since 2013, and no principal risks have been de-classified since that time. Nevertheless, two principal risks have been extended in scope in response to changing circumstances. The risk relating to 'European economic environment' has been extended to include consideration of the risk of a UK exit from the EU. In addition, 'Operational delivery' has been extended to incorporate the risk of significant compliance failure.

KEY

DISCIPLINED CAPITAL ALLOCATION

OPERATIONAL EXCELLENCE

EFFICIENT CAPITAL AND CORPORATE STRUCTURE

Property Risks

Risks to achieving above average rental and capital growth from our portfolio, including external market and competitive conditions, portfolio strategy, and execution of acquisitions and disposals.

RISK	IMPACT ON STRATEGY	CHANGE IN 2014	MITIGATIONS	RESIDUAL RISK WITHIN APPETITE?	FURTHER INFORMATION
Market cycle The property market is cyclical and there is an inherent continuous risk that the Group could either misinterpret the market or fail to react appropriately to changing market conditions, which could result in capital being invested or disposals taking place at the wrong price or time in the cycle. This is a continuous risk with a moderate likelihood.		→	The Board, Executive Committee and Investment Committee monitor the property market cycle on a continuous basis and adapt the Group's investment/divestment strategy in anticipation of changing market conditions. Independent diverse sources of investment and occupier market intelligence are regularly commissioned and considered.	Yes	The market outlook is detailed in the Chief Executive's Review on page 28.
Portfolio strategy The Group's Total Property and/or Shareholder Returns could underperform in absolute or relative terms as a result of an inappropriate portfolio strategy. This could result from: • Holding the wrong balance of prime or secondary assets; • Holding the wrong amounts or types of land, leading to diluted returns and/or constraints on development opportunities; • Holding the wrong level of opportunity assets or too many old or obsolete assets which dilute returns; • Missing opportunities in new markets or lacking critical mass in existing markets. This is a continuous risk with a moderate likelihood.		↘	With the strategic portfolio reshaping programme substantially complete, the Group's portfolio is better placed to deliver strong performance through the cycle. The Group's portfolio strategy is subject to regular review by the Board to consider the desired shape of the portfolio in order to meet the Group's overall objectives and to determine our response to changing opportunities and market conditions. The Group's disciplined capital allocation is informed by comprehensive asset plans and independent external assessments of market conditions and forecasts.	Yes	Further information is contained in the Chief Executive's Review on pages 16 to 28.
Execution of investment plans Decisions to buy, hold, sell or develop assets could be flawed due to uncertainty in analysis, quality of assumptions, poor due diligence or unexpected changes in the economic or operating environment. Our investment decisions could be insufficiently responsive to implement our strategy effectively. This is a continuous risk with a moderate likelihood as changing investment and occupier market conditions require constant adaptation.		→	Asset plans are prepared annually for all estates to determine where to invest capital in existing assets and to identify assets for disposal. Locally-based property investment and operational teams provide market intelligence and networking to deliver attractive opportunities. Policies are in place to govern evaluation, due diligence, approval, execution and subsequent review of investment activity. The Investment Committee meets frequently to review investment and disposal proposals and to consider appropriate capital allocation. Investment hurdle rates are regularly reappraised taking into account estimates of our weighted average cost of capital. Major capital investment and disposal decisions are subject to Board approval.	Yes	Further information is contained in the Chief Executive's Review on pages 16 to 28.

Strategic Report/Principal Risks

Financial Risks

Risks to the revenues, costs, cash flows, equity capital and solvency of the Group resulting from the capital structure of the Group and changes in external factors such as interest rates, foreign exchange rates and the creditworthiness of the Group's major financial counterparties.

RISK	IMPACT ON STRATEGY	CHANGE IN 2014	MITIGATIONS	RESIDUAL RISK WITHIN APPETITE?	FURTHER INFORMATION
Solvency and covenant breach A substantial fall in the Group's property asset values or rental income levels could lead to a breach of financial covenants within its debt funding arrangements. This could lead to a cancellation of debt funding which could, in turn, leave the Group without sufficient long-term resources (solvency) to meet its commitments. This is a medium-term risk with a low likelihood.		↘	Future funding requirements and covenant headroom, including sensitivity to asset valuation declines, are closely monitored by the Group Treasury function, the Finance Committee (which reports to the Group's Executive Committee) and the Board. Group Treasury calculate actual levels and headroom with sensitivities to financial covenants on a quarterly basis and review non-financial covenants on an ongoing basis. The Audit Committee reviews the Group's going concern status bi-annually. In line with its Treasury policy, the Group maintains substantial undrawn headroom under committed bank facilities which are generally refinanced well ahead of maturity.	Yes	Significant headroom exists against all financial covenants. Property valuations would need to fall by around 39% from their 31 December 2014 values to reach the gearing covenant threshold of 160%. Further details of Treasury policy, funding headroom, financial covenant ratios and related headroom and sensitivities are provided in the Financial Review on pages 54 to 61.
European economic environment The risk of a significant adverse impact to the Group's earnings, net asset value, financial covenants or investor confidence arising from the exit of a significant economy from the eurozone; a UK exit from the EU; or sustained poor economic performance in the eurozone. These are short to medium-term risks with a medium and, in some cases, increasing likelihood.		↗	We remain alert to the potential financial and operational risks to the business arising from a deterioration in economic conditions in the eurozone, including a partial break-up. We continue to maintain a high level of currency translation hedging against the impact of a weaker euro and to closely monitor our exposure to major tenants in the Eurozone. Geographically, the portfolio is located predominantly in the relatively stronger European economies and regions. Mitigations for the risk of a UK exit from the EU include maintaining substantial covenant headroom, access to diverse sources of funding, and FX and interest rate hedging. Portfolio quality and geographic diversity provides further mitigation.	Yes	France represents 8%, Germany 8%, Netherlands/Belgium 2% and Italy 2% of the Group's assets. Poland, which also involves exposure to the euro, represents a further 7% of the Group's assets. Treasury policies are outlined in the Financial Review on page 59.
Financial leverage The Group could maintain an inappropriate capital structure. Financial leverage (usually expressed as the LTV ratio, but in financial covenants defined as gearing) needs to be managed depending on the direction of the economic and property market cycle. If gearing is too high when property valuations are falling, net asset value movements can be exacerbated and financial covenants put at risk. Equally, if gearing is too conservative, there is a risk that attractive growth opportunities could be missed and the benefits of leverage not maximised. This is a medium to long-term risk with a low and declining likelihood.		↘	The Group has targeted a look-through LTV ratio of around 40%. Gearing levels are also tracked and forecast internally to monitor headroom against financial covenants. The LTV target is considered in strategic planning and in asset recycling decisions. The Group's look-through LTV ratio was 40% at 31 December 2014. Depending on the Board's ongoing assessment of the property cycle, the Group is prepared to flex LTV moderately upwards or downwards to take advantage of attractive investment opportunities.	Yes	Gearing is discussed in the Financial Review on page 60.
Interest rates A significant adverse movement in interest rates could have an unacceptable impact on the Group's earnings, on investment market conditions or on tenant covenant strength. This is a long-term risk with a moderate likelihood.		→	In accordance with the Group's Treasury policy, fixed interest cover is maintained between 50% and 100% of net borrowings in order to balance the cost and certainty of interest cost. The position is formally reviewed quarterly by the Finance Committee.	Yes	At 31 December 2014 79.8% of net borrowings (including the Group's share of net borrowings within joint ventures) were at fixed rates. Interest rate hedging is detailed in the Financial Review on page 60.

KEY DISCIPLINED CAPITAL ALLOCATION · OPERATIONAL EXCELLENCE · EFFICIENT CAPITAL AND CORPORATE STRUCTURE

RISK	IMPACT ON STRATEGY	CHANGE IN 2014	MITIGATIONS	RESIDUAL RISK WITHIN APPETITE?	FURTHER INFORMATION
Counterparty default A bank or other financial counterparty could default while holding SEGRO deposits or derivative assets, resulting in a significant financial loss to the Group. This could also include the loss of solvency headroom from lost undrawn committed bank facilities. This is considered to be a long-term risk with a low likelihood.			Financial counterparties are accepted based on a strict credit rating criteria (a minimum long-term credit rating of A- or better). Compliance with the policy is monitored daily by both front and back-office staff within Group Treasury.	Yes	Treasury policies are outlined in the Financial Review on page 59.

Corporate Risks

Risks to business performance, legal and regulatory compliance, health and safety, environmental impact, reputation and business continuity arising from external factors or inadequate internal processes, people or systems.

RISK	IMPACT ON STRATEGY	CHANGE IN 2014	MITIGATIONS	RESIDUAL RISK WITHIN APPETITE?	FURTHER INFORMATION
Operational delivery and compliance The Group's ability to protect its reputation, revenues and shareholder value could be damaged by operational failures such as: environmental damage; failing to attract, retain and motivate key staff; a breach of anti-bribery and corruption or other legislation; major customer default or supply chain failure. Compliance failures, such as breaches of joint venture shareholders' agreements, secured loan agreements or tax legislation could also damage reputation, revenue and shareholder value. This is a continuous risk with a low likelihood of causing significant harm to the Group.			The Group maintains a strong focus on Operational Excellence. The Executive and Operations Committees regularly monitor the range of risks to operational delivery, compliance, business continuity, organisational effectiveness and customer management. The Group's tax compliance is managed by an experienced internal tax team. The tax function was subject to an internal audit in 2014 and judged to be appropriately controlled. REIT and SIIC tax regime compliance is demonstrated at least bi-annually. Compliance with joint venture shareholder agreements is managed by experienced property operations, finance and legal staff. The SELP JV additionally has comprehensive governance and compliance arrangements in place, including dedicated management, operational manuals, and specialist third-party compliance support services. The 2014 internal audit of SELP governance assessed controls as adequate.	Yes	
Health and safety Health and safety management processes could fail, leading to a loss of life, injury, litigation, fines and serious reputational damage to the Group. This is a continuous risk with a low likelihood of causing significant harm to the Group.			The Group manages an active health and safety management system, with particular focus on managing the quality and compliance to good health and safety practice of construction and maintenance contractors. A published health and safety policy is backed up by independent site inspections and a programme of staff and contractor training.	Yes	Further information on Health and Safety is provided on page 50.
Regulatory environment The Group could fail to anticipate legal or regulatory changes, leading to a significant unforecasted financial or reputational impact. This is a medium to long-term risk with a low likelihood of causing significant harm to the Group.			Emerging risks in this category are reviewed regularly by the Executive Committee, Finance Committee and Group Risk Committee. Corporate heads of function consult with external advisers, attend industry and specialist briefings, and sit on key industry bodies such as EPRA and BPF. A number of potential risks were identified, assessed and managed during the course of the year. None were considered to be material enough to be classified as Principal Risks.	Yes	

Strategic Report/Corporate Social Responsibility

WORKING RESPONSIBLY ACROSS OUR PORTFOLIO

We have continued to support and invest in local communities where we have a presence. In 2014, SEGRO donated over £1.6 million to good causes through money, time, land and business space.

Introduction

At SEGRO, corporate social responsibility is fully integrated into all aspects of our operations. In 2014, we continued our focus on sustainability and we have been able to demonstrate significant progress towards achieving the targets we set out in our 'SEGRO 2020' strategy (see page 47).

We have continued to support and invest in local communities where we have a presence. In addition to the economic activity taking place in our buildings, this support can take the form of monetary donations to local charities, the time and expertise of our employees to local voluntary organisations or through the donation of business space. In 2014, SEGRO donated over £1.6 million to good causes in this manner.

We also increased our commitment to LandAid during the year. LandAid is the charity of the UK property industry and is committed to improving the lives of young people in the UK who have been disadvantaged due to their economic or social circumstances.

Additionally, we undertook a range of activities to engage with other stakeholders in our business, namely our employees, our investors, our customers and our suppliers, to keep them informed about our business activities and to understand how we can better meet their expectations of us.

ANDY GULLIFORD
Chief Operating Officer

Mandatory greenhouse gas (GHG) emissions statement

This is the second year we are reporting our Greenhouse Gas Emissions in our Annual Report. SEGRO has, however, been managing its energy intensity previously through its sustainability reporting which is available to view at www.segro.com/sustainability.

Methodology

In order to determine the emissions that we are responsible for, we have used the GHG Protocol Corporate Accounting and Reporting Standard (as of 31/12/14) and have applied the 'Operational Control' consolidation methodology.

This means that we have included all emissions arising from our assets under management, excluding any emissions arising from those parts of the portfolio that are the responsibility of our tenants. We have called this 'responsible space' and have used this term when we are reporting our GHG emissions as well as when we are reporting the progress we have made with our 'SEGRO 2020' sustainability targets.

We also include transport emissions from business travel arising from our fleet vehicles, both owned and leased, as well as emissions from space occupied directly by SEGRO personnel.

Our emissions are set out in the table opposite. They arise principally through the combustion of gas for heating, fuel for transport (together, scope 1 emissions) and the purchase of electricity (scope 2 emissions). Consumption data has been collected from third party energy providers and the usage has been converted into a carbon dioxide equivalent using the UK Government's Conversion Factors for Company Reporting 2014. Further details of these can be found on http://www.ukconversionfactorscarbonsmart.co.uk. As this is the second year of Mandatory Greenhouse Gas Emissions reporting, we have included the 2013 data for comparison. The 2013 figures have been restated to reflect more accurate energy data for the 2013 reporting period, as well as correcting some inaccurate data points.

For more information on how the greenhouse gas figures are calculated, including the estimation methodology and data exclusions, please refer to our online data pack at www.segro.com/sustainability

Table of emissions

GLOBAL GHG EMISSIONS DATA IN TONNES OF CO_2e		
EMISSIONS FROM:	2014	2013
Scope 1 emissions – combustion of fuel and operation of facilities	8,848	13,308
Scope 2 emissions – purchased electricity, heat, steam and cooling	27,860	28,571
Total Carbon Footprint (tonnes of CO_2e)	36,708	41,879
SEGRO'S CHOSEN INTENSITY MEASUREMENT:		
Emissions reported above normalised to tonnes of CO_2e per m^2 of responsible space	0.016	0.018
Coverage	2,335,626m^2	2,348,011m^2

Table of emissions by region

REGION	EMISSIONS SOURCE	2014 EMISSIONS (TONNES OF CO_2e)	2013 EMISSIONS (TONNES OF CO_2e)
UK	Combustion of fuel and operation of facilities	1,734	3,109
UK purchased	Electricity, steam, heat and cooling	4,931	6,997
Continental Europe	Combustion of fuel and operation of facilities	7,114	10,199
Continental Europe purchased	Electricity, steam, heat and cooling	22,929	21,574
		36,708	41,879

Commentary

Collecting environmental performance data across our UK and European portfolio remains challenging and we continue to work hard on improving our data collection methodologies and data coverage. However, we do recognise that our environmental data is not perfect and in some instances we have had to exclude or estimate missing data. These challenges are not uncommon across the property sector and we continue to work on implementing new processes and training our employees to ensure that the data quality of our environmental reporting improves year-on-year.

The drop in SEGRO's scope 1 emissions between 2013 and 2014 can be largely attributed to property disposals, including several large gas consumers (i.e. Pegasus Park, Sphere Business Park, Winnersh Triangle, Frankfurt Hanauer Landstraße). The sale of these assets has also contributed to the slight decrease in scope 2 emissions in 2014 compared to 2013.

The repositioning of SEGRO's portfolio has also affected its reported emissions intensity, although the number of properties included in the metric has decreased from 793 to 687 (a 13 per cent decrease), the floor area of our responsible space has only decreased slightly from 2,348,011m^2 to 2,335,626m^2 (a 0.5 per cent decrease).

WORKING RESPONSIBLY ACROSS OUR PORTFOLIO
CONTINUED…

SEGRO 2020 Recap

In 2013, we introduced our new sustainability strategy, 'SEGRO 2020'. We have built on the solid foundation set in 2013 through our commitment to embed the strategy across the Group.

Our 'SEGRO 2020' targets focus on building design, refurbishments, energy and water efficiency and obtaining building certifications that support our sustainable approach. It links directly to our strategic priority of driving operational performance by delivering excellent customer service and optimising performance of our assets through greater customer focus, knowledge sharing, efficiency improvements and cost reductions.

Our new sustainability strategy has required us to undertake a number of projects which allow us to report and improve our performance against our long-term goals. We have continued to embed our sustainability toolkits that were introduced in 2013 into our development and refurbishment projects, improving reporting consistency and coverage whilst reducing the time requirement for our teams.

We have seen particular success in our waste management figures for 2014. Our reuse and recycling rates for construction and demolition waste were 87%, whilst excavation waste achieved a reuse or recycling rate of 92%. All three waste streams have therefore achieved target in 2014. We have also added a further 11 BREEAM "Very Good" or equivalent certified buildings through our development and refurbishment programme.

One area of focus for us in 2015 is to improve our utility data coverage. During 2014, we committed to the roll out of a group-wide energy bureau service by mid-2015, which will provide us with support in how we manage utility data across the portfolio. It has been used successfully in the UK since 2011.

The introduction of this service will help us maintain our EPRA Gold reporting disclosure status which we achieved for the second year running in 2014.

We are committed to delivering, reviewing and improving SEGRO 2020 to ensure we are extracting best value from our sustainability activities.

The progress we have made in 2014 against our 'SEGRO 2020' targets is shown in the table opposite and a more detailed review of our performance is available to view on www.SEGRO.com/sustainability.

RENEWABLE ENERGY
CASE STUDY

In 2013, we introduced a renewable energy project fund to expand the renewable energy offering across our portfolio. We fund the projects on the basis that SEGRO owns the energy generated and provides it to the customer at below market rate, improving the environmental performance of the building and reducing operating costs for our customer.

As part of the 2,900 sq m speculative development at Fairlie Road on the Slough Trading Estate, we installed a 130 kWp solar photovoltaic array. One of our longest serving customers, All Print, moved into the building in late 2014 and will achieve cost savings of around £10,000 per year, or around £3.50 per sq m, as a result of the renewable energy measures incorporated in the building.

Close working relationships between the SEGRO development and sustainability teams, the main contractor, PV consultant and All Print helped to deliver the project successfully, with the following results:

- Approximately 115,000 kWh of electricity generated per year
- Saving 56 tonnes of CO_2 per year
- £10k annual cost saving for the Occupier

Kevin Wallace, Managing Director of All Print, said:

"The solar PV system has helped us reduce our carbon footprint and reduce energy costs by around 60%."

2014 SUMMARY OF PERFORMANCE AGAINST 'SEGRO 2020'

2020 GOAL	QUALIFYING CRITERIA	2014 PERFORMANCE	Change since 2013	2015 ACTIONS
OPERATIONAL PERFORMANCE				
By 2020, we will reuse or recycle 80 per cent of construction and demolition waste and 60 per cent of excavation waste.	All new developments and refurbishments where a significant amount of waste is to be generated.	In 2014, we reused or recycled 87 per cent of both our construction (2013: 68 per cent) and demolition (2013: 60 per cent) waste and 92 per cent of our excavation waste (2013: 33 per cent). We were able to report on 18 out of 24 projects.	↗	We will improve reporting coverage and performance across our geographies and widen the scope to include more refurbishment projects within this target.
By 2020, we will reduce energy intensity for SEGRO responsible space by 40 per cent against our 2012 baseline. 2012 and 2013 data has been re-stated to reflect the full portfolio at year-end.	Space where SEGRO purchases energy (for example, common parts, SEGRO occupancy, vacant space and where we re-charge energy costs to the customer), where there is a meter and for which we have a full year of data.	Our energy intensity was 73.6 kWh/m^2/year during 2014 (2012: 79.4 kWh/m^2/year; 2013: 73.0 kWh/m^2/year). This equates to a 7.3 per cent decrease against the 2012 baseline. Energy intensity for space occupied by SEGRO personnel improved by 11 per cent.	→	In 2015, we will roll out the third party management of our utility data to all of our Business Units to further improve our data coverage.
By 2020, we will reduce water intensity for SEGRO responsible space by 20 per cent against our 2012 baseline. 2012 and 2013 data has been re-stated to reflect the full portfolio at year-end.	Space where SEGRO purchases energy (for example, common parts, SEGRO occupancy, vacant space and where we re-charge water costs to the customer), where there is a meter and for which we have a full year of data.	Our water intensity was 31 m^3/m^2/year during 2014 (2012: 52 m^3/m^2/year; 2013: 36 m^3/m^2/year). This equates to a 41 per cent decrease overall.	↗	In 2015, we will roll out the third party management of our utility data to all of our Business Units to further improve our data coverage.
ASSET DESIGN AND REFURBISHMENT				
By 2020, we will install water efficient technology in all our new buildings and qualifying major refurbishments, and rainwater harvesting/grey water recycling where viable.	All new developments and refurbishments where elements of the building which affect water efficiency are included in the project scope.	The flow rate of our installed water fixtures (taps, WCs, showers etc.) was 27 per cent better than our standard water efficiency specification (equivalent to a BREEAM 'Pass' specification) across 28 qualifying development and refurbishment projects.	→	We will continue to share best practice across our development and refurbishment teams to identify specifications and technologies which can be used across the group to make progress with this goal.
By 2020, all new buildings and qualifying major refurbishments will be at least 40 per cent more energy efficient than our typical 2009 buildings in each country.	All new developments and refurbishments where elements of the building which affect energy efficiency (building fabric or lighting) are included in the project scope.	Our overall weighted performance for energy efficient design was on average 32 per cent better than local base build standard in 2009. This was achieved through a 28 per cent improvement in building fabric efficiency across our development projects, and a 47 per cent improvement across our refurbishment projects. Our lighting specifications were, on average, 78 per cent better than our standard specification of 45 lumens/Watt. We reported data for 22 developments and nine refurbishments.	↗	We will continue to share best practice across our development and refurbishment teams to identify specifications and technologies which can be used across the group to make progress with this goal.
By 2020, all new buildings and qualifying major refurbishment projects will be certified to be BREEAM 'Very Good' or equivalent in the recognised environmental certification for that region (LEED, DGNB, HQE).	All new developments over 10,000 sq m and refurbishments where BREEAM or equivalent certification is technically possible and commercially viable.	In 2014, 11 out of 23 development and major refurbishment projects, including Germany (4), UK (6) and Italy (1) achieved BREEAM 'Very Good' or 'Excellent', DGNB Silver or LEED Platinum.	↗	In 2015, we have committed to obtaining BREEAM certification for the first time at one of our Polish developments. We will continue with progress in those countries where certifications are regularly achieved, and will investigate the feasibility of gaining refurbishment certifications.
By 2020, all new buildings will be EPC or equivalent 'B' rated, or 'C' rated for qualifying major refurbishments.	All new developments and refurbishments where the project works require a new EPC to be obtained and there is a legislative requirement.	16 out of 22 development projects requiring an EPC achieved a rating of A or B. We analysed 30 out of 33 refurbishment projects in 2014 which impacted the EPC rating. 57 per cent of the projects achieved EPC ratings of B or C with 93 per cent achieving D or better.	↗	Some countries we operate in do not require an EPC at the project completion stage, and instead require an 'In use' EPC certificate. In 2015, we will work to investigate ways to integrate these EPCs, and focus on finding cost effective ways to achieve C ratings or above for more of our refurbishments.
RENEWABLE ENERGY				
We will seek to increase our renewable energy generating capacity across the Group.	Projects include direct SEGRO investment as well as support for our customers who wish to undertake renewable energy installations at our buildings.	During 2014, 1,268 MWh of new renewable energy generation capability was added to the portfolio through the installation of solar photovoltaic panels across five developments. These projects are wholly owned by SEGRO and created 1,233 kWp of new installed capacity. The total renewable energy generation capability across the portfolio now stands at 8,319 MWh, including third party owned systems. This is an increase of 10 per cent on 2013. We have reported against five new and 30 existing projects.	↗	In 2015, we have set aside specific budgets across the Group to fund investment in SEGRO-owned renewable energy projects. We will also continue to work with our customers to support their renewable energy projects where possible.

KEY:

↗ We have made progress with the goal in line with internal expectations

→ Some/limited progress has been made to support this goal, and we will prioritise performance improvement in 2015

WORKING RESPONSIBLY ACROSS OUR PORTFOLIO CONTINUED…

Communities and Charity

Supporting communities in which we operate remains an integral part of our operations. In 2014, SEGRO invested a total of £1.68m in good causes through money, time, land and business space. A new Charity Committee was created during 2014, whose aim is to both set the Group's charity and community engagement strategy and its Charity Policy as well as to oversee their implementation.

We work closely with our stakeholders in the communities where we have a presence. This way we ensure that the local communities understand why we are undertaking specific commercial projects and the benefits they will bring to their local area. We actively listen to their views on our plans and seek to address concerns they may have. In the UK, for example, we have built strong relationships with communities in Hillingdon, Hounslow, Ealing, Slough, Brentford and Enfield.

£178,188	£1,453,331	£53,150
DONATIONS	ASSISTANCE IN KIND	EMPLOYEE VOLUNTEERING

LandAid

SEGRO is a long-time supporter and partner of LandAid, the charity of the UK property industry. Its aim is to improve the lives of children and young people who experience disadvantage due to their economic or social circumstances. We are committed to providing £120,000 over three years (2014-2016). Our approach to this charity is not solely focussed on providing monetary assistance, SEGRO also offers pro bono work.

Andy Gulliford, our Chief Operating Officer, also continues to be a member of the Land Aid Fundraising Committee.

Furthermore, during 2014, SEGRO employees supported LandAid with a variety of fund raising activities such as a golf day, cake bakes, a sailing day and the Industrial Agents Cycle Challenge. These raised a further £28,775 on top of our commitment.

To see more case studies on our community and charities activities throughout 2014, please see the full CSR report at www.segro.com/sustainability.

Winning team from Swaminarayan school

LOCAL SCHOOL FUNDING

CASE STUDY

During 2014, SEGRO has continued to work closely alongside its partners in the local council to identify ways that we can positively impact the local community and help meet some of their needs.

For the launch of Origin, SEGRO's flagship development in Park Royal, local primary school children were challenged to write a poem on their vision of Brent in 2034. Each of the schools entering received a share of £6,000 that could be spent on projects that would improve the school. The poems were sealed in a time capsule and buried on the Origin site.

Over 130 poems were submitted from Swaminarayan School, Mitchell Brook Primary School, Brentfield Primary School, Our Lady of Lourdes School and Stonebridge Primary School.

SLOUGH ASPIRE – FIRST ANNIVERSARY

CASE STUDY

2014 marked the first anniversary of Slough Aspire, the dedicated skills and training facility located on the Slough Trading Estate.

Developed by SEGRO, Slough Aspire has been delivered in partnership with a number of locally-based businesses and organisations including Mars, Lonza, the Federation of Small Businesses, East Berkshire College and Slough Borough Council.

Designed as the first port of call for training and learning needs in the area, Slough Aspire delivers a range of events and courses for students, businesses and the local community. It brings students, local residents and businesses together for learning and networking opportunities.

Over the past year the centre has worked with 2,521 students to help them become 'job-ready'. It has also enhanced the skill-set of 436 local residents and delivered dedicated training for 141 businesses and their employees.

The centre is open to companies, schools and local residents and plays a vital role in strengthening links between students, the community and local businesses.

Since its launch the centre has:

- Provided training and development programmes for more than 3,000 people and businesses
- Worked with 133 organisations in the public, private and not for profit sectors
- Conducted 43 events, including training, networking, careers and information sharing events
- Ten new companies have registered with Slough Aspire over the past 12 months as a result of networking events

Fiona Jones, Slough Aspire Manager, said:

"It has been a really positive year for Slough Aspire, from the launch of our innovative training and events venue, the Slough Aspire Centre, to our construction pathway programme, through to collaboration with local companies such as Mars on youth employability initiatives."

WORKING RESPONSIBLY ACROSS OUR PORTFOLIO CONTINUED…

Health and safety

Health and safety is very important to SEGRO and remains a top priority for us, we take our responsibilities to our employees, customers, suppliers and visitors seriously.

Our continuing aim is to embed health and safety within the culture of all employees, as well as through influencing our supply chain. We do this by managing risks, tighter controls, training and raising awareness. SEGRO has strong health and safety management procedures in operation across the Group. Monthly reporting is provided to the Chief Operating Officer, Operations and Executive Committees and the Board on health and safety performance.

In 2014, with SEGRO's increased construction activities, a clear focus was made to further engage and develop relationships with our supply chain to ensure health and safety remains a top priority. This has involved a series of interactive workshops involving our internal teams and external suppliers across the Group.

A key risk is working at height in both construction and maintenance activities. A bespoke training course was developed and delivered to operational employees in the UK, and will be delivered across Europe in 2015.

SEGRO assisted the Health & Safety Executive (HSE) in completing a very successful Estates Excellence initiative at Park Royal, West London involving over 1,000 businesses. SEGRO arranged the use of one of its buildings to host free health and safety training to more than 130 people.

SEGRO signed up to the Department of Health's Public Health Responsibility Deal for the Construction and Civil Engineering Industries in October 2013. Since then, SEGRO has been working to deliver the aims of this pledge through our elected SEQOHS (Safe Effective Quality Occupational Health Service) provider to develop a programme to provide all employees with access to Occupational Health Services to reduce the occurrences of work related ill-health and ensuring that those with health problems do not place themselves or others at risk.

SEGRO attained a RoSPA Gold Award for the second year running demonstrating both our commitment and practical application of good health and safety procedures across all our business operations. These awards are based upon specified occupational health and safety performance criteria. Gold is the top achievement award.

In 2014, our Accident Frequency Rate for SEGRO employees remained at zero (2012 and 2013 – zero). There were no health and safety prosecutions, enforcement actions or fatalities in 2014.

Our employees

One SEGRO – working together to deliver a great year

2014 has been a very successful year for our employees. This was the third year of the strategic programme we launched in November 2011 and a year when all of our hard work started to come to fruition.

Across all of our teams and disciplines, from our leasing, asset, development and investment managers through to all of our support teams, everyone has worked together as 'One SEGRO' to deliver the vision we set out to achieve in 2011.

We fundamentally believe that good communication, across multiple channels, is central to creating our 'One SEGRO' approach which we work hard to achieve through quarterly all employee webinars (led by the Executive Directors), monthly team briefings (led by Heads of Function), an all employee newsletter (produced at a Group level but covering both group messages and local stories) and our all employee conference which was held in the UK at the end of December. At the conference we took the opportunity to recognise and celebrate all of the great work achieved by our employees during the course of 2014 through our SEGRO award ceremony. In 2014, more than 130 high quality nominations were received by the judging panel for consideration for one of our 12 SEGRO awards, ranging from Best Customer Service Initiative to Outstanding Team Contribution to One SEGRO.

As well as recognising great team and individual achievements, we also celebrated those individuals who have demonstrated their commitment to SEGRO over a number of years through their length of service. These ranged from 23 individuals achieving five years with SEGRO, nine achieving 10 years of service, and a very special mention for David Drummond, our longest serving employee, who achieved 30 years' service in 2014.

Employee awards ceremony – One SEGRO

At the end of 2014, we repeated our independent all employee survey "Your Say" and achieved a very healthy 86 per cent response rate. We are delighted to report that our overall Employee Engagement score has increased by 10 percentage points since our last survey from 79 per cent (2012) to 89 per cent, placing us in the upper quartile of top-performing companies for employee engagement when externally benchmarked. Early in 2015, we will communicate the detailed results of the survey to all employees and will be inviting them to participate in action-planning workshops, led by our Leadership Team, on the areas where we know we can make some improvements.

LIZ REILLY
Group HR Director

"Everyone has worked together as 'One SEGRO' to deliver the vision we set out to achieve in 2011"

WORKING RESPONSIBLY ACROSS OUR PORTFOLIO CONTINUED…

Continuing to add to our bench strength

External talent

During the course of 2014, we continued to build our capacity in key areas of the business through internal development moves for employees and through the recruitment of key external talent.

In 2014, Andreas Fleischer, joined us from a competitor as our Business Unit Director for Northern Europe. As part of Andreas' strategic plan, we have reorganised the team and have recruited new talent into the business unit, focusing particularly in expanding our reach into new regions in Germany and expanding our logistics capability.

At Group level, Nick Hughes, who joined at the end of 2013 as our Marketing and Communications Director, has started work to review the SEGRO brand and to maximise the impact we get from our marketing and communications activities. As part of this, additional resources and skills have been added to strengthen this team.

Growing our own talent

During 2014, we continued to prioritise internal development moves and promotions from within the business, once again reinforcing our belief in the power and quality of our internal talent pipeline.

The Executive Directors held regular talent discussions at Executive Committee meetings and with individual Heads of Function to ensure we continue to maximise the potential of our employees at every level in the business and to sustain a strong succession plan for key roles.

Our new APC (Assessment of Professional Competence) 'plus' Graduate Programme

SEGRO's talent pipeline has benefited from the recruitment of high quality real estate graduates over a number of years and in 2014 we launched our new APC 'plus' programme.

Our new programme is aimed at attracting graduates from diverse backgrounds and providing them with a broader development programme including experience of corporate centre functions and the potential to work across Europe – the 'plus' in our APC! Our first graduates on the new programme will join us in 2015.

Creating a sustainable future

Towards the end of the year we embarked on a piece of work to help us to articulate a deeper meaning and purpose for SEGRO and how that translates into how we behave as an organisation. Essentially, we want to look beyond our immediate horizons to create a business with values that will guide us today and into the future. This work will carry on throughout 2015 and will involve everyone in the business at various points during the year.

Human rights

We are committed to doing things the right way and this is reflected in our values and our Code of Conduct. A respect for human rights is implicit in our employment practices and the high standards we expect from our suppliers.

Valuing diversity

We are committed to offering equal opportunities to people with disabilities and, if an employee becomes disabled while in our employment, we will offer appropriate support, retraining, equipment and facilities to enable them to continue in their role with SEGRO.

We recognise the benefits of diversity and the value this brings to the organisation in terms of skills, knowledge and experience. We have a good record of promoting and appointing women to senior roles. Women hold four out of the 18 positions in our Leadership Team.

As part of our ambition to increase the diversity of talent joining the business, we have become part of Pathways to Property. Pathways was established by Reading Real Estate Foundation (RREF) to help widen diversity in the real estate sector. The programme includes a range of aspiration raising activities, including a Summer School programme, aimed at Year 12 students (16-17 year olds) in targeted state schools and colleges across the UK. SEGRO are committed to providing financial support and work experience placements to support this initiative.

THE NUMBER OF PERSONS OF EACH SEX WHO ARE SENIOR MANAGERS OF THE COMPANY

	MALE	FEMALE
SPLIT ON BOARD	9	1
LEADERSHIP TEAM	14	4
SPLIT OF MALE/ FEMALE WORKFORCE	141	113

A STRONG FINANCIAL POSITION

The actions taken to re-shape and improve the quality of our property portfolio have resulted in a 3 per cent reduction in EPRA earnings for 2014. EPRA NAV per share improved by 23 per cent to 384 pence and the balance sheet has been considerably strengthened with the LTV ratio having improved from 42 per cent to 40 per cent.

HIGHLIGHTS

31 DECEMBER 2014

19.4% TOTAL PROPERTY RETURN	390P NET ASSET VALUE (NAV) PER SHARE	384P EPRA[1] NAV PER SHARE	£518.0M REALISED AND UNREALISED PROPERTY GAIN[2]
£654.4M PROFIT BEFORE TAX	£129.7M EPRA[1] PROFIT BEFORE TAX	92.0P PROFIT PER SHARE	17.2P EPRA[1] EPS

31 DECEMBER 2013

10.7% TOTAL PROPERTY RETURN	316P NET ASSET VALUE (NAV) PER SHARE	312P EPRA[1] NAV PER SHARE	£145.6M REALISED AND UNREALISED PROPERTY GAIN[2]
£212.1M PROFIT BEFORE TAX	£134.1M EPRA[1] PROFIT BEFORE TAX	28.4P PROFIT PER SHARE	17.7P EPRA[1] EPS

1. EPRA NAV, EPRA Profit Before Tax and EPRA EPS are alternate metrics to their IFRS equivalents that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). SEGRO uses these alternative metrics as they highlight the underlying recurring performance of the property rental business, which is our core operational activity. The EPRA metrics also provide a consistent basis to enable a comparison between European property companies.
2. Includes the realised and unrealised property gain of £408.6 million for the wholly owned portfolio (see Note 8 to the financial statements) and the realised and unrealised property gain of £109.4 million from our share of joint ventures (see Note 7 to the financial statements).

Total Property Return

Total Property Return is a measure of the ungeared combined income and capital return from the Group's property portfolio, excluding land, and is calculated by IPD.

Total Property Return for the year was 19.4 per cent, compared to a 10.7 per cent return for 2013. This reflects an income return of 6.1 per cent (2013: 6.4 per cent) and a capital return of 12.6 per cent (2013: 4.1 per cent). The capital return is driven by the UK assets, where a 16.4 per cent capital return is partially offset by a 2.3 per cent return in Continental Europe. The income return is slightly down on prior year.

EPRA NAV

	£M	SHARES MILLION	PENCE PER SHARE
EPRA net assets attributable to ordinary shareholders at 31 December 2013	2,312.6	741.3	312
Realised and unrealised property gain	518.0		70
EPRA profit after tax	127.8		17
Dividends (2013 final and 2014 interim)	(109.8)		(15)
US tax refund	33.6		4
Actuarial loss on pension schemes	(13.7)		(2)
Exchange rate movement (net of hedging)	(11.8)		(1)
Other	(12.0)		(1)
EPRA net assets attributable to ordinary shareholders at 31 December 2014	2,844.7	741.1	384

EPRA Profit

	2014 £M	2013 £M
Gross rental income	**215.1**	273.8
Property operating expenses	**(40.5)**	(50.4)
Net rental income	**174.6**	223.4
Joint venture management fee income	**11.8**	7.1
Administration expenses	**(28.3)**	(26.1)
Share of joint ventures' EPRA profit[1]	**46.3**	26.3
EPRA operating profit before interest and tax	**204.4**	230.7
Net finance costs (including adjustments)	**(74.7)**	(96.6)
EPRA profit before tax	**129.7**	134.1
Tax on EPRA profit	**(1.9)**	(2.7)
EPRA profit after tax	**127.8**	131.4

1. Comprises net property rental income less administration expenses, net interest expenses and taxation.

NAV and EPRA NAV per share

A reconciliation of EPRA net assets to total net assets attributable to ordinary shareholders and the corresponding NAV and EPRA NAV per share calculations is provided in Note 14 to the financial statements.

EPRA NAV per share at 31 December 2014 was 384 pence, compared with 312 pence at 31 December 2013. As illustrated in the above table, the increase is largely as a result of investment property valuation increases which are covered in more detail below. NAV has also benefited from the fact that EPRA profit after tax generated during the year more than covers the dividend payments made.

Realised and unrealised property gain

A total realised and unrealised gain on property for the wholly owned portfolio of £408.6 million (2013: £97.7 million) has been recognised in 2014, which includes an unrealised valuation surplus on investment properties of £385.6 million (2013: £94.4 million).

A profit of £25.0 million arose in 2014 on disposal of investment properties reflecting the valuation increases over the year (2013: £13.0 million). A loss of £0.3 million arose on disposal of trading properties (2013: £6.1 million profit). Impairment provisions of £1.7 million (2013: £15.2 million) were recorded on certain trading properties as their fair value is deemed to be less than the original cost. The total realised and unrealised property gain for the wholly owned portfolio is further analysed in Note 8 to the financial statements.

Our share of realised and unrealised property gains generated from joint venture interests was £109.4 million (2013: £47.9 million) and are further analysed in note 7 to the financial statements.

The Group's trading property portfolio (including share of joint ventures) has an unrealised valuation surplus of £2.3 million at 31 December 2014 (2013: £4.2 million), which has not been recognised in the financial statements as it is recorded at the lower of cost or fair value.

A STRONG FINANCIAL POSITION CONTINUED…

EPS and EPRA EPS

EPS is 92.0 pence for 2014, compared to 28.4 pence in 2013. The main driver behind this was the higher realised and unrealised property gains in 2014 compared to 2013. EPRA EPS of 17.2 pence per share is 0.5 pence lower than the 2013 equivalent (17.7 pence per share) as a result of a reduced EPRA profit primarily due to disposals, which is further analysed in the EPRA Profit table above and following sections below.

EPRA profit

A reconciliation between EPRA profit before tax and IFRS profit before tax is provided in Note 2 to the financial statements.

EPRA profit before tax decreased by £4.4 million compared to 2013. This is due to a £48.8 million reduction in net rental income, largely due to disposals and the creation of the SELP joint venture, partially offset by reductions in net finance costs of £21.9 million and increased income from joint ventures of £20.0 million. These items are covered in more detail below. SELP, which was set up with a portfolio of assets formerly owned by the Group, began trading in October 2013 and therefore the 2013 comparative includes nine months of wholly owned net rental income from these assets.

Net rental income

Like-for-like net rental income is analysed on a 'look-through' basis (with joint ventures included at share). The 50 per cent of SELP assets owned throughout 2014 and 2013 are included in the like-for-like calculation, with the balance in 2013 shown as properties sold. Similarly the 50 per cent of LPP net rental income owned throughout 2014 and 2013 is included in like-for-like, whereas the balance, an additional 50 per cent purchased in 2014, is shown in properties acquired.

Like-for-like net rents have increased by £3.3 million (1.8 per cent), driven by an increase in the UK of £6.4 million (4.9 per cent) partially offset by a fall in Continental Europe of £2.1 million (4.3 per cent). Costs included in net rental income, not allocated to specific business units, increased by £1.0 million.

Including our share of joint ventures, net rental income in total has decreased by £25.9 million compared to 2013. This primarily arises from the impact from disposals (£38.9 million), partially offset by the impact of income from acquisitions (£15.8 million) and developments (£3.3 million).

Joint ventures

SEGRO's share of EPRA profit from joint ventures has increased by £20.0 million compared to 2013, primarily due to £25.4 million being recognised in relation to SEGRO's share of the SELP joint venture compared to £4.8 million for the three months' income included in the comparative.

Joint venture management fee income of £11.8 million has increased by £4.7 million compared to 2013 primarily due to the inclusion of a full year of fees from SELP.

Total costs

The Group continues to focus on carefully managing its cost base and regards the total cost ratio as a key measure

Like-for-like net rental income

	2014 £M	2013 £M	CHANGE %
UK	**137.8**	131.4	*4.9*
Continental Europe	**47.0**	49.1	*(4.3)*
Like-for-like net rental income before other	**184.8**	180.5	*2.4*
Other[1]	**(1.8)**	(0.8)	
Like-for-like net rental income	**183.0**	179.7	*1.8*
Development lettings	**8.3**	2.1	
Properties taken back for development	**1.6**	4.5	
Like-for-like net rental income plus developments	**192.9**	186.3	
Properties acquired	**18.3**	2.5	
Properties sold	**20.1**	59.0	
Net rental income before surrenders, dilapidations and exchange	**231.3**	247.8	
Lease surrender premiums and dilapidation income	**4.3**	9.1	
Rent lost from lease surrenders and other income	**2.4**	2.3	
Impact of exchange rate difference between periods	**–**	4.7	
Net rental income per financial statements (including joint ventures at share)	**238.0**	263.9	

of performance. The total cost ratio calculation is outlined in table 6 in the supplementary notes appended to the financial statements.

The EPRA cost ratio (including vacant property costs) for 2014 was 23.7 per cent compared to 24.3 per cent in 2013, and includes joint ventures at share. The decrease in the cost ratio is due to total costs reducing by a greater proportion than the reduction in gross rental income (a 12.2 per cent fall compared to a 10.1 per cent fall).

Vacant property costs for wholly-owned properties have decreased by £5.1 million to £7.5 million (2013: £12.6 million) as a result of reduced vacancy in the UK where the majority of the vacant costs arise. The EPRA cost ratio (excluding vacant property costs) provides an indicator of the opportunity to reduce costs through vacancy reduction and was 20.1 per cent for 2014 (2013: 19.8 per cent).

Net finance costs

Net finance costs (which exclude fair value gains and losses on interest rate swaps and currency derivatives) decreased in 2014 by £21.9 million to £74.7 million. The decrease is mainly attributable to the impact of interest savings from the full year impact of lower interest rates following the interest swap portfolio restructuring in November 2013, lower average debt compared to the prior year and the full year impact of interest receivable on deferred consideration, as detailed in Note 17, which initially arose in October 2013.

A net fair value gain on interest rate swaps and other derivatives of £10.9 million has been recognised within IFRS net finance costs in 2014 (2013: £63.4 million loss), primarily as a result of the impact of a decrease in medium term interest rates on the fair value of the Group's sterling denominated, receive fixed, pay floating interest rate swaps. This is offset, in part, by a decrease in the fair value of euro denominated interest rate swaps which are receive floating, pay fixed, on which medium term interest rates have also decreased over the year. The gains and losses discussed in this paragraph are not included in net finance costs (including adjustments), in accordance with EPRA Best Practices Recommendations.

Tax

A tax credit of £27.6 million has been recognised in 2014 (2013: £2.9 million charge). This combines a £1.9 million charge attributable to EPRA profit (2013: £2.7 million), a £4.1 million charge in relation to EPRA adjustments (2013: £0.2 million) and a US tax refund of £33.6 million (2013: £nil). The US tax refund was recognised following a formal agreement with the Californian tax authorities in the period of our entitlement to a refund of Californian state tax, related to the disposal of SEGRO's US business in 2007. In our judgement, we do not currently believe that there are any further state or federal tax receipts or payments due in respect of this disposal. The tax charge

Cash flow/Net Debt Reconciliation

	2014 £M	2013 £M
OPENING NET DEBT	**(1,459.1)**	(2,090.3)
Cash flow from operations	**176.1**	204.0
Finance costs (net)	**(72.5)**	(97.5)
Dividends received (net)	**22.2**	24.1
Tax paid (net)	**(2.8)**	(2.4)
FREE CASH FLOW	**123.0**	128.2
Dividends paid	**(109.8)**	(109.7)
Purchase and development of investment properties	**(247.9)**	(211.1)
Investment property sales	**408.7**	559.9
Repayment of finance lease receivable	**–**	8.1
Net costs to close out debt/interest rate swaps	**(1.6)**	(27.2)
Net settlement of foreign exchange derivatives	**59.2**	(47.9)
Acquisition of LPP	**(95.6)**	–
Sale of SELP portfolio	**4.8**	402.8
Net investment in joint ventures	**(201.7)**	(52.2)
Other items	**(0.6)**	(1.9)
NET FUNDS FLOW	**(61.5)**	649.0
Non-cash movements	**(5.1)**	(4.3)
Exchange rate movements	**(0.2)**	(13.5)
Debt acquired from LPP	**(153.3)**	–
CLOSING NET DEBT	**(1,679.2)**	(1,459.1)

A STRONG FINANCIAL POSITION CONTINUED…

EPRA capital expenditure analysis

	2014			2013		
	WHOLLY OWNED £M	JOINT VENTURES £M	TOTAL £M	WHOLLY OWNED £M	JOINT VENTURES £M	TOTAL £M
Acquisitions	**437.1[1]**	**234.0**	**671.1**	184.1[1]	418.3	602.4
Development[4]	**136.3[2]**	**21.0**	**157.3**	104.3[2]	6.3	110.6
Completed properties[4]	**21.7[3]**	**4.1**	**25.8**	16.4[3]	0.2	16.6
Other[5]	**8.4**	**4.7**	**13.1**	20.0	4.3	24.3
Total	**603.5**	**263.8**	**867.3**	324.8	429.1	753.9

1. Being £437.1 million investment property and £nil trading property (2013: £123.2 million and £60.9 million respectively) see Note 15.
2. Being £122.7 million investment property and £13.6 million trading property (2013: £98.4 million and £5.9 million respectively) see Note 15.
3. Being £20.2 million investment property and £1.5 million trading property (2013: £15.6 million and £0.8 million respectively) see Note 15.
4. Includes wholly owned capitalised interest of £4.4 million (2013: £2.5 million) as further analysed in Note 11 and share of joint venture capitalised interest of £0.4 million (2013: £0.2 million).
5. Tenant incentives, letting fees and rental guarantees.

on EPRA profit reflects an effective tax rate of 1.5 per cent (2013: 2 per cent), consistent with a Group target tax rate of less than 3 per cent.

The Group's target tax rate reflects the fact that over three quarters of its assets are located in the UK and France and qualify for REIT status in the UK and SIIC status in France. These regimes were introduced by the respective governments to remove inequalities between different real estate investors and to provide an opportunity for shareholders of all sizes to invest in property in a low-cost and tax efficient way. As a result, UK REIT and French SIIC status means that income from rental profits and gains on disposals of assets (in the UK and France) are exempt from corporation tax, provided SEGRO meets a number of conditions, including, but not limited to, distributing 90 per cent of UK tax-exempt rental profits.

Cash flow and net debt reconciliation

A summary of cash flows and a reconciliation of net debt for the year is set out in the table on page 57.

Free cash flow generated from operations was £123.0 million in 2014, a decrease of £5.2 million from 2013 due to lower cash flows from operations owing mainly to the disposals in the year, partially offset by lower finance costs.

On a cashflow basis, which excludes the impact of joint ventures, such as the acquisition of LPP, the Group divested a net £160.8 million of investment properties during the year (2013: £348.8 million) as the portfolio reshaping has continued; receiving cash from disposals of £408.7 million (2013: £559.9 million) and spending £247.9 million (2013: £211.1 million) to purchase and develop investment properties.

In 2013 the cash flow from the sale of the SELP portfolio relates to the disposal of Continental European logistics assets into a joint venture in which the Group retains a 50 per cent interest. Additional consideration of £4.8 million was received in 2014 following the settlement of working capital balances.

The settlement of foreign exchange derivatives has led to an inflow of £59.2 million as the euro has weakened in the year compared to a £47.9 million outlay in the prior year when the euro strengthened. Net debt has increased in the year from £1,459.1 million to £1,679.2 million.

EPRA capital expenditure (capex)

New EPRA required disclosure concerning capex is set out in the table above. This includes development and acquisition spend, on an accruals basis, in respect of the Group's wholly owned investment and trading property portfolios as well as the equivalent amounts for joint ventures at share.

Total spend for 2014 is £867.3 million, an increase of £113.4 million on the comparative period (2013: £753.9 million). Acquisitions include £340 million (at 100 per cent) of the portfolio of assets purchased when the Group acquired the 50 per cent of LPP it did not already own. Joint venture acquisitions primarily relate to activity in SELP.

Development capex has increased by £46.7 million in 2014 to £157.3 million reflecting increased activity particularly in the Thames Valley and National Logistics, Greater London and Northern Europe business units. Development spend incorporates interest capitalised, including joint ventures at share, of £4.8 million (2013: £2.7 million).

Spend on completed properties during the year was £25.8 million, or around 3 per cent of total capex. Of this, around £10 million is related to on-going maintenance capex.

Financial KPIs

GROUP ONLY	31 DECEMBER 2014	31 DECEMBER 2013
Net borrowings (£m)	**1,679**	1,459
Available Group cash and undrawn facilities (£m)	**429**	982
Gearing (%)	**58**	62
Weighted average cost of debt[1] (%)	**4.4**	4.5
Interest cover[2]	**2.2**	2.2
INCLUDING JVs AT SHARE:		
Net borrowings (£m)	**2,040**	1,889
LTV ratio – including JVs at share[3] (%)	**40**	42
Weighted average cost of debt[1] (%)	**4.2**	4.2
Average duration of debt (years)	**6.9**	7.6

1. Based on gross debt, excluding commitment fees and amortised costs.
2. Net rental income/EPRA net finance costs (before capitalisation).
3. Includes €154.7 million of deferred consideration receivable.

Dividends

Under the UK REIT rules, we are required to pay out 90 per cent of UK-sourced, tax-exempt rental profits as a 'Property Income Distribution' (PID). Since we also receive income from our properties in Continental Europe, our total dividend should normally exceed this minimum level. In practice, we aim to distribute between 85 and 95 per cent of our EPRA earnings (i.e. earnings from both the UK and Continental Europe) as a combination of PID and ordinary dividend.

An important element of our strategy is to improve the income returns from our asset base, through a combination of increasing rental income and controlling costs, and the remuneration policy applied to all employees is based on the results of this objective. As a result, we aim to deliver a progressive and sustainable dividend which grows in line with our profitability in order to achieve our goal of being a leading income-focused REIT.

We will recommend at the AGM the payment of a final dividend of 10.2 pence per share which will be paid entirely as a PID. The total dividend for the year therefore will be 15.1 pence, an increase of 2 per cent from last year (14.8 pence), reflecting the impact of recent acquisition activity and the Board's confidence in the outlook for earnings in the medium-term. It represents a 88 per cent pay-out ratio compared to EPRA earnings per share of 17.2 pence.

The Board currently anticipates that future interim dividends will be set as close as possible to one third of the previous year's total dividend, in line with recent history. The Board will keep this policy under review in light of trading conditions and investment activity.

As set out on page 3, the Board has decided to recommend the re-introduction of a SCRIP dividend option for the 2014 final dividend, allowing shareholders to choose whether to receive cash dividends in new shares rather than cash.

While the payment of a dividend in shares has the benefit of retaining in the business funds which would otherwise have been set aside for cash dividend payments, it also results in new shares being issued. If these new shares are issued when the share price is below our EPRA net asset value per share, there will be a dilution from this discount to the existing shareholders who do not elect to receive SCRIP. In the event that new shares for SCRIP elections are issued at a material discount to the EPRA net asset value, the Board would expect to buy back and cancel an equivalent number of shares in the market, thereby retaining choice for shareholders but minimising any dilution associated with issuing shares.

Treasury policies and governance

The Group Treasury function operates within a formal treasury policy covering all aspects of treasury activity, including funding, counterparty exposure and management of interest rate, currency and liquidity risks. Group Treasury policies are reviewed by the Board at least once a year, most recently in September 2014.

Group Treasury reports on compliance with these policies on a quarterly basis to the Finance Committee, which includes the Chief Executive and is chaired by the Group Finance Director.

Financial position and funding

At 31 December 2014, the Group's net borrowings (including the Group's share of borrowings in joint ventures) were £2,040.4 million (2013: £1,888.5 million).

Excluding the Group's share of borrowings in joint ventures, net borrowings at 31 December 2014 were £1,679.2 million comprising gross borrowings (all of which were unsecured) of £1,703.0 million and cash and cash equivalent balances of £23.8 million.

The Group's share of the net borrowings in its joint ventures was £361.2 million comprising gross borrowings (all of which were secured on a non-recourse basis to SEGRO) of £391.0 million and cash and cash equivalent balances of £29.8 million.

A STRONG FINANCIAL POSITION CONTINUED…

Cash and cash equivalent balances, together with the Group's interest rate and foreign exchange derivatives portfolio, are spread amongst a strong group of banks, all of which currently have long term credit ratings of A- or better. Although it has similar economic characteristics to a cash equivalent, the deferred consideration of €154.7 million (£119.9 million) due from PSP Investments in connection with the SELP joint venture in October 2015, has been classified as a debtor. PSP Investments is rated AAA.

Funds availability (excluding cash and undrawn facilities held in joint ventures) at 31 December 2014 totalled £428.7 million, comprising £23.8 million of cash and short-term investments and £404.9 million of undrawn bank facilities provided by the Group's relationship banks, of which only £5.0 million were uncommitted.

At 31 December 2014 total debt maturities (bonds, notes and bank facilities) falling due within 12 months were £207.6 million and the weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 6.9 years. This relatively long average debt maturity translates into a favourable, well spread debt funding maturity profile which reduces future refinancing risk. This is illustrated in the chart on the following page.

During the year we agreed €460.0 million of new and amended committed Group debt facilities with an initial margin of 125 basis points, a reduction of 25 basis points compared to the principal facilities that were amended/replaced. As a result of these transactions the total amount of committed unsecured funding of the Group was reduced by a net €320.0 million but the average maturity of these facilities was increased (at the time of signing in April 2014) from 2 to 4 years.

The Group seeks to maintain, over the medium-term, an appropriate mix of debt funding between longer-dated core funding provided by bonds, and shorter-dated bank facilities providing funding headroom and more flexible borrowings that are cheaper and easier to repay than bonds. At 31 December 2014, 81 per cent of the gross borrowings of the Group (including debt funding arrangements within joint ventures) were bonds and 19 per cent were bank borrowings.

The market value of the gross borrowings of the Group (including debt funding arrangements within joint ventures) at 31 December 2014 was £376.5 million higher than the balance sheet carrying value. This differential mainly relates to the sterling bond portfolio and term debt in joint ventures which have fixed interest coupons above current market rates.

The market value (including accrued interest) of the Group's derivative financial instruments (mainly interest rate and currency swaps used to hedge interest rate and currency exposures) at 31 December 2014 was an asset of £102.6 million (2013: £78.0 million). The increase during the year was mainly due to lower medium term sterling interest rates during 2014.

These instruments are held at fair value on the Group's balance sheet within debtors and creditors.

The key financing metrics of the Group are shown in the table on page 59.

Gearing and financial covenants

The loan to value ratio of the Group at 31 December 2014 on a look-through basis (i.e. including the borrowings and property assets of the Group's share of joint ventures) was 40 per cent. On a wholly owned basis, the loan to value ratio of the Group was 43.9 per cent at 31 December 2014.

In both cases, the loan to value ratio treats the deferred consideration, referred to above, as a deduction from net borrowings, on the basis that it can be called by SEGRO giving three months notice. Maintaining our LTV ratio at around 40 per cent remains our target.

The gearing ratio of the Group at 31 December 2014, as defined within the principal debt funding arrangements of the Group (i.e. excluding debt funding arrangements within joint ventures), was 58.0 per cent (2013: 62.0 per cent). This is significantly lower than the Group's tightest financial gearing covenant within these debt facilities of 160 per cent. Property valuations would need to fall by around 39 per cent from their 31 December 2014 values to reach the gearing covenant threshold of 160 per cent.

The Group's other key financial covenant within its principal debt funding arrangements is interest cover, requiring that net interest before capitalisation be covered at least 1.25 times by net property rental income. At 31 December 2014, the Group comfortably met this ratio at 2.2 times. On a look-through basis, including joint ventures, this ratio was 2.5 times.

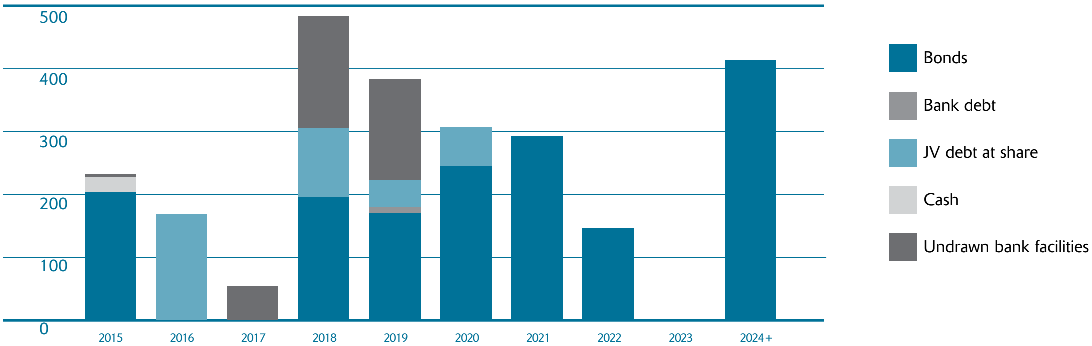
Interest rate risk exposure

The Group's interest rate risk policy is that between 50 and 100 per cent of net borrowings (including the Group's share of borrowings in joint ventures) should be at fixed or capped rates both at a Group level and by major borrowing currency (currently euro and sterling), including the impact of derivative financial instruments.

At 31 December 2014, including the impact of derivative instruments, 79.8 per cent (2013: 71.3 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were at fixed rates and the weighted average maturity of fixed cover was 7.4 years. By currency, 76.5 per cent of the euro denominated net borrowings and 85.1 per cent of the remaining net borrowings (predominantly sterling) were at fixed rates.

At 31 December 2014 the weighted average interest rate for gross borrowings (excluding gross borrowings within joint ventures) was 4.4 per cent (2013: 4.5 per cent) before commitment fees and amortised costs, and 4.7 per cent (2013: 4.9 per cent) after allowing for such items.

Debt maturity profile (£m) including gross borrowings of joint ventures at share



Including the impact, at share, of gross borrowings in joint ventures, the weighted average interest rate of the Group at 31 December 2014, before commitment fees and amortised costs, was 4.2 per cent (2013: 4.2 per cent).

As a result of fixed rate cover in place, if short-term interest rates had been 1 per cent higher throughout the year to 31 December 2014, the adjusted net finance cost of the Group would have increased by approximately £5 million, representing around 4 per cent of EPRA profit after tax.

The Group elected not to hedge account its interest rate derivatives portfolio. Therefore, movements in its fair value are taken to the income statement but, in accordance with EPRA Best Practices Recommendations, these gains and losses are eliminated from EPRA profit after tax.

Foreign currency translation exposure

The Group has negligible transactional foreign currency exposure, but does have a potentially significant currency translation exposure arising on the conversion of its substantial foreign currency denominated net assets (mainly euro) and euro denominated earnings into sterling in the Group consolidated accounts. As at 31 December 2014, the Group had gross foreign currency assets which were 90 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments). Translation hedging has been maintained towards the upper end of the 50 to 100 per cent policy range in order to substantially reduce the impact of movements in the sterling/euro exchange rate on NAV and EPRA profit after tax of the Group.

Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, a 5 per cent weakening against sterling in the value of the other currencies in which the Group operates at 31 December 2014 would have decreased net assets by approximately £6 million and there would have been a reduction in gearing of approximately 2 per cent.

A 5 per cent weakening against sterling in the value of the other currencies in which the Group operates at 31 December 2014, including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, would have reduced the loan to value ratio on a look-through basis by 0.6 per cent.

The average exchange rate used to translate euro denominated earnings generated during 2014 into sterling within the consolidated income statement of the Group was €1.24:£1. Based on the hedging position at 31 December 2014, and assuming that this position had applied throughout 2014, if the euro had been 5 per cent weaker than it was against sterling throughout the year (€1.30: £1), EPRA profit after tax for the year would have been approximately £1.5 million (1.2 per cent) lower than reported.

Going concern

As noted in the Financial Position and Funding section, the Group has a very strong liquidity position, a favourable debt maturity profile and substantial headroom against financial covenants. It can reasonably expect to be able to continue to have good access to capital markets and other sources of funding.

Having made enquiries and having considered the principal risks facing the Group, including liquidity and solvency risks, and material uncertainties, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future (a period of at least 12 months from the date of approval of the financial statements). Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

JUSTIN READ
Group Finance Director

GOVERNANCE

IN THIS SECTION

Governance

BOARD OF DIRECTORS

1. NIGEL RICH CBE

CHAIRMAN
JOINED: 1 OCTOBER 2006

Skills and Experience
Nigel brings considerable experience of working at Board level as a Chairman, an Executive and Non-Executive Director. Nigel has had senior management roles in finance and general management in companies with property assets in various sectors including commercial, industrial and residential, in Hong Kong and the UK. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Current Appointments
Nigel was appointed Chairman in October 2006, having joined as a Non-Executive Director earlier that year. He is a Non-Executive Director of Matheson & Co Ltd, Pacific Assets Trust plc and British Empire Securities and General Trust plc. He is a member of The Takeover Panel.

Previous Appointments
Group Chief Executive of Trafalgar House plc Group, Managing Director of Jardine Matheson Holdings and Managing Director of HongKong Land. He was previously Chairman of Xchanging plc, Exel plc, CP Ships and the residential agents Hamptons.

He is the Chairman of the Nomination Committee.

Aged 69

2. DAVID SLEATH

CHIEF EXECUTIVE OFFICER
JOINED: 1 JANUARY 2006

Skills and Experience
David has considerable knowledge of the Company and the real estate sector and has broad experience of financial and general management and of the professional services industry. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Current Appointments
David was appointed Chief Executive in April 2011, having served as Finance Director since 2006. He is a Non-Executive Director and Audit Committee Chairman of Bunzl plc, a Board member of the European Public Real Estate Association, and Vice President and Board member of the British Property Federation.

Previous Appointments
He has previously held a number of senior finance roles, including Finance Director of Wagon plc and partner at Arthur Andersen, where he worked for 17 years.

He is a member of the Nomination Committee.

Aged 53

3. JUSTIN READ

GROUP FINANCE DIRECTOR
JOINED: 30 AUGUST 2011

Skills and Experience
Justin's previous roles have given him financial and management experience working across a number of different industry sectors, including support services, building materials, theme parks and banking; and across a number of jurisdictions.

Current Appointments
Justin joined the Company as Group Finance Director in August 2011.

Previous Appointments
Between 2008 and 2011 he was Group Finance Director at Speedy Hire plc. Prior to this, Justin spent 13 years in a variety of roles at Hanson plc, including Deputy Finance Director, Managing Director of Hanson Continental Europe, Head of Corporate Development, Head of Risk Management and Group Treasurer. Justin has also held positions at Euro Disney S.C.A. and Bankers Trust Company.

Aged 53

7. CHRISTOPHER FISHER

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 OCTOBER 2012

Skills and Experience
Christopher has spent his career in corporate finance and has over 10 years of plc Board experience.

Current Appointments
Christopher joined the Board as a Non-Executive Director in October 2012. He is Chairman of Bank of Ireland (UK) plc, a senior adviser at Penfida Partners, a firm providing corporate finance advice to pension fund trustees, and President of the Council of the University of Reading.

Previous Appointments
Christopher spent most of his career at Lazard, latterly as a Managing Director. He has also been Vice Chairman, Corporate Finance at KPMG LLP. He has served as Non-Executive Director at Yates Group, Kelda Group and Southern Cross Healthcare and, in the last case, as its Chairman in 2011. He has also served as a trustee of the Imperial War Museum and currently chairs its Development Trust.

He is a member of the Audit, Nomination and Remuneration Committees.

Aged 61

8. BARONESS FORD

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 JANUARY 2013

Skills and Experience
Baroness Ford has considerable experience of the real estate market and the support services sector and over 20 years' experience at Board level at private and listed companies. She is an Honorary Member of the Royal Institution of Chartered Surveyors.

Current Appointments
Baroness Ford joined the Board in January 2013 and is currently Non-Executive Chairman of Barchester Healthcare Limited, Grove Limited and STV Group plc. She is a Non-Executive Director and Chairman of the Remuneration Committee for Grainger plc, a Director of Crown Lodge Management Company Ltd and a Non-Executive Director of Taylor Wimpey plc.

Previous Appointments
Previously, Baroness Ford was Non-Executive Chairman of May Gurney Integrated Services plc and Senior Independent Non-Executive Director and Chairman of the Remuneration Committee at Serco Group plc. She was also Chairman of the Olympic Park Legacy Company.

She is the Senior Independent Non-Executive Director, Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Aged 57

4. ANDY GULLIFORD

CHIEF OPERATING OFFICER
JOINED: 1 MAY 2013

Skills and Experience
Andy has close to 30 years' experience in real estate and brings extensive knowledge of the Company and the real estate sector in both the UK and Continental Europe. He is a member of the Royal Institution of Chartered Surveyors (MRICS).

Current Appointments
Andy was appointed Chief Operating Officer at SEGRO in November 2011, having joined SEGRO in 2004. He was appointed Executive Director in May 2013.

Previous Appointments
Andy was previously SEGRO's Managing Director for Continental Europe. Prior to this, he was the Director of Corporate Acquisitions and Business Development Director. Before joining SEGRO, Andy spent 19 years at Jones Lang LaSalle, latterly as European Director for the company's industrial and logistics business.

Aged 52

5. MARTIN MOORE

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 JULY 2014

Skills and Experience
Martin has 40 years' experience in the real estate and property sector and he brings extensive industry knowledge and breadth of experience, having spent his career at Prudential plc.

Current Appointments
Martin was appointed as Non-Executive Director in July 2014. He is currently Non-Executive Director of the M&G Asia Property Fund, F&C Commercial Property Trust and Secure Income Reit plc. He is a senior adviser at Kohlberg Kravis Roberts & Co. LLP and a Commissioner of English Heritage.

Previous Appointments
Martin was Chief Executive at M&G Real Estate from 1996 and Chairman from 2012 until his retirement in 2013. He has been an Adviser and Commissioner of The Crown Estate, a Board member and President of the British Property Federation, and a Board member and Chairman of the Investment Property Forum.

He is a member of the Audit and Remuneration Committees.

Aged 58

6. DOUG WEBB

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 MAY 2010

Skills and Experience
Doug comes from a corporate financial management background and has eight years' Board level experience as a Chief Financial Officer of listed companies. He brings recent and relevant financial experience to the Board.

Current Appointments
Doug was appointed as a Non-Executive Director in May 2010. He is currently the Chief Financial Officer of Meggitt plc, a member of the Hundred Group of Finance Directors and a Fellow of the Institute of Chartered Accountants in England and Wales.

Previous Appointments
Between 2008 and 2012 he was Chief Financial Officer of London Stock Exchange Group plc. He was previously Chief Financial Officer of QinetiQ Group plc and Financial Director Continental Europe and Chief Financial Officer North America at Logica plc. Prior to these appointments he spent 12 years at Price Waterhouse.

He is Chairman of the Audit Committee.

Aged 53

9. PHIL REDDING

CHIEF INVESTMENT OFFICER
JOINED: 1 MAY 2013

Skills and Experience
Phil has over 20 years' experience in real estate. He has held a variety of appointments within SEGRO and has been instrumental in a number of key transactions for the Group. He is a member of the Royal Institution of Chartered Surveyors (MRICS).

Current Appointments
Phil was appointed Chief Investment Officer of SEGRO in November 2011, having joined SEGRO in 1995. He joined the Board as an Executive Director in May 2013.

Previous Appointments
Phil started his career in 1990 in the Industrial Agency and Development team of King Sturge, where he held a variety of positions. Prior to becoming an Executive Director at SEGRO, he was Business Unit Director for London Markets.

Aged 46

10. MARK ROBERTSHAW

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 JUNE 2010

Skills and Experience
Mark has extensive experience of working across the finance and consultancy sectors. His perspective as the Chief Executive Officer of a large multi-national industrial business brings additional insight to SEGRO as an industrial landlord.

Current Appointments
Mark was appointed as a Non-Executive Director in June 2010. He is currently Group Chief Executive of Innovia Group.

Previous Appointments
He was previously Chief Executive Officer of Morgan Advanced Materials plc, a post he held for eight years having previously been Chief Operating Officer and Chief Financial Officer. Prior to this he was Chief Financial Officer of Gartmore Investment Management plc, and spent nine years with Marakon Associates, a leading management consultancy headquartered in the US.

He is a member of the Nomination and Remuneration Committees.

Aged 46

ELIZABETH BLEASE

GENERAL COUNSEL AND GROUP COMPANY SECRETARY

GOVERNANCE REPORT

CHAIRMAN'S INTRODUCTION

GOOD GOVERNANCE IS ESSENTIAL TO SUPPORT THE DELIVERY OF OUR STRATEGIC PRIORITIES

The Board, as custodian of the business, seeks to secure the long-term future of the Company. We are responsible to our shareholders, customers and other stakeholders for the performance of the Company and for promoting its long-term success. The Board continues to support the strategy agreed with our Chief Executive, David Sleath, and his executive team to improve shareholder returns through disciplined capital allocation and operational excellence.

In this Report we explain how corporate governance works at SEGRO, how it is central to all aspects of our business and is designed to create an environment where matters can be considered and decisions made at the appropriate level in the organisation.

Throughout 2014, the Company complied with the UK Corporate Governance Code ('the Code') and this Report sets out how we applied its principles to the running of the business. The Board has considered the Financial Reporting Council's (FRC) recent revisions to the Code. Although these revisions do not yet apply to us, we are mindful of the FRC's encouragement to consider early adoption. We have set out on page 80 our compliance with the new provisions relating to risk and Baroness Ford, in her introductory letter to the Remuneration Report, talks about the new requirement for clawback or malus clauses. In the Finance Report, the going concern statement confirms that the Board has considered material uncertainties to the Company's ability to continue to operate for at least the next 12 months. During the coming year, the Board will consider how best to address the new requirement to assess the prospects of the Company over a longer time period.

Board composition is critical in ensuring effective and value-adding corporate governance. During 2014, the Nomination Committee led a search process to recruit an independent Non-Executive Director. We were delighted that Martin Moore joined us in July. Further details about this appointment process are set out on page 76.

The Board has continued to follow the debate around the Davies Report on Women on Boards and agrees with the conclusion that greater effort should be made to improve the gender balance of corporate boards but it considers that the quotas are not the preferred option by which to do so. Further details about our diversity policy are set out on page 77.

In 2014, we engaged Lintstock Ltd to undertake our external evaluation of the Board and its Committees. As in previous years, this process is a valuable tool in providing some independent testing of the Board's effectiveness and an opportunity for all the Directors to reflect on how the Board operates. Further information about the process and the conclusions are set out on page 70.

Following the recent amendment to the Disclosure and Transparency Rules there is no longer a requirement to issue Interim Management Statements. The Board believes that shareholders find these updates helpful and accordingly it is our current intention to continue issuing trading updates shortly after the end of the first and third quarter periods.

NIGEL RICH CBE
Chairman

LEADERSHIP

Responsibilities of the Board

The Board is responsible for creating and delivering sustainable shareholder value. The Directors act in a way they consider will promote the long-term success of the Company for the benefit of shareholders, with regard to the interests of the Group's employees, and the impact of the business on the community, the environment and the interests of other stakeholders.

Board membership

Details of the Directors, including the skills and experience they each bring to the Board, are on pages 64 and 65. The Board comprises a Non-Executive Chairman, four Executive Directors and five independent Non-Executive Directors, all of whom are equally responsible for the proper stewardship and leadership of the Group.

During the year, Thom Wernink, independent Non-Executive Director, retired and was succeeded by Martin Moore. Taking into account the provisions of the Code, each of the Non-Executive Directors is considered independent in character and judgement. The Chairman was considered independent on appointment and the Board still considers him to be so. Further information is provided in the Nomination Committee Report on pages 76 and 77.

Roles and responsibilities of the Directors

The Board is collectively responsible for the success of the Group. The table below explains the responsibility of each of the Board members. The division of responsibilities of the Chairman, Chief Executive and Senior Independent Director are set out in writing and approved by the Board.

ROLE	RESPONSIBILITIES
Chairman	Leads the Board and ensures its effectiveness. Sets the agenda, style and tone of Board discussions to promote constructive debate and effective decision making. Ensures that the corporate governance of the Group is maintained in line with current best practice. Takes the necessary steps to ensure that all Directors receive the accurate, clear and timely information which they require to enable them to make sound decisions, to monitor the business effectively and to fulfil their duty to promote the success of the Company. Ensures effective communication with shareholders and stakeholders and makes sure that the members of the Board develop an understanding of the views of major investors.
Chief Executive Officer	Manages the business of the Group. Recommends the Group's strategy to the Board and is responsible for the implementation of that strategy.
Executive Directors	Manage the business operations within each Director's area of responsibility in accordance with the Group's strategy.
Non-Executive Directors	Bring independent judgement and scrutiny to the decisions taken by the Board. Monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board.
Senior Independent Director	Acts as a sounding board to the Chairman and serves as an intermediary for other Directors when necessary. Available to shareholders should the occasion arise where there is a need to convey concerns to the Board other than through the Chairman or the Chief Executive.
Company Secretary	Responsible for advising the Board through the Chairman on all governance matters. Ensures timely and appropriate information flows within the Board, the Board Committees and between the Directors and senior management. Ensures compliance with all relevant statutory and regulatory requirements. Gives guidance and advice within the Company on matters of business ethics and good governance. Is available to give detailed practical support and guidance to Directors both individually and collectively.

GOVERNANCE REPORT CONTINUED…

Attendance

All Directors are expected to attend Board and Committee meetings of which they are a member. During 2014, there were seven scheduled Board meetings.

Attendance at Board and Board Committee meetings during 2014 is set out in the table below. From time to time, Directors cannot attend a meeting because of prior business commitments or for personal reasons. In such instances they are still provided with the papers in advance of the meeting and are given an opportunity to discuss them with the Chairman.

TABLE OF ATTENDANCE

		BOARD	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
	NIGEL RICH	7 of 7	N/A	3 of 3	N/A
	CHRISTOPHER FISHER	7 of 7	4 of 4	3 of 3	5 of 5
	MARGARET FORD	7 of 7	4 of 4	3 of 3	5 of 5
	ANDY GULLIFORD	7 of 7	N/A	N/A	N/A
	MARTIN MOORE [1]	3 of 3	1 of 2	N/A	1 of 3
	JUSTIN READ	7 of 7	N/A	N/A	N/A
	PHIL REDDING	7 of 7	N/A	N/A	N/A
	MARK ROBERTSHAW	7 of 7	N/A	3 of 3	5 of 5
	DAVID SLEATH	7 of 7	N/A	3 of 3	N/A
	DOUG WEBB	7 of 7	4 of 4	N/A	N/A
	THOM WERNINK [2]	3 of 3	1 of 1	N/A	N/A

1 Appointed to the Board 1 July 2014.
2 Retired from the Board 30 April 2014.

Nigel Rich and David Sleath attend some of the Audit and Remuneration Committee meetings by invitation. Justin Read attends the Audit Committee meetings by invitation.

THE WORK OF THE BOARD

Role of the Board

The principal role of the Board is to ensure that the Group's strategy creates and sustains long-term value for its investors. Details of how the Company generates and preserves value are set out in the Strategic Report on pages 1 to 61. The Board retains responsibility for the approval of certain matters which include: Group strategy; the annual budget; the dividend policy; major investments and disposals; and financial structure. There is an approved Schedule of Matters Reserved for Decision by the Board, which was updated during the year.

The day-to-day running of the Group is delegated by the Board to the Chief Executive who is supported by the Executive Committee.

Key activities of the Board during 2014

During the year, in addition to its routine business, matters considered by the Board included:

Regular business:

- annual strategy review (see Strategic Report) (see case study on page 74);
- noting of the Medium-Term Financial Plan and setting of medium-term objectives;
- a review of medium-term funding strategy (see Financial Review);
- review of independent valuation reports (see Strategic Report);
- rolling reviews of the performance of investments and developments over the previous three years;
- consideration of the outlook for the property market, both occupier and investment, and the economic climate (see Strategic Report);
- review of risks identified and resulting action plans, consideration of risk as it relates to strategy and risk appetite (see Principal Risks);
- a review of the Schedule of Matters Reserved for Decision by the Board;
- consideration of the Group's approach to community engagement and charitable giving (see CSR report);
- a review of the results of the Group-wide customer employee satisfaction surveys (see CSR report);
- a review of the Group's sustainability strategy and progress with targets (see CSR report);
- consideration of the health and safety strategy and significant matters that have arisen during the year (see CSR report);
- the appointment of a Non-Executive Director (see Nomination Committee Report);
- approval of dividend policy;
- an annual review of Treasury Policies (see Financial Review); and
- an update on corporate regulatory changes and reporting requirements.

Matters specific to 2014:

- approval of data centre strategy (see Strategic Report);
- approval of land strategy (see Strategic Report);
- approval of a €472 million investment for SELP (see Strategic Report);
- acquisition of 50 per cent interest in the Logistics Property Partnership joint venture (see Strategic Report).
- approval of a number of non-core disposals, including the sale to Ares Management LP of Pegasus Park in Belgium for €83.4 million; a number of industrial properties in Germany to Hansteen Holdings PLC; and two UK portfolios (see Strategic Report);
- approval of new and amended bank facilities totalling €460 million (see Finance Report);
- review and agree the approach for Germany, Belgium and the Netherlands following the appointment of a new Business Unit Director; and
- review and approval of the plans for the growth of the light industrial and urban distribution portfolio in Continental Europe.

GOVERNANCE REPORT CONTINUED…

Committee structure

The Board has delegated a number of its responsibilities to the Audit, Nomination and Remuneration Committees, details of which are set out below. The Terms of Reference of these Committees can be found at www.segro.com. The Company ensures that these Committees are provided with sufficient resources to undertake their duties.

Responsibility for all operational matters, including the implementation of Group strategy, is delegated to the Chief Executive. The Executive Committee supports the Chief Executive in the delivery of strategy, establishing financial and operating targets and monitoring performance against those targets. At each meeting the Committee reviews financial and operational performance, considers any health and safety incidents, carries out a pre-approval review of items requiring Board approval and acts as a primary approval channel for matters below Board-approval level. The Executive Committee has its own Terms of Reference and meets monthly.

The Executive Committee delegates some of its responsibilities to a further four Committees:

- the Investment Committee;
- the Operations Committee;
- the Risk Management Committee; and
- the Finance Committee.

These Committees have their own Terms of Reference and membership includes at least one member of the Executive Committee. For further details see page opposite.

Re-election of Directors

In accordance with the Code, each of the Directors will submit themselves for election or re-election at the 2015 AGM. The Nomination Committee Report on pages 76 and 77 provides more information about the Directors' appraisal process, while their skills and expertise are set out in the Directors' biographies on pages 64 and 65.

Risk

The Board recognises that effective risk management is central to the achievement of the Group's strategic objectives and the long-term sustainable growth of the business. The Board has overall accountability for ensuring that risk is effectively managed across the Group, and the Audit Committee reviews the effectiveness of the risk management process on behalf of the Board. Further details about the risk management process and the Group's Principal Risks are set out on pages 40 to 43.

As mentioned in the Chairman's introduction, in 2015 the Company will be required to comply with the recently updated Code. The Board has considered the new provisions in respect of risk management and concluded that it already complies with the new provisions, including the requirement to carry out a robust assessment of the principal risks facing the Company and its systems of risk management and internal control. Details of those risks and how they are being managed or mitigated are set out in the Principal Risks section on pages 40 to 43. During 2015, the Company will comply with the new provision to monitor the risk management and internal control systems and to review their effectiveness by conducting an internal audit of the risk management process.

BOARD AND COMMITTEE STRUCTURE

BOARD

Nigel Rich (Chairman)
Four Executive Directors
Five Independent Non-Executive Directors

BOARD COMMITTEE OVERSIGHT

AUDIT COMMITTEE

Monitors the integrity of the Group's financial statements, reviews the relationship with the auditor and the role and effectiveness of the internal audit function.

Oversees the risk management process and control environment.

NOMINATION COMMITTEE

Ensures that the Board and the senior management team have the appropriate skills, knowledge and experience to operate effectively and to deliver the strategy.

REMUNERATION COMMITTEE

Determines the reward strategy for the Executive Directors to align their interests with those of shareholders.

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

Purpose: To assist the Chief Executive with the development and implementation of Group strategy, the management of the business and the discharge of responsibilities delegated by the Board.

INVESTMENT COMMITTEE

Purpose: To manage the allocation of capital across the Group and to oversee all major investment and divestment decisions on behalf of the Executive Committee.

OPERATIONS COMMITTEE

Purpose: To assist the Chief Operating Officer to manage the operations of the Group and to discharge the responsibilities delegated to him by the Executive Committee.

RISK COMMITTEE

Purpose: To establish, monitor and report to the Board and Audit Committee on the Group's approach to risk management.

FINANCE COMMITTEE

Purpose: To monitor compliance with the Group's Treasury Policies and the Group's solvency, funding and hedging positions.

GOVERNANCE REPORT CONTINUED…

Evaluation

The Board has a policy of undertaking externally facilitated evaluations every three years and internal reviews in the intervening two years. External evaluations took place in 2008, 2011 and 2014. The Board appointed Lintstock to facilitate the latest external review. Detailed questionnaires were prepared with input from the Chairman and the Company Secretary, on the performance of the Board, each of the Board Committees and the Non-Executive Directors. A further questionnaire was also completed about the annual strategy day. The questions covered a range of matters including the composition, expertise, dynamic of the Board, time management, support, risk management and internal control. There were also questions about succession planning, human resource management and priorities for change.

The performance of the Board was highly rated and there was consensus that it was operating effectively, with an appropriate blend of skills and experience.

The Board, and each of its Committees, considered the feedback and agreed actions plans for the forthcoming year. For the Board, the plan included:

- succession planning;
- ensuring that the Board remains alive to the cyclical risks of the property market; and
- early dialogue with the Directors ahead of the strategy day to make sure that maximum value is derived from the day.

Set out below are some quotes from Lintstock's report.

'a few respondents felt the Board would benefit from enhanced diversity'

'the quality of the relationships between the Board and senior management was also very highly rated, with a good, open tone from management said to help the Board dynamic'

'it was suggested that the Board benefited from an atmosphere that promoted open and challenging discussion'

'site visits were seen to add real 'colour' to the business'

'the Board's management and oversight of risk was positively rated overall, with it being suggested that risk management appeared well covered at the Board and Audit Committee'

'the Board's visibility of potential successors for key positions from within the business was positively rated overall'

ACCOUNTABILITY

Conflicts

Directors are required to submit any potential or actual conflicts of interest they may have with the Company to the Board for approval.

Induction and training

Newly appointed Directors participate in a structured and tailored induction programme and on appointment receive a comprehensive pack of information on the Group and its governance structure.

When Martin Moore joined the Board in July an induction programme was prepared for him with the intention of giving him a rounded view of the Group's activities and governance. The programme, which was spread over five months, gave him an opportunity to spend time with the Chairman and Directors along with the Company Secretary and Group HR Director to understand the running of the Board and its Committees. He had meetings with the Business Unit Directors and visited sites in the UK and Continental Europe to gain an understanding of the business. He also met with the Group's principal external advisers.

Ongoing training is provided to all Directors either during Board or Committee meetings or through one-to-one meetings with senior managers.

Most Board meetings take place in London but during the year meetings were also held at the Slough Trading Estate and in Düsseldorf. The Board met with management teams in these locations and had tours of the Group's property portfolios in these areas. See the case study on page 75 for more information about how the Directors keep up to date.

During the year, the Chairman met with the Non-Executive Directors to discuss their respective contribution and training needs, business matters and succession planning. The Chairman, the Chief Executive and the Company Secretary are always available for the Directors to discuss any issues concerning Board meetings or other matters.

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

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for legal action brought against its Directors.

ENGAGEMENT WITH SHAREHOLDERS

The Chief Executive and the Group Finance Director are the Company's principal spokesmen with investors, fund managers, analysts, the press and other interested stakeholders. The Board is committed to providing investors with regular announcements of significant events affecting the Group, including its business strategy and financial performance.

The Company organises a dedicated investor relations programme with institutional investors, which includes formal events during the year along with a regular series of one-to-one and group meetings. These events also provide an opportunity for shareholders to meet members of the senior management team. See the table below.

The Chairman and Senior Independent Director are available to shareholders to discuss governance and strategy or any concerns they may have which contact through the usual channels has failed to resolve or is otherwise inappropriate. In April 2014, the Chairman contacted 14 major shareholders and offered a meeting with himself and the Senior Independent Director. One shareholder accepted this offer. All Directors are available for meetings with shareholders if requested.

The Chairman regularly attends the financial results presentations. The Board is kept informed about any discussions with shareholders, and the Directors are regularly provided with analysts' reports and investor feedback.

The Company's website, www.segro.com, provides shareholders with comprehensive information on the Group's recent business activities and financial developments, including webcasts, press releases and recordings of interviews with the Chief Executive.

The one-to-one and group meetings provide additional context around the Group's business strategy and financial performance. During 2014, 179 meetings took place with 387 existing and potential institutional investors. Of these meetings, the Chief Executive attended 149 meetings, and the Group Finance Director 119 meetings. Additionally, around 90 finance professionals join the conference calls which are arranged following the quarterly financial announcements.

2014	ACTIVITIES
February	2013 full-year results presentation
March	Roadshows in London, Edinburgh, Amsterdam, Paris and Frankfurt
	Conferences in Miami, New York and London
April	IMS – trading update for Q1 2014 Annual General Meeting
May	Investor and Analyst Event focused on the Slough Trading Estate
June	Conferences in Amsterdam and London
July	2014 half-year results
	Roadshow in London
August	Roadshow in London
September	Roadshows in Edinburgh, Amsterdam and London as well as cities across the US and Canada
	Conferences in New York and London
October	IMS – trading update for Q3 2014
	Roadshow in Paris
November	Roadshows across Asia
December	Conference in London

Constructive use of the AGM

The AGM is an opportunity for the Directors to communicate with, and answer questions from, shareholders. All Directors are available to meet informally with shareholders before and after the meeting. Prior to the formal business of the meeting, the Chief Executive makes a presentation on the progress and performance of the Group.

The Notice of AGM is dispatched to shareholders at least 20 working days before the meeting. The Company proposes separate resolutions on each substantially separate issue, with voting conducted by poll. The Board believes this voting process is more democratic than a show of hands since all shares voted at the meeting, as well as proxy votes lodged before the meeting, are counted. For each resolution, shareholders will have the option to vote either for or against a resolution, or to withhold their vote. Following the meeting, the results of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Company's website.

STRATEGY

CASE STUDY

Ensuring that the Company's strategy delivers sustainable long-term value for our investors is a key priority for the Board. We spend a good deal of time throughout the year discussing strategy and the property market cycle to ensure that Board members are well equipped to make decisions on the key issues which we face.

Strategy day

Each year, the Board takes time out of its usual schedule to stand back from its regular business and consider broader strategic issues.

At the 2014 strategy day, the Board received presentations from Capital Economics on the macro-economic environment and from CBRE on the outlook for the property investment market. This helped the Board to get a clearer view of the occupational and investment property market outlooks, which are vital as they affect the amount of risk which we are prepared to accept over the medium term. LCP, specialist consultants in supply chain management, also attended for part of the meeting to share with the Board some of the work they have been doing with the Company around the changes taking place in the retail sector supply chain. The presentation focused on e-commerce and convenience retail, which are two of the biggest occupational influences on our business at the moment, and considered some other wider consumer trends.

After discussing the external influences on the business, the rest of the strategy day was spent considering outputs from the individual asset planning process; portfolio investment strategy; the five-year Group Medium Term Financial Plan; and scenario planning, including a detailed look at the financial assumptions of our strategic plan and the key risks associated with it. The Directors had an opportunity to discuss the presentations and the potential impact of the issues raised on our strategic choices.

Throughout the year

Reviewing and setting strategy is not just an annual event. During the year, the Board spent time discussing a number of strategic issues and approving evolutionary refinements to our strategy, including:

- a review of land holdings across the Group and approved a plan for acquiring further land in selected locations;
- agreed our strategy for future investments in data centres;
- a review of our light industrial/urban distribution portfolio in Continental Europe and plans for growth; and
- agreed plans for expanding our German big box logistics and light industrial business.

HOW THE DIRECTORS KEEP UP TO DATE

CASE STUDY

In order to ensure good quality decision making it is vital that all of the Directors are kept up to date, not only about the business, but also about shareholder views, changing governance requirements and the macro-economic environment in which we operate.

External presentations

During 2014, presentations were received from CBRE, LCP and Capital Economics, as well as from UBS and Bank of America Merrill Lynch. Presentations are also given to the Board every six months by the Group's valuers, CBRE and JLL, which include a forward-looking view of the wider investment and occupational markets in which we operate.

Internal presentations

Twice a year, Board meetings are held at regional offices and include a tour of local assets. In 2014, the Board visited assets in Düsseldorf and Slough.

During the year, the Board was given presentations by SEGRO specialists on:

- UK aviation strategy and the results of Sir Howard Davies' Airports Commission interim review;
- the evolving data centre market;
- emerging retail trends and their impact on occupational and investment demand for light industrial and logistics warehouses;
- the property market cycle;
- customer feedback;
- legal, governance and regulatory matters; and
- analysis of the performance and strategy against our peers.

Outside Board meetings

On appointment as a Non-Executive Director, Martin Moore was given a tailored induction programme, as set out on page 72.

Individual Non-Executive Directors made site visits to facilities in Slough and Paris. Non-Executive Directors are encouraged to spend time with senior managers within the business, such as with the Head of Tax and the Group HR Director.

To enhance his understanding of the day-to-day issues facing the Group, the Chairman has regular lunches at different office locations with employees varying in seniority, from a cross-section of the business. The Chairman visited various sites during the year, including Düsseldorf, Paris and Slough. He also attended the 2014 Employee Conference.

Analysts' reports and sector updates are circulated weekly and Directors receive regular summaries of press cuttings. Between meetings, the Chief Executive and the Chairman regularly communicate with the Directors to update them on recent developments.

Individually, Directors are encouraged to attend seminars and conferences associated with their areas of expertise or responsibility.

NOMINATION COMMITTEE REPORT

The Nomination Committee's key role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver our strategy.

Committee Chairman's Introduction

The Nomination Committee is responsible for: reviewing the structure, size and composition of the Board; making recommendations about new appointments to the Board; and ensuring that any such appointment process is formal, rigorous and transparent.

I chair the Committee and the other members are Margaret Ford, Christopher Fisher, Mark Robertshaw and David Sleath. During 2014, the main focus of the Committee was the appointment of an independent Non-Executive Director, Martin Moore.

NIGEL RICH CBE
Chairman of the Nomination Committee

Activities

The Committee considered and made recommendations to the Board in respect of:

- the appointment of Martin Moore as an independent Non-Executive Director;
- the size, structure and composition of the Board;
- the Company's diversity policy;
- the proposal for the reappointment of Directors at the 2015 AGM; and
- the results of the external Committee evaluation.

Appointment of Directors

In Autumn 2013, the Committee considered the process to appoint a successor to Thom Wernink who would be retiring as a Non-Executive Director at the 2014 AGM, having served approximately nine years on the Board. At that time, the Committee considered the size of the Board, including the balance of Executive and Non-Executive Directors, and concluded that there were sufficient independent Non-Executive Directors to ensure there was appropriate challenge at meetings. The Committee also reviewed the skills and experience of the Non-Executive Directors and assessed the specific skills, attributes and experience that would be required of the successor (see chart opposite). The Committee concluded that the candidate must have real estate experience, which could be from another, non-competing, listed property company, a property fund manager or from managing a property portfolio for a large non-property business. Individuals from a property agency background would also be considered and it would be a benefit for the candidate to have international property experience.

When the role profile was prepared, the Committee considered the benefits that increased gender diversity can bring. Specifically, it noted that as the current Non-Executive Directors had held a variety of plc Board-level positions, it would consider candidates who had limited experience of working with listed companies providing they had the appropriate knowledge and skills. This was expected to widen the pool of female candidates who might be suitable for the role.

Early in 2014, the Committee undertook a review of executive search firms and appointed Zygos Partnership to conduct the search. The remit to Zygos Partnership was to review candidates from a wide range of backgrounds to ensure the best candidates, with the most appropriate skills, were selected. Zygos Partnership do not have any other connection with the Company. Nomination Committee members interviewed all of the candidates on the shortlist, over 40 per cent of whom were women. It was agreed that Martin Moore was the candidate who best met the skills and experience identified in the role profile and a recommendation was made to the Board to appoint him.

Skills and experience of the Non-Executive Directors

EXPERIENCE	NIGEL RICH	MARGARET FORD	CHRISTOPHER FISHER	MARTIN MOORE	MARK ROBERTSHAW	DOUG WEBB
Real Estate	√	√		√		
Investment Banking / Broking / Financial Management	√		√		√	√
General Management	√	√			√	√
International Markets	√			√	√	√
UK Public Company Line Management	√				√	√

Diversity

The Committee regularly reviews the Company's policy on diversity. The Board recognises the benefits of diversity in its broadest sense and the value this brings to the organisation in terms of skills, knowledge and experiences. There is no intention to increase the size of the Board solely to enable further women to be appointed. When vacancies do arise the remit to the search consultants will be, as with the appointment of Martin Moore, to select candidates from a wide range of backgrounds to satisfy the Board's fundamental obligation to ensure that the most suitable candidates are appointed to promote the success of the Company as well as to comply with equal opportunities regulations.

The pace at which we improve diversity on the Board and in senior management positions will depend, to some extent, on the availability of suitable vacancies as well as suitable candidates.

SEGRO has a good record of promoting and appointing women to senior roles, with women holding four out of the 18 positions on its Leadership Team. The Company offers flexible training and mentoring programmes to ensure that all employees achieve their potential, taking account of their individual development needs. SEGRO continues to be an equal opportunities employer and will maintain its merit-based approach to recruitment. The Chairman participates in the FTSE 100 Cross-Company Mentoring Programme.

Details of the gender diversity of the Board and across the Company are set out on page 53 and the Company's diversity policy is available on the website.

Appraisal process and reappointment of Directors and succession planning

The Senior Independent Director leads an annual performance review of the Chairman, while the Chairman leads the appraisal of the Chief Executive. The performance of the other Executive Directors is appraised by the Chief Executive, with feedback from the other Directors where appropriate. As explained in the Governance Report, the Board undertook an external evaluation of the performance of the Board and its Committees, which included a review of the Non-Executive Directors.

Following these appraisal processes, the Committee concluded that each of the Directors will be proposed for election or re-election at the 2015 AGM and that each of them continues to make an effective contribution to the Board.

Details of the Non-Executive Directors' letters of appointment and their fees are set out in the Remuneration Report and the Remuneration Policy.

Annually, the Leadership Team assesses talent at all levels across the Group, to ensure that there are effective Group and individual development plans in place. The Executive Committee also considers succession planning, so that for every senior role, plans are in place for temporary, emergency cover and for longer-term promotions. The Group HR Director annually presents to the Board on talent management and succession planning for the Executive Directors and senior executives below Board level.

Governance

AUDIT COMMITTEE REPORT

The Audit Committee's key role is to gain assurance around the processes that support financial reporting, including the valuation of the property portfolio; internal control; risk management; and legal and regulatory compliance in relation to the work of the Committee, together with the financial reporting itself.

Committee Chairman Introduction

This Report of the Audit Committee details the key activities of the Committee during 2014, alongside its principal responsibilities. During 2014, the Committee has, on behalf of the Board, provided independent scrutiny of the processes in place to monitor the Company's financial and non-financial reporting, and has overseen the adequacy of the risk management framework and the internal controls of the Group, including performance of both the external and internal audit functions. The Committee has carried out each of its principal responsibilities, receiving relevant reports from the valuers, internal and external auditors and management, and challenging the assumptions and judgements made.

I chair the Committee, which met four times this year. The other Committee members are Christopher Fisher, Margaret Ford and Martin Moore who was appointed to the Committee in July 2014. Thom Wernink was also a member of the Committee until he stepped down from the Board at the 2014 AGM.

By invitation, there were a number of attendees at each of the Committee's meetings. Regular attendees included the Chairman of the Company, the Chief Executive, the Group Finance Director, and the internal and external auditors. To help the Committee discharge its duties, presentations were also given by the Chief Operating Officer, the Head of Corporate Finance, the Group Financial Controller, the Head of Business Information Systems and Risk Management, the Head of Tax and Corporate Finance Manager and the General Counsel and Group Company Secretary. The Committee has met privately with the internal and external auditors on two occasions each during the year. In January 2015, I also met privately with the Company's valuers, CBRE and JLL, to ensure that they were comfortable with the 2014 year-end valuation process.

As the Chief Financial Officer of Meggitt plc, a member of the Hundred Group of Finance Directors and a Fellow of the Institute of Chartered Accountants in England and Wales, I bring recent and relevant financial experience to the Committee and the Board considers that all Committee members have the experience required.

More information on the Committee members and their experience can be found on pages 64 and 65.

The Committee is mindful of shareholder views on the ratio and level of audit and non-audit fees received by the external auditor, as well as the provisions of the UK Corporate Governance Code ('the Code') and the UK and EU reforms in this respect. The Committee regularly reviews and considers the level of services provided to the Company by the external auditor for both audit and non-audit work and is satisfied that the external auditor remains independent.

As referred to in the Chairman's Introduction on page 66, the Board has considered it appropriate to 'early adopt' certain of the changes made to the Code by the Financial Reporting Council. An explanation of how the Committee has supported the Board to 'early adopt' the new provisions in respect of the assessment and monitoring of risk are set out in this Report. The Committee also considered the analysis that was undertaken to support the additional disclosure in the going concern statement.

The Committee's Terms of Reference were refreshed during 2014 and are available on the Company's website, www.segro.com.

DOUG WEBB
Chairman of the Audit Committee

2014 principal activities

The principal activities of the Committee in 2014 were:

- reviewing the integrity, consistency and key accounting judgements in the Company's half- and full-year financial statements, including going concern and supplementary EPRA measures;
- monitoring the independence and effectiveness of the internal and external auditors, and also the ratio and level of audit and non-audit fees paid to the external auditor;
- assessing the independence of the valuers of the Company's property portfolio and gaining assurance around the valuation process. This is the largest area of judgement for the Committee in connection with the Company's financial statements, together with accounting for significant transactions;
- overseeing and challenging the risk management process;
- overseeing internal control, and challenging of the internal control processes and the control environment, including approving and reviewing the internal audit programme; and
- overseeing matters relating to tax and any potential impact such matters may have on the integrity of the financial statements.

Chart 1 below sets out the significant matters considered by the Committee during the year in relation to the financial reporting and the actions taken.

Chart 1: 2014 significant matters

SIGNIFICANT MATTER	ACTION TAKEN
Valuation of assets	The Committee, with other Board members present, met with the valuers of the wholly-owned and joint venture assets at each reporting period to review the valuation process, understand any particular issues encountered in the valuation and challenge the processes of the valuers. Valuation is also covered in the meetings that the Committee holds with the auditor in the absence of Company employees, to ensure that it is comfortable with the way the valuation has been carried out. The Chairman of the Audit Committee met privately with CBRE and JLL to confirm that they too are satisfied with the way that the valuation has been run. On the basis of the above, together with discussions with the auditor and the valuers, the Committee concluded that the valuations were suitable for inclusion in the financial statements.
Accounting for significant acquisitions, disposals and investments	Throughout the year six acquisitions and 22 disposals completed. The Committee considered the accounting treatment of these transactions by receiving and challenging reports from management, and concluded that they had been appropriately recognised in the financial statements.
Revenue recognition	The Committee challenged management in respect of the application of policy and internal controls relating to revenue recognition and reviewed reports from the internal auditors, external auditors and management in respect of these areas. The Committee also agreed management's treatment of a material surrender premium receivable in respect of a lease on a Group asset, along with the appropriate cut-off for inclusion in the financial statements of a number of transactions.
Accounting for complex financial instruments	The Committee considered the accounting treatment for complex financial instruments and, as at year end, financial instruments had a total net fair value of £102.6 million (excluding joint ventures). The Committee satisfied itself that the accounting treatment applied by the Company was appropriate, following reports from management and the auditor and a review of the accounting treatment.
Going concern	Management submitted a report to the Committee at the half- and full-year Committee meetings which, amongst other matters, set out the Group's liquidity position, covenant headroom, cash flow forecasts and sensitivity analyses, based on the Company's Medium Term Plan and budget. Advice has been taken on the 'going concern' requirements associated with the changes to the Code. Following review, the Committee regards the current risks associated with going concern as low. See page 40 of the Principal Risks and page 61 of the Financial Review for further detail.
Tax judgements	The Committee reviewed the tax judgements made by management in respect of a number of matters including the Californian State tax refund of approximately £34 million and the tax strategy and tax risk appetite of the Group. The Head of Tax attended Committee meetings to present and discuss the judgements made and answer questions from Committee members.
Tax compliance	The Committee monitored the Company's compliance with REIT and SIIC rules receiving reports from the Head of Tax and challenging her in meetings on such compliance.

AUDIT COMMITTEE REPORT CONTINUED…

UK Corporate Governance Code

The Financial Reporting Council updated the Code in 2014, and provided guidance on risk management, internal control and related financial and business reporting. The changes will apply to the Company's 2015 financial year but the Board has decided to 'early adopt' the changes introduced in respect of the assessment and monitoring of risk and the adoption of the additional disclosure in the going concern analysis, since the Company already complies with these provisions.

The Directors are required to confirm that they consider, taken as a whole, that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In order to comply with this Code requirement, those individuals with overall responsibility for each section of the Annual Report were briefed on the Code requirements and were given a set of criteria by which to assess whether their respective sections were fair, balanced and understandable. Senior employees not directly involved in the drafting of the Annual Report were then asked to assess the document as a whole against the same criteria. Comments were incorporated into the final version of the document which was submitted for approval by the Board. The Committee has satisfied itself that the controls over the consistency and accuracy of the information presented in the Annual Report are robust and has confirmed to the Board that the process for recommending that the Board include the 'fair, balanced and understandable' statement is appropriate and proper. A review by the external auditor has given further assurance in this regard.

Further work undertaken by the Committee

In addition to issues directly affecting the financial statements, the scope of the Committee's work also encompassed many other aspects, including:

- reviewing and considering the process of identifying and managing risk;
- discussing specific risk presentations which were delivered on key business areas;
- considering controls over IT, including in respect of cyber security;
- testing internal controls;
- setting the internal audit programme and reviewing the implementation of recommendations made by the internal audit function; and
- reviewing the external auditor's fees and its effectiveness.

Internal control framework

The Committee is responsible for reviewing the internal control framework on behalf of the Board. This review is consistent with the Code and covers all material areas of the Group, including risk management (see pages 38 and 40 of Principal Risks) and compliance with controls. The Committee also monitors the effectiveness of the framework through reports from the Group Finance Director and Group Financial Controller and the internal and external auditors on progress with internal control activities. The Committee reviews a schedule which lists all outstanding control points, notes the priority attaching to them and progress against agreed timeframes for resolution. The Committee confirms that it has not been advised of or identified any failings or weaknesses which it regards to be significant.

The Company has a whistleblowing policy and a service provided by an external company whereby employees or third parties can raise concerns by email or telephone, whether in relation to financial reporting or other matters, in confidence. A report on whistleblowing matters is made to each meeting and any matters reported are promptly and fully investigated, with external support where necessary.

External auditor tenure

Deloitte was appointed as the external auditor following a tender in 2007, and since then, has been reappointed each year on an annual basis. The most recent audit partner rotation took place before the 2012 year-end audit. There are no contractual obligations which restrict the Committee's choice of external auditor or which puts in place a minimum period for Deloitte's tenure. During 2015, the Committee will consider the proposed regulatory changes being introduced by the Code, the Competition and Market Authority and the EU on audit rotation.

External audit effectiveness

The Committee assesses the effectiveness of the external audit function on an annual basis and following a review of the 2014 year-end audit, considers that it was appropriately planned, scoped and executed. In coming to this judgement, the Committee has considered the rigour and level of scrutiny applied to the audit, as well as the interaction of the external auditor with the Committee and management. It is satisfied that Deloitte continued to perform effectively as the external auditor. The Committee also assessed management's role in the effectiveness of the external audit process, principally focusing on the early identification of relevant issues and the quality and timeliness of papers highlighting significant accounting judgements. It is satisfied that management's role in the audit process operated properly and effectively.

External auditor remuneration and independence

The Committee considers the remuneration and independence of the external auditor on an annual basis and recommends its remuneration to the Board. The Committee keeps under close review the ratio of audit to non-audit fees to ensure that the independence and objectivity of the external auditor are safeguarded. The Committee's policy for the use of the external auditor for non-audit services recognises that there are certain circumstances where, due to Deloitte's expertise and knowledge of the Company or sector in which it operates, it will often be in the best position to perform non-audit services. Under the policy, the use of the external auditor for non-audit services is subject to pre-clearance by the Chief Executive Officer, Group Finance Director, the Committee Chair or the Committee, should the proposed fee exceed specified thresholds. During the year, Deloitte Real Estate advised the Company on various property related matters. The Policy for the Approval of Non-Audit Fees sets out, amongst other matters, when Deloitte Real Estate may be used. The Committee monitors the use of Deloitte Real Estate and adherence to the Policy, which is available to view at www.segro.com.

As anticipated, the ratio of audit to non-audit fees in 2014 fell from the 2013 level since much of the 2013 non-audit work carried out by Deloitte was associated with the creation of the SELP joint venture. In 2014, fees for audit and related assurance services, excluding joint ventures, amounted to £654,000 and the non-audit fees amounted to £284,000. £178,500 of the non-audit fees were attributable to work undertaken by Deloitte Real Estate. Further details of these fees, and fees in respect of the audit of certain of the Group's joint ventures for which Deloitte is the auditor, are provided in note 6(ii) to the financial statements. The three-year average of the non-audit fees as a percentage of the audit fees to the year ended 2014, is 56 per cent. Chart 2 below sets out the ratio of audit to non-audit fees for each of the past three years.

The Committee Chairman has had a number of private meetings with the lead audit partner and the Committee is satisfied that Deloitte continues to provide appropriate levels of scepticism and challenge and remains independent. Deloitte has provided written confirmation of its independence to the Committee.

Chart 2: Audit and non-audit fees to Deloitte

	2014	2013	2012
Audit fees including related assurance services £m	**0.65**	0.65	0.68
Non-audit fees £m	**0.28**	0.63	0.20
Ratio of non-audit fees to audit fees (%)	**43**	97	29

The above table excludes fees paid to Deloitte in respect of joint ventures. If these were included, the 2014 ratio of audit to non-audit fees would have been 41 per cent.

Internal audit

As in previous years, assurance of the risk management process, testing of internal controls and setting the internal audit programme were key priorities for the Committee.

In order to determine the internal audit programme for 2014, the Group Finance Director, the Group Financial Controller, the Head of Business Information Systems and Risk Management, and the Director of Finance:

- reviewed the latest Group Risk Register;
- prepared a process risk map setting out key business and process risks from the Group Risk Register;
- selected topics for the internal audit programme, based on the Group Risk Register and process risk map, paying particular attention to key risks which have not been subject to recent internal audit; and
- discussed and agreed the internal audit programme with the internal auditor.

AUDIT COMMITTEE REPORT CONTINUED…

The process for determining the internal audit programme and the programme itself were both approved by the Committee which believes that it is appropriate and effective, particularly since there is scope for the Company to react to events, new information and situations which come to light during the year and include them in the internal audit plan if necessary.

During the year, internal audits were carried out on:

- valuations;
- insurance;
- the processes used to collect sustainability data;
- REIT and tax compliance;
- property development;
- IT processes;
- IT network security;
- joint venture governance;
- supplier set up;
- subsidiary accounts; and
- safeguarding against fraud.

Each of these audits confirmed that these areas were appropriately controlled, although a number of enhancements were identified which were entered into the schedule which lists all outstanding control points (see Internal control framework on page 80).

The Committee believes that the value of internal audit is enhanced by having a third party perform this function, as this supports the independent challenge of management and gives greater access to expertise than an internal function could provide. KPMG has performed this role throughout the year. Once each internal audit is complete, KPMG issues a questionnaire to the process owner for the internal audit in question as well as to the other relevant employees, to ensure that real-time feedback is collected on the quality and effectiveness of its audit. The results of this feedback are provided to the Committee along with detailed findings and recommendations of the internal audits themselves. The internal auditor also attends the relevant Committee meeting to present its report and attends private meetings with the Committee to raise any concerns or issues it has and to discuss any queries of the Committee in the absence of management.

In 2015, the Committee will continue to follow a risk-based approach to internal audit. Items scheduled for future internal audit reviews include: the anti-bribery and corruption policies; the captive insurance programme; a review of the key processes in those offices which are outside of our four largest countries; HR procedures; risk management; health and safety practices; payroll; and process and procedures in place for determining the service charges invoiced to our customers.

INTERNAL AUDIT

CASE STUDY

Accurate and regular valuation of the Company's property assets is central to the business, affecting its balance sheet portfolio value, net asset value, total property return and employee incentives. It is a significant area of judgement for the Company and is included on the Risk Register and the process risk map as a potential key business risk.

Following the procedures described in the internal audit section of this Report, we identified valuation as an area for internal audit in 2014. The reasons for selecting valuation were presented to the Audit Committee which confirmed that it was an appropriate choice for the 2014 internal audit programme.

The internal audit reviewed certain of the procedures in place used to value the Company's properties, with a focus on the December 2013 valuation process as an area for substantial testing. To value a property, the independent third-party valuers are given information by management relating to the properties, their tenants and lease details. The information provided included, inter alia, the size, age and location of the properties, the rent paid, the length of leases and other lease terms pertinent to the value of the properties, such as lease breaks and rent reviews. The valuers use the information provided to them, together with their market knowledge and expertise, to value each property.

To carry out this audit, the internal auditor met to discuss the form of the valuation with those employees responsible for it, to ensure that the valuers had been given appropriate and accurate information required from the Company to adequately assess each property. They also reviewed the methods undertaken by the Company to obtain such information including the compilation of capital expenditure on each property, and looked at how the data was transferred from the Company to the valuers, to ensure that key controls were operating effectively.

The results of the internal audit concluded that the valuation process was 'well run', with 'appropriate controls' in place to support the businesses' requirements. Two minor observations were identified in respect of the reliance placed on manual data generation. It was suggested that there should instead be an added emphasis on the automated generation of data used for valuation purposes.

The internal auditor attended the May 2014 Audit Committee meeting to present the findings of this internal audit and to discuss the valuation process with the Committee. During the year, the Committee monitored the Company's progress in addressing the observations raised by the internal auditor.

Governance

REMUNERATION COMMITTEE REPORT

The Committee's key role is to determine the reward strategy for the Executive Directors. I chair the Committee and my fellow Committee members are Christopher Fisher, Martin Moore and Mark Robertshaw.

Committee Chairman's Introduction

The Committee determines the reward strategy for Executive Directors and in doing so balances appropriate reward with the success of the business and the creation of long-term shareholder value.

The Remuneration Policy is founded upon total property return (TPR) and total shareholder return (TSR), with long and short-term performance targets being focused on the drivers of these two measures. I was pleased that we received over 98 per cent of votes in favour of the Remuneration Policy when it was approved by shareholders at the AGM last year. The principles of our Remuneration Policy have not changed and we have operated exactly in line with it during the year. An extract of the Remuneration Policy is set out on pages 94 to 98.

As explained in the Strategic Review, during 2014 the Company made further progress with its strategic priorities delivering attractive, sustainable long-term returns for shareholders: the quality of the portfolio continues to be improved; there has been an improvement in operating metrics; LTV has been reduced significantly; the share price has increased by 10.9 per cent over the year; and the dividend has been raised. Against this performance, the Bonus payments to the Directors will be 66.7 per cent of their maximum award.

I am pleased to report that our TSR over the last three years has exceeded 95 per cent which has resulted in a payout under this performance condition for the 2012 Transitionary LTIP award of over 85 per cent. This clearly demonstrates the alignment of Directors' remuneration with shareholders' interests.

During the year, the key activities for the Committee were:

- articulation of our Remuneration Policy;
- approval of the annual salary increases, Bonus payments and LTIP awards;
- reviewing shareholder feedback following the AGM and emerging trends in corporate governance; and
- reviewing the conclusions of the Committee evaluation.

During 2015, the Committee will consider the recent changes to the UK Corporate Governance Code in respect of malus and clawback provisions in variable remuneration schemes. The rules of the Bonus for Directors and members of the Leadership Team require a proportion of their Bonus payment to be deferred for three years in the Deferred Share Bonus Plan (DSBP). The DSBP rules include a malus provision to enable the Committee to withhold payments, even for executives who have left the Company, in exceptional circumstances or where there has been misconduct or misstatement. For the LTIP, the Committee has discretion to adjust awards downwards at vesting if it is not satisfied that the outcome is a fair reflection of underlying performance, or in the event of excessive risk taking or misstatement.

Looking ahead to 2015, the Executive Directors' salaries will be increased in April by three per cent (see page 84). There will be no changes to the Bonus scheme or the performance targets and awards will be made in accordance with the Remuneration Policy. The LTIP awards will be made in April, again in accordance with the Remuneration Policy.

We value our engagement with shareholders and appreciate their support. As Senior Independent Director and Chairman of the Remuneration Committee, I am committed to ensuring an open dialogue with our shareholders. If you have any questions about remuneration generally or the contents of this Report please contact me at companysecretariat@segro.com.

BARONESS FORD
Chairman of the Remuneration Committee

REMUNERATION REPORT

2014 ANNUAL REMUNERATION REPORT

The following section provides details of how the Company's Remuneration Policy was applied during the financial year ending 31 December 2014 and how it will be applied in 2015.

Directors' remuneration

Executive Directors' single figure (audited)

Chart 1: Executive Directors' single total figure of remuneration for 2014

	SALARY		TAXABLE BENEFITS[2]		PENSION BENEFIT[3]		SINGLE YEAR VARIABLE – BONUS CASH INCLUDING DSBP[4]		MULTIPLE YEAR VARIABLE – LTIP[5]		OTHER[6]		TOTAL	
	2014 £000	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
David Sleath	**562**	550	**25**	29	**169**	165	**567**	622	**632**	0	**4**	4	**1,959**	1,370
Andy Gulliford[1]	**368**	240	**20**	13	**73**	27	**297**	188	**289**	0	**4**	4	**1,051**	472
Justin Read	**368**	360	**20**	19	**74**	72	**297**	283	**413**	–	**4**	4	**1,176**	738
Phil Redding[1]	**368**	240	**19**	13	**53**	9	**297**	217	**272**	0	**4**	4	**1,013**	483
TOTAL	**1,666**	1,390	**84**	74	**369**	273	**1,458**	1,310	**1,606**	0	**16**	16	**5,199**	3,063

1 The 2013 figures for Andy Gulliford and Phil Redding have been pro-rated since their appointments to the Board on 1 May 2013, with the exception of the benefits received as part of SIP and Sharesave.

2 Taxable benefits include private medical healthcare, life assurance, plus a company car or a cash allowance in lieu of a company car.

3 For Andy Gulliford and Phil Redding, as members of the Defined Benefit Pension Scheme, this comprises the pension input value (increase in accrued pension). Further information can be found on pages 92 and 93. For David Sleath and Justin Read, this comprises cash paid in lieu of pension.

4 Includes the cash Bonus payable and monetary value of the shares awarded under the DSBP. The monetary value of the shares is calculated using the market value of shares at the date of award. In accordance with the Remuneration Policy, 50 per cent of any Bonus earned in 2014 will be deferred into shares under the DSBP.

Due to IPD Benchmark data not being available at the date of publication of the 2013 Annual Report, the 2013 Bonus payments disclosed last year were based on an estimate of 50 per cent for the TPR element. Finalisation of the TPR element was completed as soon as data became available and the amounts received by the Directors in respect of 2013 performance have been updated accordingly. For a comparison of the reported figures, see Chart 4 on page 86.

5 The 2011 LTIP Award was based on Company performance to 31 December 2013; as the performance conditions were not met, this award lapsed and accordingly there was no LTIP vesting in 2014. The 2012 Transitionary Award is based on Company performance to 31 December 2014 and will vest in May 2015, subject to performance. For this award, achievement under the TSR performance condition has been calculated at 85.7 per cent and achievement under the TPR has been estimated at 0 per cent. The TPR outcome will be trued up for actual performance in June 2015, and, if appropriate, the single figure will be updated accordingly in the 2015 Annual Remuneration Report.

6 Includes SIP, based on the number of shares awarded during the year and the share price used for the grant of the award; and Sharesave, based on the discount represented by the option price, multiplied by the annual savings.

Base salary and benefits

With effect from 1 April 2014, the Chief Executive's base salary was £566,500 and the base salaries of the Group Finance Director, Chief Investment Officer and the Chief Operating Officer were each £370,800. With effect from 1 April 2015, each of the Executive Directors will receive an increase to base salary of three per cent, which is in line with the average all employee increase.

The Executive Directors currently receive life assurance, private medical insurance, company car (or car cash allowance) and pension contributions or cash in lieu of pension, as applicable.

Non-Executive Directors' single figure (audited)

The Non-Executive Directors' fees are reviewed by the Board in the absence of the Non-Executive Directors, while the fees paid to the Chairman are reviewed by the Committee. There were no changes to fees paid to the Non-Executive Directors or the Chairman in 2014 (see Chart 2 opposite).

The Chairman and Non-Executive Directors do not participate in any of the Company's share-based incentive schemes nor do they receive any other benefits or rights under the pension schemes. Chart 2 shows the total remuneration received by each of the Non-Executive Directors during the year.

Chart 2: Independent Non-Executive Directors' single total figure of remuneration for 2014

		TOTAL FEES	
		2014 £000	2013 £000
Nigel Rich	Chairman	250	250
Christopher Fisher		53	53
Margaret Ford[1]	Senior Independent Director Chairman of the Remuneration Committee	75	68
Martin Moore[2]		27	–
Mark Robertshaw		53	53
Doug Webb	Chairman of the Audit Committee	63	63
Thom Wernink[3]		18	53

1 Margaret Ford was appointed Senior Independent Director and Chairman of the Remuneration Committee on 23 April 2013.

2 Martin Moore was appointed a Director on 1 July 2014.

3 Thom Wernink retired as a Director on 30 April 2014.

Bonus payment 2014

For the Executive Directors, the 2014 Bonus comprised three equally weighted components: EPRA Profit Before Tax (PBT); rent roll growth (RRG); and relative TPR.

– Profit – EPRA PBT against target
  For this element, a Bonus is earned for EPRA PBT performance against target. 25 per cent is earned on achieving the threshold target (£115.8 million for 2014), rising to 100 per cent for achieving the maximum target (£128.0 million for 2014). 100 per cent of this element was achieved in 2014, with EPRA PBT performance for bonus purposes of £130.0 million achieved, exceeding the target by £2 million.

– Rent roll growth (RRG) against target
  For this element, a Bonus is earned if the rent roll growth from the existing standing stock is positive (the threshold). Once the threshold is achieved, the Bonus is determined based on total RRG (existing standing stock plus the impact of development RRG), with a sliding pay-out scale from 0 per cent for flat total RRG through to 100 per cent for achieving the maximum increase (£14 million in 2014). In 2014, RRG from standing stock was positive, thus ensuring the threshold was achieved. Total RRG including the contribution from developments was £16.8 million for Bonus purposes and, accordingly, 100 per cent of this element was achieved.

– TPR – Relative TPR against the IPD Benchmark
  For this element, 25 per cent is earned when the Company's TPR equals the TPR of a comparable IPD benchmark, rising on a straight line basis to 100 per cent when the Company's TPR exceeds the IPD Benchmark by 1.5 per cent. Only the UK data for this calculation was available at the date of this report: TPR for the Company's UK assets under management (AUM) including 100 per cent of joint venture assets, was 22.7 per cent, compared to the performance of an equivalent IPD Benchmark of 23.5 per cent, meaning that no TPR-related Bonus will be earned in respect of UK assets. Note that these figures are different to the figures in the KPIs on page 14 because the IPD Benchmark for Bonus payments is a bespoke calculation based on a portfolio of properties in the IPD universe constructed to mirror the Company's AUM as closely as possible, unlike the KPI equivalents which are based on the Company's wholly owned assets plus share of joint venture assets and are compared to the IPD UK Quarterly All Industrial data. On the basis of the UK portfolio performance above, the Committee has estimated that 0 per cent of the overall TPR element will be achieved for 2014 Bonus purposes.

Bonus targets for EPRA PBT and RRG are set at the start of the year using the prevailing exchange rate at the time and are adjusted to reflect changes in the business such as acquisitions and disposals. The EPRA PBT and RRG outturns which have been used to compare to the 2014 targets were calculated using a consistent exchange rate to that used when the target was set and also include adjustments for specific items in accordance with the Bonus scheme rules as approved by the Committee.

The profit and RRG element of the 2014 Bonus will be paid in April 2015, less a 50 per cent deduction for the DSBP. Payment of the TPR element will be deferred until summer 2015, when the pan-European IPD data becomes available. Accordingly, the actual payment made under the TPR element of the 2014 Bonus, together with the deferral under the DSBP, may differ from the amount disclosed in this Report. The DSBP award will be made once the final Bonus figures can be calculated. The vesting of the 2014 DSBP will be in April 2018, the third anniversary of the payment of the profit and individual elements of the 2014 Bonus. Any payments under the 2015 Bonus and the DSBP will be made in accordance with the Remuneration Policy.

REMUNERATION REPORT CONTINUED…

Chart 3: Proportion of Bonus elements achieved

	EPRA PBT PERCENTAGE OF PERFORMANCE TARGET ACHIEVED (%)	TPR PERCENTAGE OF PERFORMANCE TARGET ACHIEVED[1] (%)	RRG PERCENTAGE OF PERFORMANCE TARGET ACHIEVED (%)	TOTAL (%)
David Sleath	33.3/33.3	0.0/33.3	33.3/33.3	66.7/100.0
Andy Gulliford	33.3/33.3	0.0/33.3	33.3/33.3	66.7/100.0
Justin Read	33.3/33.3	0.0/33.3	33.3/33.3	66.7/100.0
Phil Redding	33.3/33.3	0.0/33.3	33.3/33.3	66.7/100.0

Inclusive of DSBP

1 In respect of 2014, the Committee has estimated that 0 per cent of the TPR element will be achieved. The Committee will determine the TPR element as soon as the measurement can be completed based on actual data. Any difference between the estimated and actual figures will be reconciled in the 2015 Annual Report.

Bonus payment 2013

Calculation of the TPR element of the Bonus payment is based on comparison with the IPD benchmark, the data for which was not available at the time of publication of the 2013 Annual Report. The Remuneration Committee estimated that 50 per cent of this element would be achieved. The actual relative TPR against the IPD benchmark for 2013 was calculated as 26.2 per cent and the Directors were remunerated accordingly. The TPR for the weighted IPD Benchmark which reflected the Company's portfolio and the Company were 10.96 per cent and 10.99 per cent respectively. The Company outperformed the UK Benchmark by 0.2 per cent. The table below provides a comparison between the amounts disclosed in the 2013 Annual Report to those used in the 2013 figures in Chart 1 on page 84 for all three Bonus targets.

Chart 4: Single year variable – Total Bonus payment including DSBP for 2013

	ACTUAL TPR (26.2 %) £000	ESTIMATED TPR (50.0 %) £000
David Sleath	622	688
Andy Gulliford[1]	188	211
Justin Read	283	317
Phil Redding[1]	217	240
TOTAL	**1,310**	**1,456**

1 Figures have been pro-rated since appointment to the Board on 1 May 2013.

Chief Executive single figure

Chart 5: Six-year Chief Executive single total figure of remuneration

YEAR	CHIEF EXECUTIVE	CHIEF EXECUTIVE SINGLE FIGURE OF REMUNERATION £000	SHORT-TERM INCENTIVE PAYOUT AGAINST MAXIMUM OPPORTUNITY %	LONG-TERM INCENTIVE VESTING RATES AGAINST MAXIMUM OPPORTUNITY %
2014	David Sleath	1,959	66.7	42.9
2013[1]	David Sleath	1,436	75.4	0.0
2012	David Sleath	1,194	56.7	21.6
2011[2]	David Sleath	860	100.0	19.1
	Ian Coull	411	100.0	26.0
2010	Ian Coull	1,896	97.3	26.0
2009	Ian Coull	1,557	75.3	0.0

1 The 2013 short-term incentive payout against maximum opportunity has been updated from 83.3 per cent as disclosed in the 2013 Remuneration Report to 75.4 per cent to reflect actual TPR as explained above.

2 On 28 April 2011, Ian Coull retired as Chief Executive and David Sleath was appointed to this role. The values shown above have been pro-rated accordingly.

Chart 6: Six-year TSR chart

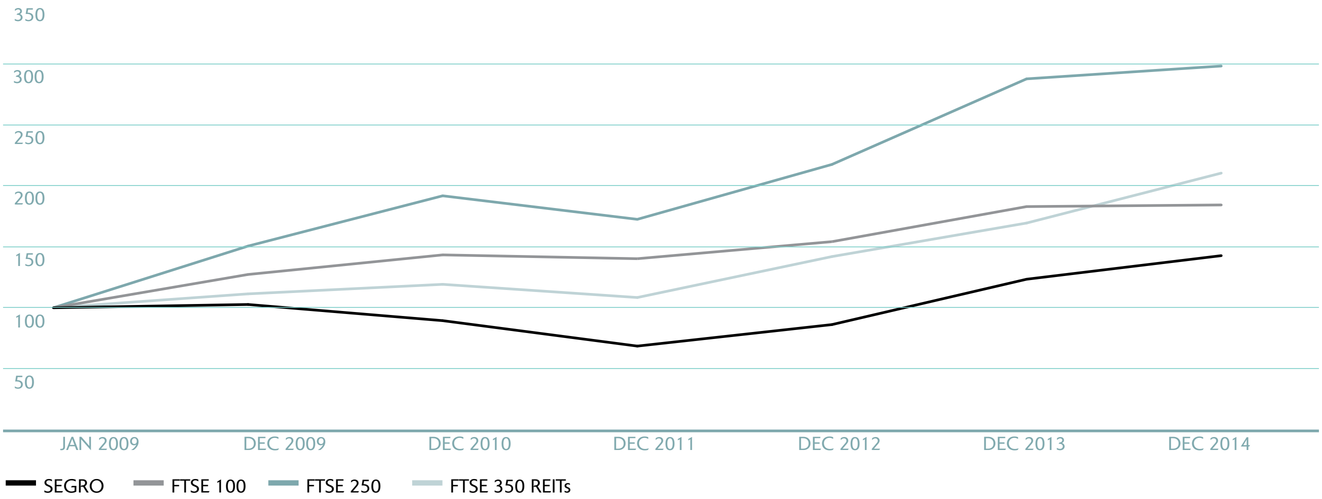


Chart 6 shows TSR for the Company over the last six financial years compared with the FTSE 350 Real Estate Investment Trusts, FTSE 100 Index and the FTSE 250 Index. The Committee has determined that these indices provide useful comparators as the Company, or its peers, are constituents of them.

Chart 7: Percentage increase in Chief Executive remuneration compared to the average per employee

	CHIEF EXECUTIVE			AVERAGE PER EMPLOYEE		
	2014 £000	2013 £000	INCREASE %	**2014 £000**	2013 £000	INCREASE %
Salary received during year	**562**	550	2	**64**	63	2
Taxable benefits received during year	**25**	29	(16)	**5**	4	25
Annual variable pay received during year (Bonus and DSBP)	**567**	688	(18)	**25**	20	25
Total	**1,154**	1,267	(9)	**94**	87	8

Chart 8: Relative importance of spend on pay

YEAR	TOTAL DIVIDEND PAID (£M)	TOTAL EMPLOYEE EXPENDITURE (£M)
2014 (2013 final and 2014 interim)	109.8	27.7
2013 (2012 final and 2013 interim)	109.7	23.4

Governance

REMUNERATION REPORT CONTINUED…

Director shareholdings (audited)

The interests of the Directors and their immediate families in the ordinary shares of the Company at 1 January 2014 and 31 December 2014 were as set out below.

Chart 9: Directors' beneficial interests in shares

	BENEFICIAL INTERESTS[1]	
	31.12.2014 ORDINARY 10P SHARES	01.01.2014 ORDINARY 10P SHARES
Nigel Rich[2]	138,143	135,181
Andy Gulliford	77,622	66,299
Christopher Fisher	10,514	10,155
Margaret Ford	9,594	7,500
Martin Moore[3]	14,535	n/a
Justin Read	27,667	26,008
Phil Redding	75,193	68,949
Mark Robertshaw	8,000	8,000
David Sleath	284,991	249,840
Doug Webb	19,762	19,500
Thom Wernink[4]	n/a	20,000

1 Beneficial interests in Chart 9 above represent shares beneficially held by each Director. This includes any ordinary shares held on behalf of the Executive Directors by the Trustees of the SIP and shares beneficially owned by spouses. Between 31 December 2014 and 24 February 2015 there were no changes in respect of the Directors' shareholdings. As at 31 December 2014, 935,963 shares (2013: 547,795 shares) were held by the Trustees of the 1994 SEGRO plc Employees' Benefit Trust. As at 24 February 2015, 911,036 shares were held by this Trust. The Trustees of the SIP held a non-beneficial interest in 329,179 shares as at 1 January 2014 and 462,557 shares as at 31 December 2014. 462,125 shares were held as at 24 February 2015. As with other employees, the Directors are deemed to have a potential interest in these shares, being beneficiaries under the Trusts.

2 Nigel Rich has a technical interest, not disclosed in the Chart above, in 8,217 shares as a result of a trusteeship he holds; he has no voting rights over these shares.

3 Martin Moore was appointed to the Board on 1 July 2014.

4 Thom Wernink retired from the Board on 30 April 2014.

Chart 10: Executive Directors' overall interests in shares

	BENEFICIAL INTERESTS	SUBJECT TO DEFERRAL UNDER DSBP	SUBJECT TO ACHIEVEMENT OF PERFORMANCE CONDITIONS UNDER LTIP	OPTIONS OUTSTANDING UNDER SHARESAVE	TOTAL AS AT 31.12.14
David Sleath	284,991	185,576	1,363,328	6,621	1,840,516
Andy Gulliford	77,622	85,860	687,765	8,091	859,338
Justin Read	27,667	68,981	891,632	8,091	996,371
Phil Redding	75,193	80,531	659,784	4,781	820,289

Policy on shareholding guidelines

The Committee operates a policy where Executive Directors are expected to build a shareholding equivalent to one times the value of their salary, calculated by reference to the value of the shares at the date of acquisition, within five years of being appointed to the Board. The Chief Executive is expected to hold shares equivalent to the value of one-and-a-half times his annual salary. The number of shares held is inclusive of DSBP and SIP shares but exclusive of shares under award in the LTIP and outstanding Sharesave options.

Chart 11: Executive Directors' shareholding and shareholding requirements

	NUMBER OF SHARES HELD AS AT 31.12.14[1]	VALUE OF SHARES HELD AS AT 31.12.14[2]	SHAREHOLDING AS A PERCENTAGE OF SALARY AS AT 31.12.14	DATE BY WHICH MINIMUM HOLDING SHOULD BE ACHIEVED UNDER SHAREHOLDING POLICY
David Sleath	470,567	£1,516,349	267.7	Minimum holding achieved
Andy Gulliford	163,482	£538,371	142.5	Minimum holding achieved
Justin Read	96,648	£272,957	73.6	30 August 2016
Phil Redding	155,724	£520,868	140.5	Minimum holding achieved

1 Comprised beneficial holdings and shares subject to deferral under the DSBP.

2 Value of shares calculated using share price at the date of acquisition.

Executive Director share scheme holdings (audited)

DSBP

The DSBP was implemented for the 2010 Bonus payment onwards for the Executive Directors and certain other members of the Leadership Team. For the 2010, 2011 and 2012 Bonus, 25 per cent of any payment was deferred into shares. From 2013, the deferral percentage was increased to 50 per cent for Executive Directors. The shares held under the DSBP are shown in Chart 12 below. On vesting, a cash sum equivalent to the value of dividends that would have been paid on shares during the three years they were under award may also be paid to participants.

Chart 12: DSBP

	DATE OF GRANT	NO. OF SHARES UNDER AWARD 01.01.14	NO. OF SHARES GRANTED DURING THE YEAR	SHARE PRICE OF SHARES ON GRANT (PENCE)	NO. OF SHARES RELEASED DURING THE YEAR	SHARE PRICE ON DATE OF RELEASE (PENCE)	NO. OF SHARES UNDER AWARD 31.12.14	END OF HOLDING PERIOD
DAVID SLEATH								
2010 DSBP	01.04.11	32,531		321.5	32,531	332.0	–	–
2011 DSBP	02.04.12	66,439		234.8	–	–	66,439	01.04.15
2012 DSBP	06.08.13	28,369		311.6	–	–	28,369	06.04.16
2013 DSBP	30.06.14	–	90,768	342.7	–	–	90,768	07.04.17
TOTAL		**127,339**					**185,576**	
ANDY GULLIFORD								
2010 DSBP	01.04.11	15,532		321.5	15,532	332.0	–	–
2011 DSBP	02.04.12	29,177		234.8	–	–	29,177	01.04.15
2012 DSBP	06.08.13	15,457		311.6	–	–	15,457	06.04.16
2013 DSBP	30.06.14	–	41,226	342.7	–	–	41,226	07.04.17
TOTAL		**60,166**					**85,860**	
JUSTIN READ								
2011 DSBP	02.04.12	12,298		234.8	–	–	12,298	01.04.15
2012 DSBP	06.08.13	15,457		311.6	–	–	15,457	06.04.16
2013 DSBP	30.06.14	–	41,226	342.7	–	–	41,226	07.04.17
TOTAL		**27,755**					**68,981**	
PHIL REDDING								
2010 DSBP	01.04.11	10,223		321.5	10,223	332.0	–	–
2011 DSBP	02.04.12	18,454		234.8	–	–	18,454	01.04.15
2012 DSBP	06.08.13	14,548		311.6	–	–	14,548	06.04.16
2013 DSBP	30.06.14	–	47,529	342.7	–	–	47,529	07.04.17
TOTAL		**43,225**					**80,531**	

REMUNERATION REPORT CONTINUED…

2011 LTIP award

The three-year performance period for the 2011 LTIP award ended on 31 December 2013. The Company failed to meet its EPS or TPR targets for this LTIP, accordingly no shares under this award vested during 2014.

LTIP (2012 award onwards)

In 2012, shareholders approved an increase in the performance period for the 2012 and subsequent LTIP awards from three to four years to reflect more closely the time horizon for value creation, in line with the Company's strategy. LTIP awards made after 2011 are subject to TSR and TPR performance conditions, which are equally weighted and measured over a four-year performance period, save for the 2012 Transitionary award which is measured over a three-year performance period.

The performance conditions for the LTIP awards are based on TSR and TPR.

TSR – this benchmark is based on the weighted mean TSR of other FTSE 350 REITs. 25 per cent of this element vests if the Company's four-year TSR is in line with benchmark TSR, rising on a straight-line basis to 100 per cent vesting if the benchmark is exceeded by 5 per cent per year.

TPR – this benchmark is based on the IPD Benchmark with UK/European industrials weighted to reflect the geographical mix of the Group's portfolio (75/25 UK Continental Europe for this cycle). 25 per cent of this element vests if the Company's four-year TPR is in line with the IPD Benchmark, rising on a straight-line basis to 100 per cent if the IPD Benchmark is exceeded by at least 1.5 per cent per year.

On vesting, calculations are reviewed by the auditor and are approved by the Committee. The Committee retains the discretion to withhold vesting of awards should such payments be deemed inappropriate.

The 2012 Transitionary award will vest on 1 May 2015, subject to relative TSR and TPR performance to 31 December 2014. The Company's TSR over the performance period was 96.9 per cent and the benchmark TSR was 74.8 per cent. The Company's TSR outperformance of 4.05 per cent per annum compared to the benchmark warranted 85.7 per cent vesting of the TSR element. The TPR performance will not be available until after the date of this report. For the purposes of the Directors' single figure calculations (Chart 1), the performance for the TPR element has been estimated at 0 per cent. This is based on the Company's annualised TPR in 2012 and 2013 of 5.1 per cent and the IPD Benchmark over the same period of 6.3 per cent. In estimating the overall 3 year performance, the Committee assumed that SEGRO's 2014 relative TPR would be insufficient to overcome the historic underperformance in the first two years.

Details of the LTIP awards granted to the Executive Directors are set out in Chart 13 opposite.

Any awards made under the LTIP in 2015 will be made in accordance with the Remuneration Policy.

Chart 13: LTIP awards outstanding

	NO. OF SHARES UNDER AWARD 01.01.14	NO. OF SHARES OVER WHICH AWARDS GRANTED DURING THE YEAR	SHARE PRICE OF SHARES ON GRANT (PENCE)	NO. OF SHARES LAPSED/NOT RELEASED DURING THE YEAR	NO. OF SHARES RELEASED DURING THE YEAR	SHARE PRICE ON DATE OF RELEASE (PENCE)	NO. OF SHARES UNDER AWARD 31.12.14	END OF PERFORMANCE PERIOD OVER WHICH PERFORMANCE CONDITIONS HAVE TO BE MET
DAVID SLEATH								
29.03.11 LTIP[1]	274,675	–	331.3	274,675	0	n/a	–	31.12.13
01.05.12 LTIP (3-year Transitional award)[2]	352,781	–	221.1	–	–	–	352,781	31.12.14
01.05.12 (4-year award)[2]	352,781	–	221.1	–	–	–	352,781	31.12.15
06.08.13	333,761	–	311.6	–	–	–	333,761	31.12.16
09.04.14	–	324,005	339.5	–	–	–	324,005	31.12.17
TOTAL	**1,313,998**						**1,363,328**	
ANDY GULLIFORD								
29.03.11 LTIP[1]	75,460	–	331.3	75,460	0	n/a	–	31.12.13
01.05.12 LTIP (3-year Transitional award)[2]	161,465	–	221.1	–	–	–	161,465	31.12.14
01.05.12 (4-year award)[2]	161,465	–	221.1	–	–	–	161,465	31.12.15
06.08.13	152,759	–	311.6	–	–	–	152,759	31.12.16
09.04.14	–	212,076	339.5	–	–	–	212,076	31.12.17
TOTAL	**551,149**						**687,765**	
JUSTIN READ								
31.08.11 LTIP[1]	187,106	–	254.4	187,106	0	n/a	–	31.12.13
01.05.12 LTIP (3-year Transitional award)[2]	230,664	–	221.1	–	–	–	230,664	31.12.14
01.05.12 (4-year award)[2]	230,664	–	221.1	–	–	–	230,664	31.12.15
06.08.13	218,228	–	311.6	–	–	–	218,228	31.12.16
09.04.14	–	212,076	339.5	–	–	–	212,076	31.12.17
TOTAL	**866,662**						**891,632**	
PHIL REDDING								
29.03.11 LTIP[1]	81,303	–	331.3	81,303	0	n/a	–	31.12.13
01.05.12 LTIP (3-year Transitional award)[2]	151,967	–	221.1	–	–	–	151,967	31.12.14
01.05.12 (4-year award)[2]	151,967	–	221.1	–	–	–	151,967	31.12.15
06.08.13	143,774	–	311.6	–	–	–	143,774	31.12.16
09.04.14	–	212,076	339.5	–	–	–	212,076	31.12.17
TOTAL	**529,011**						**659,784**	

1 For the awards made in 2010 and 2011, two performance conditions were used; EPS weighted 60 per cent and relative TPR weighted 40 per cent, both measured over a three-year performance period. For the EPS element, 25 per cent of the award vests on the achievement of EPS growth of 4 per cent per year, rising on a straight-line basis for full vesting of EPS growth of 10 per cent per year. For the TPR element 25 per cent of the award vests for performance equalling that of the IPD Benchmark, rising on a straight-line basis to full vesting for outperformance of the IPD Benchmark by 1.5 per cent per year or more. Adjusted diluted EPS is calculated according to the applicable EPRA guidelines, excluding valuation gains/losses and exceptional items. Actual performance for EPS is calculated from the published figures in the Annual Report.

The Committee has the discretion to adjust awards downwards at vesting if it is not satisfied that the outcome is a fair reflection of underlying performance, or in the event of excessive risk-taking or misstatement. No such discretion was exercised in respect of the vesting of the 2010 award. The 2011 award lapsed.

2 For 2012, the Committee made two reduced LTIP awards: the 2012 LTIP award and an LTIP transitional award. The 2012 LTIP award will vest, subject to performance conditions, based on four-year performance. So as to prevent the lengthening of the performance period resulting in there being no potential LTIP vesting in 2015, the LTIP transitional award will vest, subject to performance conditions, on three-year performance. Each of these awards was based on the normal LTIP grant size, reduced by 25 per cent. The same performance targets will apply to both awards.

Governance

REMUNERATION REPORT CONTINUED…

Sharesave

Chart 14: Sharesave options outstanding

	DATE OF GRANT	NO. OF SHARES UNDER OPTION 01.01.14	OPTIONS GRANTED DURING THE YEAR	OPTION PRICE (PENCE)	OPTIONS EXERCISED DURING THE YEAR	OPTIONS LAPSED DURING THE YEAR	NO. OF SHARES UNDER OPTION AT 31.12.14[1]	PERIOD IN WHICH OPTIONS CAN BE EXERCISED
DAVID SLEATH								
2009 Sharesave	19.05.09	8,598	–	182.0	8,598	–	–	01.06.14 – 30.11.14
2014 Sharesave	02.05.14	–	6,621	271.84	–	–	6,621	01.06.17 – 30.11.17
TOTAL		**8,598**					**6,621**	
ANDY GULLIFORD								
2012 Sharesave	30.04.12	4,781	–	188.24	–	–	4,781	01.06.15 – 30.11.15
2014 Sharesave	02.05.14	–	3,310	271.84	–	–	3,310	01.06.17 – 30.11.17
TOTAL		**4,781**					**8,091**	
JUSTIN READ								
2012 Sharesave	30.04.12	4,781	–	188.24	–	–	4,781	01.06.15 – 30.11.15
2014 Sharesave	02.05.14	–	3,310	271.84	–	–	3,310	01.06.17 – 30.11.17
TOTAL		**4,781**					**8,091**	
PHIL REDDING								
2012 Sharesave	30.04.12	4,781	–	188.24	–	–	4,781	01.06.15 – 30.11.15
TOTAL		**4,781**					**4,781**	

1 Between 31 December 2013 and 24 February 2014 there were no changes in these holdings.

SIP

Chart 15: SIP shares held in trust

	NO. OF SHARES IN TRUST 01.01.14	SHARES AWARDED DURING THE YEAR	NO. OF SHARES IN TRUST 31.12.14
David Sleath	4,555	826	5,381
Andy Gulliford	5,372	826	6,198
Justin Read	2,437	826	3,263
Phil Redding	4,508	826	5,334

Further information about the share schemes can be found in Note 22 to the financial statements on pages 140 and 142.

Executive Directors' pension arrangements and other fees

Chart 16: Defined benefit scheme

	PENSION INPUT AMOUNT, NET OF DIRECTORS' CONTRIBUTIONS, IN THE YEAR ENDING 31.12.14 £	DEFINED BENEFIT PENSION ACCRUED AT 31.12.14[3] £
David Sleath[1]	n/a	79,522
Andy Gulliford	73,192	38,343
Justin Read[2]	n/a	n/a
Phil Redding	53,291	53,404

1 David Sleath left the SEGRO pension scheme with effect from 17 April 2011 and receives a cash payment in lieu of contributions.
2 Justin Read has not been a participant in any SEGRO pension scheme and instead receives a cash payment in lieu of contributions.
3 Defined benefit pensions are payable from normal retirement age, which is 62, and can be taken earlier with appropriate reductions.

Pension entitlement in the event of severance

There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement.

Fees for external non-executive appointments

Since September 2007, David Sleath has been a Non-Executive Director of Bunzl plc and during the year he received a fee of £78,500 for this role.

Exit payments

No exit payments were made to Directors during the year.

Former Directors (audited)

Ex gratia payments totalling £56,470 (2013: £56,470) were made during the year to four former Directors, who retired at least 10 years ago. These payments were made under legacy arrangements which are no longer offered. A one-off social contribution of €16,831 was paid in respect of a pension benefit for Walter Hens, a former Director.

Remuneration Committee advisers

The Committee has access to sufficient resources to discharge its duties, which include access to independent remuneration advisers, the General Counsel and Group Company Secretary, the Group HR Director and other advisers as required.

The Committee is responsible for appointing its external advisers and during the year it received advice from Kepler Associates, which is a founding member and signatory to the Code of Conduct for Remuneration Consultants in the UK, in discharging its responsibilities. Kepler Associates was appointed by the Remuneration Committee in 2011 following a competitive tender process.

During the year, Kepler Associates provided advice on Executive Directors' remuneration, market and best practice guidance and attended meetings when major remuneration issues were discussed. Their total fees for advice to the Remuneration Committee in 2014 were £39,369 on the basis of time and materials.

The Committee evaluates the support provided by its advisers periodically and is comfortable that Kepler Associates provide independent remuneration advice to the Committee and does not have any connections with SEGRO which may impair its independence.

To ensure a consistent approach to remuneration across the Group, Kepler Associates also provides advice to the Company in respect of matters relating to the remuneration of all employees. Aon Hewitt Limited provided information to the Company in respect of pension-related matters. During the year, Slaughter and May provided advice to the Company in respect of its share-based incentive schemes as well as regulatory and pension matters.

Shareholder voting

Chart 17 below shows the results of the advisory vote on the 2013 Remuneration Report, plus the binding vote on the Remuneration Policy at the Company's AGM on 30 April 2014.

Chart 17: Shareholder voting at the 2014 AGM

	VOTES FOR (INCLUDING DISCRETIONARY)	% FOR	VOTES AGAINST	% AGAINST	TOTAL VOTES CAST	VOTES WITHHELD[1]
To approve the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy, for the financial year ended 31 December 2013.	427,379,271	95.63	19,538,393	4.37	446,917,664	59,783,031
To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the financial year ended 31 December 2013.	489,365,057	98.62	6,863,637	1.38	496,228,694	10,472,001

1 A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

This report was approved by the Board on 24 February 2015 and signed on its behalf by

BARONESS FORD
Chairman of the Remuneration Committee

Governance

REMUNERATION POLICY

The Remuneration Policy was approved by shareholders at the Annual General Meeting held on 30 April 2014 and became effective from this date.

The following is an extract from the 2013 SEGRO Annual Report and Accounts. Chart 3 has been updated to reflect current Board membership while Chart 5, which outlined the potential remuneration in 2014, has been removed. The full Remuneration Policy as approved by shareholders is available at www.segro.com.

Remuneration policy

The key aim of the Remuneration Policy is to align the interests of Executive Directors with those of the shareholders by supporting the delivery of strategy. The structure of the remuneration framework is designed to reflect the strategic direction of the business and to align it with the Company's KPIs. In setting the Remuneration Policy, the Committee takes into consideration, amongst other matters, investor guidelines and the maximum amount of remuneration the Executive Directors could receive should all targets be met. The Executive Directors' remuneration is set within a remuneration framework which applies to all employees across the Group. Each of the key elements of the remuneration package is designed to drive the creation of long-term shareholder value, without encouraging Executive Directors to take inappropriate risk.

Each year, with the support of external advisers, the Committee undertakes a review of the remuneration of the Executive Directors. It has oversight of the remuneration of the Senior Leadership Team, who are the senior managers immediately below Board level. It considers the responsibilities, experience and performance of the Executive Directors and pay across the Group.

Chart 1: Remuneration Policy table: Executive Directors

ELEMENT	STRATEGIC PURPOSE	OPERATION	MAXIMUM POTENTIAL VALUE	PERFORMANCE METRICS
Salary	To attract and motivate high calibre leaders in a competitive market and to recognise their skills, experience and contribution to Group performance.	The Committee reviews Executive Directors' base salaries each year in the context of total remuneration, taking into account the Directors' responsibilities, experience and performance, pay across the Group and market competitiveness.	The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce. However, larger increases may be awarded in certain circumstances including, but not limited to: an increase in scope or responsibilities of the role; salary progression for a newly appointed Director; and where the Director's salary has fallen significantly below the market positioning.	Not applicable.
Pension benefits	To provide a market competitive remuneration package.	Retirement benefits are available to all UK employees and employees in certain Continental European jurisdictions dependent on local market practice and geographical differences.	The Chief Executive receives a cash allowance of 30% of salary in lieu of pension. The Finance Director receives a cash allowance of 20% of salary in lieu of pension. The Chief Investment Officer and the Chief Operating Officer are both members of the defined benefit section of the SEGRO Pension Scheme.	None.
Bonus	To focus on the delivery of annual goals, to strive for superior performance and to achieve specific targets which support strategy, in particular for income generation, total property returns and recurring profit.	Bonuses are awarded annually and paid for performance over the financial year. The Bonus is reviewed each financial year to ensure performance measures and targets are appropriate and support the business strategy. Payment is based on the achievement of performance targets. The Committee retains discretion to reduce the amount of the Bonus award in the light of underlying performance during the year.	The maximum Bonus opportunity for the Chief Executive is 150% of salary and for other Executive Directors is 120% of salary.	The Bonus Scheme is based on three, equally weighted elements which the Committee may review from time-to-time, to ensure that they continue to reflect the Company's strategic priorities: EPRA PBT against budget which supports the objective of delivering a sustainable, progressive dividend; relative TPR against an IPD Benchmark which is the best and most important internal driver of TSR; and like-for-like rent roll growth which focuses on driving the future rental income and EPRA PBT of the business.

ELEMENT	STRATEGIC PURPOSE	OPERATION	MAXIMUM POTENTIAL VALUE	PERFORMANCE METRICS
Deferred Share Bonus Plan ('DSBP')	To encourage retention of senior managers and provide a long-term link between the Bonus and share price growth so as to encourage long-term decision making.	50% of any Bonus awarded in the year is deferred into shares in the DSBP for three years before vesting. The award does not carry any entitlement to dividends, however the Committee may, at the time of the release of the shares, pay a cash sum equivalent to the value of the dividends that would have been paid over the three-year holding period.	For Executive Directors, 50% of the Bonus earned in respect of the previous year's performance.	Vesting of shares is dependent on continued employment or good leaver status. The rules of the DSBP contain claw-back provisions in the event of misstatement or misconduct.
Long Term Incentive Plan ('LTIP')	To reward the execution of strategy and drive long-term returns for shareholders. The awards are designed to align the most senior managers' goals with the creation of sustainable growth in shareholder value. The awards will also increase retention of these senior managers.	For LTIP awards granted after 2011 dividends will accrue on the LTIP shares which are released on vesting and will be paid in cash or shares. The Committee has discretion to adjust awards downwards at vesting if it is not satisfied that the outcome is a fair reflection of underlying performance, or in the event of excessive risk-taking or misstatement.	The normal LTIP grant for Executive Directors is 200% of salary in performance shares.	LTIP awards made after 2011 are subject to stretching TSR and TPR performance conditions, which are equally weighted and measured over a four-year performance period.
Sharesave	To provide a market competitive remuneration package and to encourage employee share ownership across the Group.	Sharesave is a HMRC approved scheme open to all UK employees. Savings can be made over a three-year period to purchase shares in the Company at a price which is set at the beginning of the saving period. This price is usually set at a 20% discount to the market price.	Employees may save up to the HMRC limit across all Sharesave grants.	None.
Share Incentive Plan ('SIP') and Global Share Incentive Plan ('GSIP')	To provide a market competitive remuneration package and to encourage employee share ownership across the Group.	SIP is a HMRC approved scheme open to all UK employees, subject to service. Eligible employees are awarded shares annually up to the HMRC limits. GSIP is designed on a similar basis to SIP, but is not HMRC approved and is operated for non-UK employees.	The maximum award is subject to the HMRC limit.	Award is based on achievement of prior year profit before tax against budget and is subject to a three-year holding period.
Other benefits	To provide a market competitive remuneration package.	Other benefits currently include: car allowance; life assurance; disability insurance; private medical insurance; and health screening. The Committee retains the discretion to offer additional benefits as appropriate, for example, assistance with relocation.	–	None.

Governance

REMUNERATION POLICY
CONTINUED…

Additional notes

Remuneration Policy: the policy for the Executive Directors is designed with regard to the policy for employees across the Group. All employees are eligible for an annual Bonus on the same performance measures which are consistent with those of the Executive Directors save that those below Board level have a fourth target based on their individual performance score. The maximum Bonus opportunity is fixed according to seniority banding across the Company. The LTIP performance conditions are the same for all participants and the size of awards are determined by seniority.

Subject to consultation with major shareholders, the Committee retains the ability to adjust and/or to set different LTIP and Bonus performance measures if events occur (such as a change in strategy, a material acquisition and/or divestment of a Group business, or change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Payments from existing awards: Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy.

Chart 2: Remuneration Policy Table: Chairman and Non-Executive Directors

ELEMENT	STRATEGIC PURPOSE	OPERATION	MAXIMUM POTENTIAL VALUE	PERFORMANCE METRICS
Fees	To attract high-calibre Non-Executive Directors and provide market appropriate fees.	Fees are reviewed on an annual basis taking into account relevant market data. Additional fees are payable to reflect the time commitments of the Senior Independent Director and also the Chairmen of the Remuneration and Audit Committees. The fee paid to the Chairman is set by the Committee while the fees paid to the Non-Executive Directors are set by the Board. No Director is involved in setting their own remuneration. Non-Executive Directors do not participate in any performance related remuneration and they do not receive any benefits.	Any increases in the fees of the Chairman or the Non-Executive Directors will be based upon changes in roles and responsibilities and market data.	–

Policy on service contracts

Executive Directors

The contracts are on a 12-month rolling basis and do not contain liquidated damages clauses.

Non-Executive Directors

The Chairman and the Non-Executive Directors have letters of appointment which set out their duties and anticipated time commitment to the Company. They are required to disclose to the Board any changes to their other significant commitments. The Non-Executive Directors are appointed for an initial term of three years. The appointments may be extended for further three-year periods on the recommendation of the Nomination Committee and subject to the Board's agreement. The Non-Executive Directors' letters of appointment contain a three-month notice period and the Chairman's contains a six-month notice period. Further details are set out in Chart 3.

Chart 3: Dates of appointment and contractual notice period (updated to reflect changes to the Board during 2014)

NAME	DATE OF APPOINTMENT	NOTICE PERIOD
Nigel Rich	1 July 2006	6 months
David Sleath[1]	1 January 2006	12 months by the Company 6 months by the Director
Andy Gulliford	1 May 2013	12 months by the Company 6 months by the Director
Justin Read	30 August 2011	12 months by the Company 6 months by the Director
Phil Redding	1 May 2013	12 months by the Company 6 months by the Director
Christopher Fisher	1 October 2012	3 months
Margaret Ford	1 January 2013	3 months
Martin Moore[2]	1 July 2014	3 months
Mark Robertshaw	1 June 2010	3 months
Doug Webb	1 May 2010	3 months
Thom Wernink[3]	23 May 2005	3 months

1 Appointed as Chief Executive on 28 April 2011.
2 Appointed as a Director on 1 July 2014.
3 Retired as a Director on 30 April 2014.

Policy on recruitment

In determining appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both the Company and its shareholders. The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors, including any performance conditions attached to these awards, the likelihood of those conditions being met, and the proportion of the vesting period remaining, and will seek to do no more than match the fair value of awards foregone. In limited circumstances where employees are awarded benefits for which Executive Directors are not eligible, such as share retention awards, the Committee would consider honouring existing awards should these employees be appointed to the Board.

Chart 4: Recruitment policy

COMPONENT	APPROACH	MAXIMUM OPPORTUNITY
Base salary	The base salaries of new appointees will be determined taking into account the experience and skills of the individual, pay across the Group, relevant market data and their previous salary	–
Bonus	The structure set out in the Remuneration Policy table will apply to new appointee with the relevant maximum being pro-rated for their first year of employment	150% for the Chief Executive and 120% of salary for Executive Directors
DSBP	The structure set out in the Remuneration Policy table will apply to new appointees	50% of the bonus awarded will be deferred
LTIP	New appointees will be eligible for awards under the LTIP on the same terms as the other Executive Directors	200% of salary (300% in exceptional circumstances)
Pension	New appointees will be offered membership of the SEGRO plc Group Personal Pension Plan or a cash alternative unless already a member of the SEGRO Pension Scheme	–

REMUNERATION POLICY
CONTINUED…

Policy on termination payments

The Company retains the right to terminate the service contract of any Executive Director subject to contractually agreed payments in lieu of notice which are limited to annual salary plus any specified benefits. Payments are normally phased over the 12-month notice period, based on the principle of a Director's duty to seek alternative employment and thereby mitigate their loss.

The Committee reserves the right to make additional exit payments where such payments are made in good faith, for example: in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. In determining compensation, the Committee will take into account the circumstances of the departure, best practice and the provisions of the Code, and will take legal advice on the Company's liability to pay compensation.

Under the rules of the LTIP and the DSBP, the Committee has discretion to declare a Director leaving the Company to be a 'good leaver' as defined under the respective rules of the schemes. In respect of LTIP, this would normally allow the Directors, who the Committee determines to be good leavers, to receive their shares at the date of vesting subject to the achievement of performance conditions, with any vesting pro-rated in accordance with length of service during the period of grant. In respect of DSBP, this would normally allow the Directors, who the Committee determines to be good leavers, to receive their shares, in full, at the end of the holding period.

Where a Director may be entitled to pursue a claim against the Company in respect of their statutory employment rights or any other claim arising from the employment or its termination, the Company will be entitled to negotiate settlement terms (financial or otherwise) with the Director that the Committee considers to be reasonable in all the circumstances and in the best interests of the Company and to enter into a Settlement Agreement with the Director to effect both the terms agreed under the Service Agreement and any additional statutory or other claims, including bonus and/or share awards, in line with the policies described above.

In the event of a change of control of the Company, the Employee Benefit Trust, in consultation with the Company, has the discretion to determine whether, and the extent to which, awards vest. Financial performance and institutional guidelines would be taken into account in exercising this discretion.

Non-Executive Directors are not entitled to any compensation on termination of their appointment.

Policy on Executive Directors' external appointments

With the support of the Chairman and Chief Executive, the Executive Directors may normally be permitted to take one non-executive directorship outside the Group, as these roles can broaden the experience brought to the Board. Such appointments require Board approval and the time commitment the appointment will require is taken into consideration. Executive Directors may retain fees for external appointments.

Consideration of conditions elsewhere in the Group

The Remuneration Policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole. The Committee has oversight of the remuneration of the Senior Leadership Team. The Committee is kept updated through the year on general employment conditions and it approves the budget for annual salary increases. The Company did not consult with employees in formulating Executive Remuneration Policy.

Consideration of shareholder views

The Committee remains committed to open dialogue with shareholders on remuneration. When determining remuneration, the Committee takes into account the guidelines of investor bodies and shareholder views. In 2011, it consulted with shareholders on changes to the remuneration structure and, in early 2013, it consulted on an amendment to the Bonus rules.

The Chairman of the Remuneration Committee is available for meetings with shareholders should they have any concerns about remuneration matters which they wish to discuss.

Governance

DIRECTORS' REPORT

Share capital

The issued share capital for the year is set out on page 140.

There is one class of share in issue and there are no restrictions on the voting rights attached to these shares or the transfer of securities in the Company, and all shares are fully paid.

The Company made no purchases of its own shares during the year.

Dividends

Subject to approval by shareholders at the AGM, a final dividend of 10.2 pence per share will be paid (2013: 9.9 pence) bringing the total dividend for 2014 to 15.1 pence (2013: 14.8 pence). The final dividend will be paid as a Property Income Distribution. The Board has decided to recommend the re-introduction of a scrip dividend option (SCRIP) for the 2014 final dividend. The Dividend Reinvestment Plan will be suspended for the 2014 final dividend and for any dividend in respect of which the SCRIP dividend option is offered. Further details can be found on page 155.

The ex-dividend date for the final dividend will be 26 March 2015, the record date will be 27 March 2015 and the payment date will be 8 May 2015.

Change of control

Contracts and joint-venture agreements

There are a number of contracts and joint-venture agreements that could allow the counterparties to terminate or alter those arrangements in the event of a change of control of the Company. These arrangements are commercially confidential and their disclosure could be seriously prejudicial to the Company.

Borrowings and other financial instruments

The Group has a number of borrowing facilities provided by various lenders. These facilities generally include provisions that may require any outstanding borrowings to be repaid or the amendment or termination of the facilities upon the occurrence of a change of control of the Company.

Employee share plans

The Company's share plans contain provisions as a result of which options and awards may vest or become exercisable on change of control of the Company, in accordance with the rules of the plans.

Directors' authorities in relation to shares

The Directors' authorities in relation to issuing, allotting or buying back shares are governed by the Company's Articles of Association and the resolutions passed by shareholders at a general meeting. These documents do not form part of this Report.

Process for appointment/removal of Directors

The Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation with regards to the appointment and removal of Directors. Directors are appointed by the Board and elected by shareholders. Directors may be removed by the Board or shareholders as applicable.

DIRECTORS' REPORT CONTINUED…

Substantial interests in the share capital of the Company

At 20 February 2015, the following major interests in the ordinary share capital had been notified to the Company:

SHAREHOLDER	DIRECT VOTING RIGHTS	INDIRECT VOTING RIGHTS	AGGREGATE VOTING RIGHTS	PERCENTAGE
Blackrock Inc, and its subsidiaries	–	62,670,892	62,670,892	8.44%
APG Algemene Pensioen Groupe NV and its subsidiaries	44,113,486	–	44,113,486	5.94%
Artemis Investment Management LLP	35,401,287	3,476,053	38,887,340	5.24%

Articles of association

Shareholders may amend the Company's Articles of Association by special resolution.

Political donations

No political donations were made by the Company or its subsidiaries during the year.

Directors' indemnities

No Company or subsidiary company Directors were indemnified during the year.

Overseas branches

The Company has a branch in Paris, France.

Directors' Report disclosures

Certain Directors' Report disclosures have been made in the Strategic Report so as to increase their prominence. These disclosures include those relating to: greenhouse gas emissions; financial instruments and certain financial risks; employee involvement; the employment, training and advancement of disabled persons; the review of the Group's business during the year and any future developments.

Auditor of the Company

A resolution to reappoint Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to the auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Directors' Report has been approved by the Board and signed on its behalf by

ELIZABETH BLEASE
General Counsel and Company Secretary
24 February 2015

Governance

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
3. the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

DAVID SLEATH
Chief Executive
24 February 2015

JUSTIN READ
Group Finance Director
24 February 2015

FINANCIAL STATEMENTS

In this section

WP Logistics & Nespresso, Krefeld

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEGRO PLC FOR THE YEAR ENDED 31 DECEMBER 2014

Opinion on financial statements of SEGRO plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related Notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

As required by the Listing Rules we have reviewed the Directors' statement contained on page 101 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

RISK	HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE RISK
SEGRO plc owns and manages a portfolio of modern warehousing, light industrial and data centre properties. The portfolio is valued at £4,798.7 million, including share of joint venture properties, as at 31 December 2014. The Group uses professionally qualified external valuers to fair value the Group's portfolio at six-monthly intervals. The portfolio (excluding development properties) is valued by the investment method of valuation with development properties valued by the same methodology with a deduction for all costs necessary to complete the development together with a remaining allowance for risk. See accounting policy on page 113 and Note 15 to the financial statements.	We assessed management's process for reviewing and challenging the work of the external valuers as well as assessed the competence, independence and integrity of the external valuers. We obtain the external valuation reports and met with the external valuers of the portfolio to discuss the results of their work on a sample of properties. With the assistance of a member of the audit team, who is a chartered surveyor, we discuss and challenge the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including occupancy rates, yields and development milestones. We benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the yield. We performed audit procedures to assess the integrity of information provided to the independent valuers relating to rental income, purchasers' costs and occupancy. We assessed the Group's development appraisal process by assessing the forecast cost to complete and commitments of key developments.
Revenue recognition, focusing on the accounting treatment for unusual or more complex items including lease incentives. See accounting policy on page 113 and Note 4 to the financial statements.	As part of our audit of revenue, we focused on any unusual and complex adjustments to revenue, agreeing all items to the underlying leases and recalculating the revenue recognised in relation to lease incentives.
Accounting for significant financing transactions and complex financial instruments, in particular the valuation of complex financial instruments. See accounting policy on page 114 and Note 20 to the financial statements.	We audited each significant financing transaction, agreeing the terms of the repayments and drawdowns to loan agreements. We used our financial instrument specialists to recalculate the valuation of complex financial instruments using market interest rates.
SEGRO plc has undertaken a number of material acquisitions and disposals in the year, in particular the disposal of Pegasus Park, for €83.4 million and a portfolio of UK logistics assets for £153.0 million. Key acquisitions have been €472.0 million within the SEGRO European Logistics Partnership (SELP) and £95.6 million acquisition of the remaining interest in the Logistics Property Partnership (LPP) joint venture. See accounting policy on page 113 and Notes 8 and 15 to the financial statements.	We confirmed key transaction terms to sale and purchase agreements for all significant acquisitions and disposals to verify that key terms and pricing were appropriately reflected in any calculation of profit or loss on disposal. We considered the date at which the transaction completed based on the acquisition or disposal agreements. We checked that the transactions are properly reflected and disclosed in the accounts.

Last year our report included one risk that is not included in our report this year: Accounting for the creation of the SEGRO European Logistics Partnership (SELP) joint venture, including the determination of the gain on disposal of the portfolio into the venture and the assessment of the nature of the jointly controlled entity. The accounting was completed during the prior year audit and therefore the risk is not relevant for this year end.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 79.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £40.0 million (2013: £40.0 million) which is between 1-2% (2013: approximately 2%) of net assets. In addition to net assets, we consider EPRA Adjusted Profit Before Tax to be a critical financial performance measure for the Group and we applied a lower threshold of £6.5 million (2013: £7.0 million) based on 5% (2013: 5%) of that measure for testing of all balances impacting this financial performance measure, primarily revenue.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.8 million (2013: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We perform full scope audits on 6 (2013: 7) significant components, including Joint Ventures, located within each of the SEGRO plc reportable segments. The reduction in components is due to Belgium no longer being considered significant following the disposal of Pegasus Park, in September 2014.

These components together comprise circa 96% (2013: 97%) of total Group net assets and 93% (2013: 94%) of EPRA adjusted profit before tax. Our audit work at each of these components was executed at levels of materiality applicable to each component, which in all instances was lower than Group materiality.

The majority of the work on the key audit risks was performed centrally, including in respect of all valuations, material transactions and financing items. Outside of the UK, where applicable, the Group audit team conducts a programme of planned visits designed so that the Senior Statutory Auditor visits each of the locations where the Group audit scope was focused at least once every three years.

We have obtained an understanding of the Group's system of internal controls and undertaken a combination of procedures, all of which are designed to target the Group's identified risks of material misstatement in the most effective and efficient manner possible.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEGRO PLC CONTINUED...

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Claire Faulkner (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
24 February 2015

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 £m	2013 £m
REVENUE	4	**290.0**	339.8
Gross rental income	4	**215.1**	273.8
Property operating expenses	5	**(40.5)**	(50.4)
NET RENTAL INCOME		**174.6**	223.4
Joint venture management fee income	4	**11.8**	7.1
Administration expenses	6	**(28.3)**	(26.1)
Share of profit from joint ventures after tax	7	**151.4**	70.6
Realised and unrealised property gain	8	**408.6**	97.7
Other investment income/(loss)	9	**1.9**	(0.4)
Amounts written off on acquisitions	10	**(0.2)**	(0.2)
OPERATING PROFIT		**719.8**	372.1
Finance income	11	**84.3**	54.2
Finance costs	11	**(149.7)**	(214.2)
PROFIT BEFORE TAX		**654.4**	212.1
Tax	12	**27.6**	(2.9)
PROFIT AFTER TAX		**682.0**	209.2
Attributable to equity shareholders		**682.0**	210.6
Attributable to non-controlling interests		**–**	(1.4)
		682.0	209.2
EARNINGS PER SHARE			
Basic and diluted earnings per share	14	**92.0**	28.4

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 £m	2013 £m
Profit for the year		**682.0**	209.2
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Actuarial loss on defined benefit pension schemes	21	**(13.7)**	(1.2)
		(13.7)	(1.2)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Foreign exchange movement arising on translation of international operations		**(34.2)**	4.4
Decrease in value of available-for-sale investments	16	**(0.7)**	(1.5)
Fair value movements on derivatives in effective hedge relationships		**22.0**	5.7
		(12.9)	8.6
Tax on components of other comprehensive income		**–**	–
OTHER COMPREHENSIVE (LOSS)/PROFIT BEFORE TRANSFERS		**(26.6)**	7.4
Transfer to income statement on sale of available-for-sale investments	9	**(2.2)**	0.3
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		**653.2**	216.9
Attributable to equity shareholders		**653.2**	218.3
Attributable to non-controlling interests		**–**	(1.4)
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR		**653.2**	216.9

BALANCE SHEETS
AS AT 31 DECEMBER 2014

	NOTES	GROUP 2014 £m	GROUP 2013 £m	COMPANY 2014 £m	COMPANY 2013 £m
ASSETS					
NON-CURRENT ASSETS					
Goodwill and other intangibles		**3.3**	3.5	**–**	–
Investment properties	15	**3,477.0**	2,910.0	**–**	–
Owner occupied properties		**–**	4.1	**–**	–
Plant and equipment		**6.6**	4.7	**1.2**	1.3
Investments in subsidiaries	7	**–**	–	**4,669.1**	4,554.3
Investments in joint ventures	7	**855.5**	635.7	**–**	–
Available-for-sale investments	16	**5.8**	12.1	**–**	–
Trade and other receivables	17	**52.0**	65.6	**52.0**	65.2
		4,400.2	3,635.7	**4,722.3**	4,620.8
CURRENT ASSETS					
Trading properties	15	**77.8**	138.7	**–**	–
Trade and other receivables	17	**311.8**	243.3	**81.8**	30.5
Cash and cash equivalents	19	**23.8**	233.8	**11.0**	220.0
		413.4	615.8	**92.8**	250.5
TOTAL ASSETS		**4,813.6**	4,251.5	**4,815.1**	4,871.3
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	19	**1,495.4**	1,690.3	**1,503.4**	1,702.9
Deferred tax liabilities	12	**10.3**	11.4	**–**	–
Provisions		**12.3**	8.8	**12.3**	8.0
Trade and other payables	18	**29.8**	15.6	**974.6**	1,131.2
		1,547.8	1,726.1	**2,490.3**	2,842.1
CURRENT LIABILITIES					
Trade and other payables	18	**166.8**	175.0	**33.2**	34.8
Borrowings	19	**207.6**	2.6	**209.0**	–
Tax liabilities		**2.6**	2.9	**0.1**	1.7
		377.0	180.5	**242.3**	36.5
TOTAL LIABILITIES		**1,924.8**	1,906.6	**2,732.6**	2,878.6
NET ASSETS		**2,888.8**	2,344.9	**2,082.5**	1,992.7
EQUITY					
Share capital	22	**74.2**	74.2	**74.2**	74.2
Share premium	23	**1,070.0**	1,069.9	**1,070.0**	1,069.9
Capital redemption reserve		**113.9**	113.9	**113.9**	113.9
Own shares held	24	**(6.1)**	(5.3)	**(6.1)**	(5.3)
Revaluation reserve		**–**	(3.2)	**–**	–
Other reserves		**169.5**	182.5	**219.3**	218.1
Retained earnings		**1,467.3**	912.7	**611.2**	521.9
TOTAL SHAREHOLDERS' EQUITY		**2,888.8**	2,344.7	**2,082.5**	1,992.7
Non-controlling interests		**–**	0.2	**–**	–
TOTAL EQUITY		**2,888.8**	2,344.9	**2,082.5**	1,992.7
NET ASSETS PER ORDINARY SHARE					
Basic and diluted net assets per share	14	**390**	316		

The financial statements of SEGRO plc (registered number 167591) on pages 107 to 148 were approved by the Board of Directors and authorised for issue on 24 February 2015 and signed on its behalf by:

DJR Sleath **JR Read**
Directors

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

GROUP	BALANCE 1 JANUARY 2014 £m	EXCHANGE MOVEMENT £m	RETAINED PROFIT £m	ITEMS TAKEN DIRECTLY TO RESERVES £m	SHARES ISSUED £m	OTHER £m	DIVIDENDS £m	TRANSFERS £m	BALANCE 31 DECEMBER 2014 £m
Ordinary share capital	**74.2**	–	–	–	–	–	–	–	**74.2**
Share premium	**1,069.9**	–	–	–	**0.1**	–	–	–	**1,070.0**
Capital redemption reserve	**113.9**	–	–	–	–	–	–	–	**113.9**
Own shares held	**(5.3)**	–	–	–	–	**(2.1)**	–	**1.3**	**(6.1)**
Revaluation reserve	**(3.2)**	–	–	–	–	–	–	**3.2**	–
Other reserves:									
Share based payments reserve	**5.4**	–	–	–	–	**2.7**	–	**(0.6)**	**7.5**
Fair value reserve for AFS[1]	**3.3**	–	–	**(0.7)**	–	**(2.2)**	–	–	**0.4**
Translation and other reserves	**4.7**	**(34.2)**	–	**22.0**	–	–	–	–	**(7.5)**
Merger reserve	**169.1**	–	–	–	–	–	–	–	**169.1**
Total other reserves	**182.5**	**(34.2)**	–	**21.3**	–	**0.5**	–	**(0.6)**	**169.5**
Retained earnings	**912.7**	–	**682.0**	**(13.7)**	–	–	**(109.8)**	**(3.9)**	**1,467.3**
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS	**2,344.7**	**(34.2)**	**682.0**	**7.6**	**0.1**	**(1.6)**	**(109.8)**	–	**2,888.8**
Non-controlling interests	**0.2**	–	–	–	–	**(0.2)**	–	–	–
TOTAL EQUITY	**2,344.9**	**(34.2)**	**682.0**	**7.6**	**0.1**	**(1.8)**	**(109.8)**	–	**2,888.8**

FOR THE YEAR ENDED 31 DECEMBER 2013

GROUP	BALANCE 1 JANUARY 2013 £m	EXCHANGE MOVEMENT £m	RETAINED PROFIT £m	ITEMS TAKEN DIRECTLY TO RESERVES £m	SHARES ISSUED £m	OTHER £m	DIVIDENDS £m	TRANSFERS £m	BALANCE 31 DECEMBER 2013 £m
Ordinary share capital	74.2	–	–	–	–	–	–	–	74.2
Share premium	1,069.9	–	–	–	–	–	–	–	1,069.9
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(7.3)	–	–	–	–	(0.5)	–	2.5	(5.3)
Revaluation reserve	(2.6)	–	–	–	–	–	–	(0.6)	(3.2)
Other reserves:									
Share based payments reserve	5.1	–	–	–	–	1.6	–	(1.3)	5.4
Fair value reserve for AFS[1]	4.5	–	–	(1.5)	–	0.3	–	–	3.3
Translation and other reserves	(5.4)	4.4	–	5.7	–	–	–	–	4.7
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	173.3	4.4	–	4.2	–	1.9	–	(1.3)	182.5
Retained earnings	813.6	–	210.6	(1.2)	–	–	(109.7)	(0.6)	912.7
Total equity attributable to equity shareholders	2,235.0	4.4	210.6	3.0	–	1.4	(109.7)	–	2,344.7
Non-controlling interests	1.6	–	(1.4)	–	–	–	–	–	0.2
TOTAL EQUITY	2,236.6	4.4	209.2	3.0	–	1.4	(109.7)	–	2,344.9

1 AFS is the term used for 'Available-for-sale investments' and is shown net of deferred tax.

STATEMENTS OF CHANGES IN EQUITY CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

COMPANY	BALANCE 1 JANUARY 2014 £m	RETAINED PROFIT £m	ITEMS TAKEN DIRECTLY TO RESERVES £m	SHARES ISSUED £m	OTHER £m	DIVIDENDS £m	TRANSFERS £m	BALANCE 31 DECEMBER 2014 £m
Ordinary share capital	74.2	–	–	–	–	–	–	74.2
Share premium	1,069.9	–	–	0.1	–	–	–	1,070.0
Capital redemption reserve	113.9	–	–	–	–	–	–	113.9
Own shares held	(5.3)	–	–	–	(2.1)	–	1.3	(6.1)
Other reserves:								
Share based payments reserve	1.6	–	–	–	1.8	–	(0.6)	2.8
Translation and other reserves	47.4	–	–	–	–	–	–	47.4
Merger reserve	169.1	–	–	–	–	–	–	169.1
Total other reserves	218.1	–	–	–	1.8	–	(0.6)	219.3
Retained earnings	521.9	212.0	(12.2)	–	–	(109.8)	(0.7)	611.2
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS	1,992.7	212.0	(12.2)	0.1	(0.3)	(109.8)	–	2,082.5

FOR THE YEAR ENDED 31 DECEMBER 2013

COMPANY	BALANCE 1 JANUARY 2013 £m	RETAINED PROFIT £m	ITEMS TAKEN DIRECTLY TO RESERVES £m	SHARES ISSUED £m	OTHER £m	DIVIDENDS £m	TRANSFERS £m	BALANCE 31 DECEMBER 2013 £m
Ordinary share capital	74.2	–	–	–	–	–	–	74.2
Share premium	1,069.9	–	–	–	–	–	–	1,069.9
Capital redemption reserve	113.9	–	–	–	–	–	–	113.9
Own shares held	(7.3)	–	–	–	(0.5)	–	2.5	(5.3)
Other reserves:								
Share based payments reserve	1.7	–	–	–	0.5	–	(0.6)	1.6
Translation and other reserves	47.4	–	–	–	–	–	–	47.4
Merger reserve	169.1	–	–	–	–	–	–	169.1
Total other reserves	218.2	–	–	–	0.5	–	(0.6)	218.1
Retained earnings	484.1	151.7	(2.3)	–	–	(109.7)	(1.9)	521.9
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS	1,953.0	151.7	(2.3)	–	–	(109.7)	–	1,992.7

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

		GROUP		COMPANY	
	NOTES	2014 £m	2013 £m	2014 £m	2013 £m
CASH FLOWS FROM OPERATING ACTIVITIES	29	**176.1**	204.0	**(28.2)**	(30.0)
Interest received		**83.3**	58.6	**160.1**	174.3
Dividends received		**22.2**	24.1	**25.0**	70.7
Interest paid		**(155.8)**	(156.1)	**(102.6)**	(162.3)
Tax paid		**(2.8)**	(2.4)	**–**	–
NET CASH RECEIVED FROM OPERATING ACTIVITIES		**123.0**	128.2	**54.3**	52.7
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase and development of investment properties		**(247.9)**	(211.1)	**–**	–
Sale of investment properties		**408.7**	559.9	**–**	–
Repayment of finance lease receivables		**–**	8.1	**–**	–
Purchase of plant and equipment and intangibles		**(4.2)**	(3.2)	**–**	(0.1)
Sale of available-for-sale investments		**5.6**	1.8	**–**	–
Additional net investment in subsidiary undertakings		**–**	–	**(12.2)**	(165.0)
Loan advances repaid by subsidiary undertakings		**–**	–	**(207.0)**	901.7
Acquisition of LPP		**(95.6)**	–	**–**	–
Sale of SELP portfolio	29	**4.8**	402.8	**–**	–
Investment in joint ventures		**(201.7)**	(52.2)	**–**	–
NET CASH (USED IN)/RECEIVED FROM INVESTING ACTIVITIES		**(130.3)**	706.1	**(219.2)**	736.6
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to ordinary shareholders		**(109.8)**	(109.7)	**(109.8)**	(109.7)
Net (decrease)/increase in other borrowings		**(148.3)**	(431.0)	**8.5**	(390.7)
Net costs to close out debt		**(1.6)**	–	**–**	–
Early close out of interest rate swaps		**–**	(27.2)	**–**	(25.5)
Net settlement of foreign exchange derivatives		**59.2**	(47.9)	**59.2**	(47.9)
Proceeds from issue of ordinary shares		**0.1**	–	**0.1**	–
Purchase of ordinary shares		**(2.1)**	(0.5)	**(2.1)**	(0.5)
NET CASH USED IN FINANCING ACTIVITIES		**(202.5)**	(616.3)	**(44.1)**	(574.3)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(209.8)**	218.0	**(209.0)**	215.0
Cash and cash equivalents at the beginning of the year		**233.8**	15.4	**220.0**	5.0
Effect of foreign exchange rate changes		**(0.2)**	0.4	**–**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**23.8**	233.8	**11.0**	220.0

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC Interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore the Group's financial statements comply with Article 4 of the EU IAS Regulations. In addition, the Group has also followed best practice recommendations issued by the European Public Real Estate Association (EPRA) as appropriate.

The financial statements have been prepared on a going concern basis. This is discussed in the Financial Review on page 61.

The Directors have taken advantage of the exemption offered by Section 408 of the Companies Act 2006 not to present a separate income statement and statement of comprehensive income for the Company. The financial statements have been prepared under the historical cost convention as modified by the revaluation of properties, available-for-sale investments and certain financial assets and liabilities including derivatives. These financial statements are presented in sterling since that is the currency in which the majority of the Group's transactions are denominated.

The following new and revised Standards and Interpretations have been adopted in the current year.

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 (revised May 2011) Separate Financial Statements
- IAS 28 (revised May 2011) Investments in Associates and Joint Ventures
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The adoption of the Standards and Interpretations has not significantly impacted these financial statements with the exception of IFRS 12 resulting in more extensive disclosure in the consolidated financial statements (see Note 7).

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRIC 21 Levies
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Amendments to IAS 27 Equity Method in Separate Financial Statements

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of Financial Instruments. The Group has not yet completed its evaluation of the effect of adoption.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Basis of consolidation

The consolidated financial statements 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. The Company holds investments in subsidiaries and joint ventures at cost less accumulated impairment losses. 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.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the income statement as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

1. Significant accounting policies continued

Goodwill arising on acquisition is recognised as an asset measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

The interest of non-controlling interest shareholders in the acquiree is initially measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

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 and derivatives that hedge investments in foreign subsidiaries, where exchange differences are booked in equity until the investment is realised.

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 reserves and recognised in the income statement when the operation is sold.

The principal exchange rates used to translate foreign currency denominated amounts in 2014 are:

Balance sheet: £1 = €1.29 (31 December 2013: £1 = €1.20). Income statement: £1 = €1.24 (2013: £1 = €1.18)

Investment properties

These properties include completed properties that are generating rent or are available for rent, and development properties that are under development or available for development. Investment 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 independent 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. As the Group uses the fair value model, as per IAS 40 'Investment Properties', no depreciation is provided.

Trading properties

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

Trading properties are transferred to investment properties when there is a change in use evidenced by the commencement of an operating lease to another party, together with the intention to hold the property to generate rent, or for capital appreciation, or for both.

Property acquisitions and disposals

Properties are treated as acquired at the point when the Group assumes the significant risks and rewards of ownership and as disposed when these are transferred to the buyer. Generally this would occur on completion of contract.

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 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 gross rental income, joint venture management fee income, income from service charges and proceeds from the sale of trading properties. Joint venture management fee income is recognised as income when earned.

Rental income

Rental income 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 ('rent averaging'). 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 recognised 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. Service charge income is netted against property operating expenses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Significant accounting policies continued

Financial instruments

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.

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 for the relevant currency. 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 (principally interest rate swaps, currency swaps and forward foreign exchange contracts) in managing interest rate risk and currency 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, and may go to other comprehensive income.

Derivatives with a maturity of less than twelve months or that expect to be settled within twelve months of the balance sheet date are presented as current assets or liabilities. Other derivatives are presented as non-current assets or liabilities.

Trade and other receivables and payables
Trade and other receivables are booked at fair value and subsequently measured at amortised cost using the effective interest method. 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 initially measured at fair value, net of transaction costs and subsequently measured at amortised costs using the effective interest method.

Available-for-sale (AFS) investments
AFS investments are initially measured at cost, and then revalued to fair 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 within other investment income.

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 in the statement of comprehensive income. 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 21.

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 non-market based performance conditions will not be met.

Income tax
Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that suitable taxable profits will be available against which deductible temporary differences can be utilised.

Critical accounting judgements and key sources of estimation and uncertainty
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 in which such judgements have been applied. The critical estimate and assumption relates to the property valuations applied by the Group's property valuers. In addition to property valuations, key judgements and assumptions drive the accounting for significant transactions, revenue recognition and the valuation of financial instruments. Other less significant judgements and sources of uncertainty relate to provisioning, the actuarial assumptions used in calculating the Group's retirement benefit obligations and compliance with the REIT and SIIC/SPPICAV regimes and other tax judgements. These are described in more detail in the accounting policy notes above, or the applicable note to the financial statements.

2. EPRA profit

	2014 £m	2013 £m
Gross rental income	**215.1**	273.8
Property operating expenses	**(40.5)**	(50.4)
NET RENTAL INCOME	**174.6**	223.4
Joint venture management fee income	**11.8**	7.1
Administration expenses	**(28.3)**	(26.1)
Share of joint ventures' EPRA profit after tax	**46.3**	26.3
EPRA OPERATING PROFIT BEFORE INTEREST AND TAX	**204.4**	230.7
Net finance costs (including adjustments)	**(74.7)**	(96.6)
EPRA PROFIT BEFORE TAX	**129.7**	134.1
ADJUSTMENTS:		
Adjustments to the share of profit from joint ventures after tax[1]	**105.1**	44.3
Profit on sale of investment properties	**25.0**	13.0
Valuation surplus on investment and owner occupied properties	**385.6**	93.8
(Loss)/profit on sale of trading properties	**(0.3)**	6.1
Increase in provision for impairment of trading properties	**(1.7)**	(15.2)
Other investment income/(loss)	**1.9**	(0.4)
Amounts written off on acquisitions	**(0.2)**	(0.2)
Cost of early close out of bank debt	**(1.6)**	–
Net fair value gain/(loss) on interest rate swaps and other derivatives	**10.9**	(63.4)
TOTAL ADJUSTMENTS	**524.7**	78.0
PROFIT BEFORE TAX	**654.4**	212.1
TAX		
On EPRA profits	**(1.9)**	(2.7)
In respect of adjustments	**(4.1)**	(0.2)
US tax refund[2]	**33.6**	–
	27.6	(2.9)
PROFIT AFTER TAX		
EPRA profit after tax	**127.8**	131.4
Adjustments	**554.2**	77.8
PROFIT AFTER TAX	**682.0**	209.2

1 A detailed breakdown of the adjustments to the share of profit from joint ventures is included in Note 7.

2 As discussed further in Note 12.

The adjustments outlined above arise from adopting the Best Practices Recommendations of European Public Real Estate Association (EPRA). The EPRA profit measures highlight the underlying recurring performance of the property rental business, which is our core operational activity and also provide a consistent basis to enable a comparison between European property companies.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…
FOR THE YEAR ENDED 31 DECEMBER 2014

3. Segmental analysis
The Group's reportable segments are the geographical business units, Greater London, Thames Valley and National Logistics, Northern Europe (principally Germany), Southern Europe (principally France) and Central Europe (principally Poland), which are managed and reported to the Board as separate distinct business units.

31 DECEMBER 2014	GROSS RENTAL INCOME £m	NET RENTAL INCOME £m	SHARE OF JOINT VENTURES' EPRA PROFIT £m	EPRA PBIT £m	TOTAL DIRECTLY OWNED PROPERTY ASSETS £m	INVESTMENTS IN JOINT VENTURES £m	CAPITAL EXPENDITURE [2] £m
Greater London	**65.7**	**57.6**	**16.5**	**77.3**	**1,242.5**	**410.4**	**41.8**
Thames Valley and National Logistics	**90.0**	**82.3**	**4.4**	**86.8**	**1,653.4**	**12.5**	**486.7**
Northern Europe	**31.3**	**23.1**	**7.9**	**32.8**	**223.4**	**166.4**	**30.6**
Southern Europe	**23.0**	**18.6**	**8.4**	**27.7**	**288.4**	**122.8**	**9.7**
Central Europe	**5.1**	**3.0**	**9.5**	**14.2**	**147.1**	**139.9**	**26.3**
Other[1]	**–**	**(10.0)**	**(0.4)**	**(34.4)**	**–**	**3.5**	**3.4**
Total	**215.1**	**174.6**	**46.3**	**204.4**	**3,554.8**	**855.5**	**598.5**

31 DECEMBER 2013	GROSS RENTAL INCOME £m	NET RENTAL INCOME £m	SHARE OF JOINT VENTURES' EPRA PROFIT £m	EPRA PBIT £m	TOTAL DIRECTLY OWNED PROPERTY ASSETS £m	INVESTMENTS IN JOINT VENTURES £m	CAPITAL EXPENDITURE [2] £m
Greater London	73.4	62.1	15.6	83.0	1,106.9	289.3	57.5
Thames Valley and National Logistics	89.2	79.0	5.4	84.6	1,160.0	84.6	55.7
Northern Europe	40.7	28.3	1.4	27.9	363.5	66.0	74.5
Southern Europe	46.2	39.7	1.8	40.4	301.0	84.3	41.5
Central Europe	24.3	21.4	2.2	23.3	121.4	103.7	75.6
Other[1]	–	(7.1)	(0.1)	(28.5)	–	7.8	2.1
Total	273.8	223.4	26.3	230.7	3,052.8	635.7	306.9

1 Other includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical business unit.

2 Capital expenditure includes additions and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees. The 'Other' category includes non-property related spend, primarily IT.

Revenues from the most significant countries within the Group were UK £173.9 million (2013: £184.2 million), Germany £55.8 million (2013: £34.1 million), France £21.4 million (2013: £49.9 million) and Poland £8.2 million (2013: £30.1 million).

4. Revenue

	2014 £m	2013 £m
Rental income from investment properties	**200.3**	242.8
Rental income from trading properties	**7.8**	13.0
Rent averaging	**3.9**	10.2
Surrender premiums	**3.1**	7.4
Interest received on finance lease assets	**–**	0.4
GROSS RENTAL INCOME	**215.1**	273.8
Joint venture management fee income – property management fees	**12.2**	5.4
– performance and other fees	**(0.4)**	1.7
Service charge income	**19.7**	40.2
Proceeds from sale of trading properties	**43.4**	18.7
TOTAL REVENUE	**290.0**	339.8

5. Property operating expenses

	2014 £m	2013 £m
Vacant property costs	**7.5**	12.6
Letting, marketing, legal and professional fees	**6.9**	8.5
Bad debt expense	**0.2**	2.8
Other expenses, net of service charge income	**8.5**	11.0
PROPERTY MANAGEMENT EXPENSES	**23.1**	34.9
Property administration expenses[1]	**19.9**	17.6
Costs capitalised[2]	**(2.5)**	(2.1)
TOTAL PROPERTY OPERATING EXPENSES	**40.5**	50.4

1 Property administration expenses predominantly relate to the employee staff costs of personnel directly involved in managing the property portfolio.

2 Costs capitalised relate to internal employee staff costs directly involved in developing the property portfolio.

6. Administration expenses

6(i) – Total administration expenses

	2014 £m	2013 £m
Directors' remuneration	**4.5**	3.2
Depreciation	**2.2**	2.1
Other administration expenses	**21.6**	20.8
TOTAL ADMINISTRATION EXPENSES	**28.3**	26.1

The full 2014 depreciation charge, including amounts charged under other headings, is £2.3 million (2013: £2.2 million), and relates to assets owned by the Group. Other administration expenses include the cost of services of the Group's auditor, as described overleaf.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

6. Administration expenses continued

6(ii) – Fees in relation to services provided by the Group's auditor

	2014 £m	2013 £m
AUDIT SERVICES:		
Parent company	**0.4**	0.4
Subsidiary undertakings	**0.2**	0.2
TOTAL AUDIT FEES	**0.6**	0.6
Audit related assurance services	**–**	0.1
AUDIT AND AUDITED RELATED ASSURANCE SERVICES	**0.6**	0.7
OTHER FEES:		
Taxation – compliance services	**0.1**	0.1
Other[1]	**0.2**	0.5
TOTAL OTHER FEES	**0.3**	0.6
TOTAL FEES IN RELATION TO AUDIT AND OTHER SERVICES	**0.9**	1.3

1 Other services principally relate to those earned by Deloitte Real Estate.

In addition to the above, an audit fee of £47,000 (2013: £45,000), together with other fees totalling £98,000 (2013: £85,000) was due to the Group's auditor in respect of the Airport Property Partnership (APP) joint venture for the year ended 31 December 2014. Also, an audit fee of £26,000 was due to the Group's auditor in respect of the Heathrow Big Box Industrial and Distribution Fund joint venture for the year ended 31 December 2014 (2013: £25,000) and £41,000 was due to the Group's auditor in respect of the audit of the Logistics Property Partnership (LPP) joint venture for the year ended 31 December 2013. As the Logistics Property Partnership is now wholly owned the audit fee for the year ended 31 December 2014 is included in the above table. Further, an audit fee of £165,000 was due to the Group's auditor in respect of the SEGRO European Logistics Partnership (SELP) for the year ended 31 December 2014 (2013: £128,000) and £10,000 other fees (2013: £9,000).

6(iii) – Staff costs

The table below presents staff costs which are recognised in both property operating expenses and administration expenses in the income statement.

	2014 £m	2013 £m
Wages and salaries	**23.9**	20.7
Social security costs	**3.8**	3.7
Pension costs	**1.8**	1.8
Share scheme costs	**2.0**	0.9
Termination benefits	**1.9**	0.7
TOTAL	**33.4**	27.8
Average number of Group employees	**253**	238

Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement and those specified by the Listing Rules of the Financial Services Authority are included on pages 83 to 93 in the Remuneration Report and form part of these financial statements.

7. Investments in joint ventures and subsidiaries

7(i) – Profit from joint ventures after tax

The table below presents a summary income statement of the Group's largest joint ventures all of which are accounted for using the equity method as set out in Note 1. Each joint venture operates in the UK apart from SELP which is incorporated in Luxembourg and owns logistics property assets in Continental Europe. The Logistics Property Partnership owned logistics property assets and The Airport Property Partnership owns aviation-related property assets across sectors near airport hubs. The Heathrow Big Box Industrial and Distribution Fund owns two assets across logistics and industrial sectors.

AT 100%	SEGRO EUROPEAN LOGISTICS PARTNERSHIP £m	LOGISTICS PROPERTY PARTNERSHIP £m	AIRPORT PROPERTY PARTNERSHIP £m	HEATHROW BIG BOX INDUSTRIAL AND DISTRIBUTION FUND £m	OTHER £m	2014 £m	2013 £m
Gross rental income	76.9	13.0	45.2	14.0	–	149.1	97.0
Property operating expenses:							
– underlying property operating expenses	(3.0)	(0.2)	(1.3)	(0.1)	–	(4.6)	(3.2)
– vacant property costs	(1.6)	(0.2)	(4.3)	(0.1)	–	(6.2)	(3.6)
– property management fees	(6.3)	(0.6)	(5.0)	(0.3)	–	(12.2)	(7.0)
– performance and other fees	–	–	0.7	–	–	0.7	(2.2)
NET RENTAL INCOME	66.0	12.0	35.3	13.5	–	126.8	81.0
Administration expenses	(1.4)	–	(0.1)	–	–	(1.5)	(0.8)
Finance income (including adjustments)	–	1.2	–	–	–	1.2	0.6
Finance costs (including adjustments)	(12.6)	(4.3)	(14.2)	(1.6)	–	(32.7)	(28.4)
EPRA PROFIT BEFORE TAX	52.0	8.9	21.0	11.9	–	93.8	52.4
Tax on EPRA profits	(1.2)	–	–	–	–	(1.2)	0.2
EPRA PROFIT AFTER TAX	50.8	8.9	21.0	11.9	–	92.6	52.6
AT SHARE						*46.3*	*26.3*
ADJUSTMENTS:							
Profit on sale of investment properties	0.1	1.3	–	–	–	1.4	–
Valuation surplus on investment properties	42.5	29.0	103.2	44.3	–	219.0	98.8
Increase in provision for impairment of trading properties	–	–	–	–	(1.6)	(1.6)	(3.0)
Net fair value gain on interest rate swaps and other derivatives	–	0.1	–	0.3	–	0.4	1.8
Amounts written off on acquisitions	–	–	–	–	–	–	(0.4)
Other investment income	–	–	3.6	–	–	3.6	–
Tax in respect of adjustments	(12.7)	–	–	–	–	(12.7)	(8.6)
TOTAL ADJUSTMENTS	29.9	30.4	106.8	44.6	(1.6)	210.1	88.6
AT SHARE						*105.1*	*44.3*
PROFIT/(LOSS) AFTER TAX	80.7	39.3	127.8	56.5	(1.6)	302.7	141.2
AT SHARE						*151.4*	*70.6*
Other comprehensive income	–	–	(0.8)	–	–	(0.8)	7.6
AT SHARE						*(0.4)*	*3.8*
Total comprehensive income for the year	80.7	39.3	127.0	56.5	(1.6)	301.9	148.8
AT SHARE						*151.0*	*74.4*

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

7. Investments in joint ventures and subsidiaries continued

Trading properties held by joint ventures were externally valued resulting in an increase in the Group's share of provision for impairment of £1.6 million (2013: £3.0 million).

7(ii) – Summarised balance sheet information in respect of the Group's joint ventures

AT 100%	SEGRO EUROPEAN LOGISTICS PARTNERSHIP £m	AIRPORT PROPERTY PARTNERSHIP £m	HEATHROW BIG BOX INDUSTRIAL AND DISTRIBUTION FUND £m	OTHER £m	2014 £m	2013 £m
Investment properties	1,308.3	889.8	263.5	–	2,461.6	2,159.2
Other assets	0.1	20.0	–	–	20.1	16.6
TOTAL NON-CURRENT ASSETS	1,308.4	909.8	263.5	–	2,481.7	2,175.8
Trading properties	–	–	–	26.2	26.2	25.6
Other receivables	29.5	6.5	0.7	1.1	37.8	29.4
Cash and cash equivalents	39.5	14.0	5.9	0.1	59.5	72.8
TOTAL CURRENT ASSETS	69.0	20.5	6.6	27.4	123.5	127.8
TOTAL ASSETS	1,377.4	930.3	270.1	27.4	2,605.2	2,303.6
Borrowings	(438.1)	(343.8)	–	–	(781.9)	(841.6)
Deferred tax	(34.3)	–	–	–	(34.3)	(24.6)
Other liabilities	(0.2)	–	–	–	(0.2)	(0.2)
TOTAL NON-CURRENT LIABILITIES	(472.6)	(343.8)	–	–	(816.4)	(866.4)
Borrowings	–	–	–	–	–	(90.0)
Other liabilities	(41.2)	(31.2)	(4.7)	(0.8)	(77.9)	(75.8)
TOTAL CURRENT LIABILITIES	(41.2)	(31.2)	(4.7)	(0.8)	(77.9)	(165.8)
TOTAL LIABILITIES	(513.8)	(375.0)	(4.7)	(0.8)	(894.3)	(1,032.2)
NET ASSETS	863.6	555.3	265.4	26.6	1,710.9	1,271.4
AT SHARE					*855.5*	*635.7*

The external borrowings of the joint ventures are non-recourse to the Group. At 31 December 2014, the fair value of £781.9 million (2013: £931.6 million) of borrowings was £804.4 million (2013: £938.8 million). This results in a fair value adjustment of £22.5 million (2013: £7.2 million), at share £11.2 million (2013: £3.6 million) see Note 14.

On 29 July 2014 SEGRO acquired the remaining 50 per cent interest it had not already owned in its Logistics Property Partnership joint venture for £95.6 million. Upon completion of the acquisition, it was consolidated into SEGRO's financial statements.

7(iii) – Investments by the Group

	2014 £m	2013 £m
COST OR VALUATION AT 1 JANUARY	635.7	342.6
Exchange movement	(26.0)	(3.2)
Acquisition	–	257.7
Additions	201.7	6.9
Disposals	(84.7)	(18.6)
Dividends received	(22.2)	(24.1)
Share of profit after tax	151.4	70.6
Items taken directly to reserves	(0.4)	3.8
COST OR VALUATION AT 31 DECEMBER	855.5	635.7

The amount of loans advanced by the Group to joint ventures is £333.9 million (2013: £260.7 million). Dividends received were £22.2 million (2013: £24.1 million), of which £10.0 million (2013: £12.0 million) was from APP, £5.6 million (2013: £5.5 million) from Big Box, £3.7 million (2013: £0.8 million) from SELP, and £2.9 million (2013: £5.8 million) from LPP.

7. Investments in joint ventures and subsidiaries continued

7(iv) – Investments by the company

	2014 £m	2013 £m
COST OR VALUATION OF SUBSIDIARIES AT 1 JANUARY	**4,554.3**	4,909.2
Exchange movement	**(53.6)**	46.6
Additions	**12.2**	165.0
Net loan movement	**(13.1)**	(718.1)
Decrease in provision for investments and loans in the income statement	**169.3**	151.6
COST OR VALUATION OF SUBSIDIARIES AT 31 DECEMBER	**4,669.1**	4,554.3

Principal entities are detailed in Note 31.

8. Realised and unrealised property gain

	2014 £m	2013 £m
Profit on sale of investment properties	**25.0**	13.0
Valuation surplus on investment properties	**385.6**	94.4
Valuation deficit on owner occupied properties	**–**	(0.6)
(Loss)/profit on sale of trading properties	**(0.3)**	6.1
Increase in provision for impairment of trading properties	**(1.7)**	(15.2)
TOTAL REALISED AND UNREALISED PROPERTY GAIN	**408.6**	97.7

9. Other investment income/(loss)

	2014 £m	2013 £m
Net loss on available-for-sale investments	**(0.3)**	(0.1)
Transfer of fair value surplus/(deficit) realised on sale of available-for-sale investments	**2.2**	(0.3)
TOTAL OTHER INVESTMENT INCOME/(LOSS)	**1.9**	(0.4)

10. Amounts written-off on acquisitions

	2014 £m	2013 £m
Amortisation of intangibles	**0.2**	0.2
TOTAL AMOUNTS WRITTEN OFF ON ACQUISITIONS	**0.2**	0.2

11. Net finance costs

FINANCE INCOME	2014 £m	2013 £m
Interest received on bank deposits and related derivatives	**41.5**	34.3
Fair value gain on interest rate swaps and other derivatives	**42.8**	19.0
Exchange differences	**–**	0.9
TOTAL FINANCE INCOME	**84.3**	54.2

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

11. Net finance costs continued

FINANCE COSTS	2014 £m	2013 £m
Interest on overdrafts, loans and related derivatives	**(115.3)**	(129.7)
Cost of early close out of debt	**(1.6)**	–
Net interest expense on defined benefit obligation	**(0.1)**	(0.3)
Amortisation of issue costs	**(5.1)**	(4.3)
TOTAL BORROWING COSTS	**(122.1)**	(134.3)
Less amounts capitalised on the development of properties	**4.4**	2.5
NET BORROWING COSTS	**(117.7)**	(131.8)
Fair value loss on interest rate swaps and other derivatives	**(31.9)**	(82.4)
Exchange differences	**(0.1)**	–
TOTAL FINANCE COSTS	**(149.7)**	(214.2)
NET FINANCE COSTS	**(65.4)**	(160.0)

Net finance costs (including adjustments) in EPRA profit (Note 2) are £74.7 million (2013: £96.6 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of £10.9 million gain (2013: £63.4 million loss) and the cost of early close out of debt of £1.6 million (2013: £nil). The interest capitalisation rates for 2014 ranged from 3.6 per cent to 4.9 per cent (2013: 4.3 per cent to 6.1 per cent). Interest is capitalised gross of tax relief. Further analysis of exchange differences is given in Note 20 within the foreign exchange and currency swap contracts section.

12. Tax

12(i) – Tax on profit

	2014 £m	2013 £m
TAX ON:		
EPRA profits	**(1.9)**	(2.7)
Adjustments	**(4.1)**	(0.2)
US tax refund	**33.6**	–
TOTAL TAX CREDIT/(CHARGE)	**27.6**	(2.9)
CURRENT TAX		
OVERSEAS		
Current tax charge	**(4.1)**	(2.3)
Adjustments in respect of earlier years	**1.8**	1.8
US tax refund	**33.6**	–
	31.3	(0.5)
TOTAL CURRENT TAX CREDIT/(CHARGE)	**31.3**	(0.5)
DEFERRED TAX		
Origination and reversal of temporary differences	**(2.7)**	1.1
Released in respect of property disposals in the year	**2.9**	–
On valuation movements	**(3.0)**	(2.1)
TOTAL DEFERRED TAX IN RESPECT OF INVESTMENT PROPERTIES	**(2.8)**	(1.0)
Other deferred tax	**(0.9)**	(1.4)
TOTAL DEFERRED TAX CHARGE	**(3.7)**	(2.4)
TOTAL TAX CREDIT/(CHARGE) ON PROFIT ON ORDINARY ACTIVITIES	**27.6**	(2.9)

A credit of £33.6 million has been recognised following a refund agreement in relation to Californian State tax, that was formally agreed with the Californian tax authorities in the period. This represents a finalisation of the California tax position relating to the sale of the US business in 2007.

12. Tax continued

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

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

	2014 £m	2013 £m
Profit on ordinary activities before tax	**654.4**	212.1
Add back valuation surplus in respect of UK properties not taxable	**(467.5)**	(112.1)
	186.9	100.0
Multiplied by standard rate of UK corporation tax of 21.5 per cent (2013: 23.25 per cent)	**(40.2)**	(23.2)
EFFECTS OF:		
Exempt SIIC & REIT gains	**32.1**	18.4
Permanent differences	**1.1**	(0.1)
Joint venture tax adjustment	**9.2**	5.2
Higher tax rates on international earnings	**(1.3)**	1.4
US tax refund	**33.6**	–
Adjustments in respect of earlier years and assets not recognised	**(6.9)**	(4.6)
TOTAL TAX CREDIT/(CHARGE) ON PROFIT ON ORDINARY ACTIVITIES	**27.6**	(2.9)

The joint venture tax adjustment is required because the profit on ordinary activities before tax includes share of profit from joint ventures after tax, whereas the total tax balance excludes joint ventures.

12(iii) – Deferred tax liabilities

Movement in deferred tax was as follows:

GROUP – 2014	BALANCE 1 JANUARY £m	EXCHANGE MOVEMENT £m	ACQUISITION/ DISPOSAL £m	RECOGNISED IN INCOME £m	BALANCE 31 DECEMBER £m
Valuation surpluses and deficits on properties	**(42.2)**	**2.3**	**14.1**	**7.2**	**(18.6)**
Accelerated tax allowances	**57.1**	**(3.4)**	**(20.2)**	**(4.4)**	**29.1**
Deferred tax asset on revenue losses	**(3.5)**	**0.2**	**2.2**	**0.1**	**(1.0)**
Others	**–**	**–**	**–**	**0.8**	**0.8**
TOTAL DEFERRED TAX LIABILITIES	**11.4**	**(0.9)**	**(3.9)**	**3.7**	**10.3**

GROUP – 2013	BALANCE 1 JANUARY £m	EXCHANGE MOVEMENT £m	ACQUISITION/ DISPOSAL £m	RECOGNISED IN INCOME £m	BALANCE 31 DECEMBER £m
Valuation surpluses and deficits on properties	(36.5)	(1.0)	(6.8)	2.1	(42.2)
Accelerated tax allowances	65.4	1.5	(8.7)	(1.1)	57.1
Deferred tax asset on revenue losses	(5.0)	0.1	0.3	1.1	(3.5)
Others	(0.6)	0.1	0.2	0.3	–
TOTAL DEFERRED TAX LIABILITIES	23.3	0.7	(15.0)	2.4	11.4

The Group has recognised revenue tax losses of £1.6 million (2013: £11.6 million) available for offset against future profits. Further unrecognised tax losses of £742.1 million also exist at 31 December 2014 (2013: £586.9 million) of which £32.4 million (2013: £29.8 million) expires in 15 years.

12(iv) – Factors that may affect future tax charges

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

The standard rate of UK corporation tax is due to fall in stages to 20 per cent by April 2015. This is unlikely to significantly impact the Group's tax charge.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

13. Dividends

	2014 £m	2013 £m
ORDINARY DIVIDENDS PAID		
Interim dividend for 2014 @ 4.9 pence per share	**36.4**	–
Final dividend for 2013 @ 9.9 pence per share	**73.4**	–
Interim dividend for 2013 @ 4.9 pence per share	**–**	36.3
Final dividend for 2012 @ 9.9 pence per share	**–**	73.4
TOTAL DIVIDENDS	**109.8**	109.7

The Board recommends a final dividend for 2014 of 10.2 pence which will result in a distribution of £75.7 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2014 is 15.1 pence (2013: 14.8 pence).

14. Earnings and net assets per share

The earnings per share calculations use the weighted average number of shares in issue during the year and the net assets per share calculations use the number of shares in issue at year end. Earnings per share calculations exclude 1.1 million shares (2013: 1.1 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 1.4 million shares (2013: 1.0 million) being the actual number of shares held on trust for employee share schemes at year end.

14(i) – Earnings per ordinary share (EPS)

	2014			2013		
	EARNINGS £m	SHARES MILLION	PENCE PER SHARE	EARNINGS £m	SHARES MILLION	PENCE PER SHARE
BASIC EPS	**682.0**	**741.2**	**92.0**	210.6	741.0	28.4
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.1	–
DILUTED EPS	**682.0**	**741.3**	**92.0**	210.6	741.1	28.4
Adjustments to profit before tax[1]	**(524.7)**		**(70.8)**	(78.0)		(10.6)
Tax adjustments:						
– deferred tax on investment property which does not crystallise unless sold	**2.8**		**0.3**	1.0		–
– other tax	**1.3**		**0.2**	(0.8)		–
– US tax refund	**(33.6)**		**(4.5)**	–		–
Non-controlling interest on adjustments	**–**		**–**	(1.4)		(0.1)
EPRA EPS	**127.8**	**741.2**	**17.2**	131.4	741.0	17.7

1 Details of adjustments are included in Note 2.

14. Earnings and net assets per share continued

14(ii) – Net assets per share (NAV)

	2014			2013		
	EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS £m	SHARES MILLION	PENCE PER SHARE	EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS £m	SHARES MILLION	PENCE PER SHARE
BASIC NAV	**2,888.8**	**741.0**	**390**	2,344.7	741.2	316
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.1	–
DILUTED NAV	**2,888.8**	**741.1**	**390**	2,344.7	741.3	316
Fair value adjustment in respect of debt – Group	**(365.3)**		**(49)**	(258.5)		(35)
Fair value adjustment in respect of debt – Joint ventures	**(11.2)**		**(2)**	(3.6)		–
Fair value adjustment in respect of trading properties – Group	**2.3**		**–**	4.2		1
EPRA TRIPLE NET NAV (NNNAV)	**2,514.6**	**741.1**	**339**	2,086.8	741.3	282
Fair value adjustment in respect of debt – Group	**365.3**		**49**	258.5		35
Fair value adjustment in respect of debt – Joint ventures	**11.2**		**2**	3.6		–
Fair value adjustment in respect of interest rate swap derivatives – Group	**(78.5)**		**(10)**	(67.9)		(9)
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	**2.9**		**–**	2.8		–
Deferred tax in respect of depreciation and valuation surpluses – Group	**10.5**		**1**	14.9		2
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**18.7**		**3**	13.9		2
EPRA NAV	**2,844.7**	**741.1**	**384**	2,312.6	741.3	312

NOTES TO THE FINANCIAL STATEMENTS CONTINUED...

FOR THE YEAR ENDED 31 DECEMBER 2014

15. Properties

15(i) – Investment properties

	COMPLETED £m	DEVELOPMENT £m	TOTAL £m
AT 1 JANUARY 2013	3,454.5	253.9	3,708.4
Exchange movement	41.7	3.6	45.3
Property acquisitions	114.6	8.6	123.2
Additions to existing investment properties	15.6	98.4	114.0
Disposals	(1,212.9)	(37.8)	(1,250.7)
Transfers on completion of development	54.4	(54.4)	–
Transfers from trading properties	–	4.8	4.8
Revaluation surplus/(deficit) during the year	107.1	(12.7)	94.4
AT 31 DECEMBER 2013	2,575.0	264.4	2,839.4
Add tenant lease incentives, letting fees and rental guarantees	70.6	–	70.6
TOTAL INVESTMENT PROPERTIES	2,645.6	264.4	2,910.0

	COMPLETED £m	DEVELOPMENT £m	TOTAL £m
AT 1 JANUARY 2014	**2,575.0**	**264.4**	**2,839.4**
Exchange movement	**(34.2)**	**(9.7)**	**(43.9)**
Property acquisitions	**427.2**	**9.9**	**437.1**
Additions to existing investment properties	**20.2**	**122.7**	**142.9**
Disposals	**(368.8)**	**(13.9)**	**(382.7)**
Transfers on completion of development	**194.9**	**(194.9)**	**–**
Transfers from trading properties	**8.5**	**14.8**	**23.3**
Transfers from owner occupied properties	**–**	**3.2**	**3.2**
Revaluation surplus during the year	**358.2**	**27.4**	**385.6**
AT 31 DECEMBER 2014	**3,181.0**	**223.9**	**3,404.9**
Add tenant lease incentives, letting fees and rental guarantees	**72.1**	**–**	**72.1**
TOTAL INVESTMENT PROPERTIES	**3,253.1**	**223.9**	**3,477.0**

Investment properties are stated at fair value as at 31 December 2014 based on external valuations performed by professionally qualified valuers. The Group's wholly owned property portfolio is valued at 31 December 2014 by CBRE Ltd. Valuation for the APP joint venture properties was performed by Jones Lang LaSalle Limited and CBRE Ltd for Big Box. LPP was valued by Jones Lang LaSalle Limited for 2013, at which time it was a joint venture and now, as a wholly owned entity, it is valued as part of the CBRE Ltd valuation. Valuations for the joint venture properties in Continental Europe were performed by CBRE Ltd with BNP Paribas acting as joint valuers for SELP in France. The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

CBRE Ltd, Jones Lang LaSalle Limited and BNP Paribas also undertake some professional and agency work on behalf of the Group, although this is limited in relation to the activities of the Group as a whole. The firms advise us that the total fees paid by the Group represent less than 5 per cent of their total revenue in any year.

Completed properties include buildings that are occupied or are available for occupation. Development properties include land available for development, land under development and construction in progress.

Following the commencement of operating leases and change in strategy, £23.3 million (2013: £4.8 million) of trading properties were transferred to investment properties in line with the accounting policy set out in Note 1.

Long-term leasehold values within investment properties amount to £32.0 million (2013: £nil). All other properties are freehold.

Prepaid operating lease incentives at 31 December 2014 were £46.9 million (2013: £44.9 million).

15. Properties continued

15(ii) – Trading properties

	COMPLETED £m	DEVELOPMENT £m	TOTAL £m
AT 1 JANUARY 2013	139.6	53.2	192.8
Exchange movement	4.1	1.4	5.5
Property acquisitions	43.6	17.3	60.9
Additions	0.8	5.9	6.7
Disposals	(84.4)	(23.2)	(107.6)
Transfers on completion of development	5.2	(5.2)	–
Transfers to investment properties	–	(4.8)	(4.8)
Increase in provision for impairment during the year	(13.1)	(2.1)	(15.2)
AT 31 DECEMBER 2013	95.8	42.5	138.3
Add tenant lease incentives, letting fees and rental guarantees	0.4	–	0.4
TOTAL TRADING PROPERTIES	96.2	42.5	138.7

	COMPLETED £m	**DEVELOPMENT £m**	**TOTAL £m**
AT 1 JANUARY 2014	**95.8**	**42.5**	**138.3**
Exchange movement	**(5.0)**	**(2.5)**	**(7.5)**
Additions	**1.5**	**13.6**	**15.1**
Disposals	**(40.2)**	**(3.0)**	**(43.2)**
Transfers on completion of development	**8.4**	**(8.4)**	**–**
Transfers to investment properties	**(8.5)**	**(14.8)**	**(23.3)**
Increase in provision for impairment during the year	**(0.9)**	**(0.8)**	**(1.7)**
AT 31 DECEMBER 2014	**51.1**	**26.6**	**77.7**
Add tenant lease incentives, letting fees and rental guarantees	**0.1**	**–**	**0.1**
TOTAL TRADING PROPERTIES	**51.2**	**26.6**	**77.8**

Trading properties were externally valued, as detailed in note 15(i), resulting in an increase in the provision for impairment of £1.7 million (2013: £15.2 million). Based on the fair value at 31 December 2014, the portfolio has an unrecognised surplus of £2.3 million (2013: £4.2 million). Further information on valuation techniques and related quantitative information is given in Note 30.

16. Available-for-sale investments

	2014 £m	2013 £m
VALUATION AT 1 JANUARY	**12.1**	15.5
Exchange movement	**0.3**	(0.1)
Fair value movement – other comprehensive income	**(0.7)**	(1.5)
Disposals and return of capital	**(5.9)**	(1.8)
VALUATION AT 31 DECEMBER	**5.8**	12.1

Available-for-sale investments comprise holdings in private equity funds investing in the UK, Continental Europe and USA.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED...

FOR THE YEAR ENDED 31 DECEMBER 2014

17. Trade and other receivables

	GROUP		COMPANY	
	2014 £m	2013 £m	2014 £m	2013 £m
CURRENT				
Trade receivables	**15.0**	21.1	**–**	–
Other receivables	**210.2**	187.3	**2.4**	1.1
Prepayments and accrued income	**6.5**	6.5	**3.6**	4.9
Fair value of interest rate swaps – non hedge	**51.4**	13.8	**51.4**	13.8
Fair value of forward foreign exchange and currency swap contracts – non hedge	**12.8**	6.6	**12.8**	6.6
Fair value of forward foreign exchange and currency swap contracts – hedge	**11.6**	4.1	**11.6**	4.1
Amounts due from related parties	**4.3**	3.9	**–**	–
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	**311.8**	243.3	**81.8**	30.5
NON-CURRENT				
Other receivables	**–**	0.4	**–**	–
Fair value of interest rate swaps – non hedge	**52.0**	65.2	**52.0**	65.2
TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES	**52.0**	65.6	**52.0**	65.2

Included in Group other receivables (current) is £119.9 million (2013: £131.1 million) in respect of deferred consideration due from PSP Investments in connection with the creation of the SELP joint venture which is due no later than October 2015.

Group other receivables (current) include £33.6 million (2013: £nil) in respect of a US tax refund discussed further in Note 12. Group other receivables (current) also include tax recoverable of £0.1 million (2013: £0.1 million). Group trade receivables are net of provisions for doubtful debts of £5.9 million (2013: £7.7 million).

18. Trade and other payables

	GROUP		COMPANY	
	2014 £m	2013 £m	2014 £m	2013 £m
DUE WITHIN ONE YEAR				
Trade payables	**2.0**	6.5	**–**	–
Non-trade payables and accrued expenses	**164.5**	167.9	**32.9**	34.2
Fair value of forward foreign exchange and currency swap contracts – non hedge	**0.2**	0.6	**0.3**	0.6
Fair value of forward foreign exchange and currency swap contracts – hedge	**0.1**	–	**–**	–
TOTAL TRADE AND OTHER PAYABLES DUE WITHIN ONE YEAR	**166.8**	175.0	**33.2**	34.8
DUE AFTER ONE YEAR				
Other payables	**0.6**	0.6	**–**	–
Fair value of interest rate swaps – non hedge	**24.9**	11.1	**24.9**	11.1
Loans from subsidiaries	**–**	–	**949.7**	1,120.1
Amounts due to related parties	**4.3**	3.9	**–**	–
TOTAL OTHER PAYABLES DUE AFTER ONE YEAR	**29.8**	15.6	**974.6**	1,131.2

Loans from subsidiaries are unsecured and incur interest at market rates.

19. Net borrowings

19(i) – Net borrowings by type

	GROUP		COMPANY	
	2014 £m	2013 £m	**2014 £m**	2013 £m
SECURED BORROWINGS:				
Euro mortgages (repayable within one year or less)	**–**	2.7	**–**	–
TOTAL SECURED (ON LAND, BUILDINGS AND OTHER ASSETS)	**–**	2.7	**–**	–
UNSECURED BORROWINGS:				
BONDS				
5.25% bonds 2015	**107.6**	106.9	**109.0**	109.9
6.25% bonds 2015	**100.0**	99.9	**100.0**	99.9
5.5% bonds 2018	**199.2**	199.0	**199.2**	199.0
6.0% bonds 2019	**172.6**	171.6	**180.6**	181.3
5.625% bonds 2020	**248.3**	248.1	**248.3**	248.1
6.75% bonds 2021	**297.3**	297.1	**297.3**	297.1
7.0% bonds 2022	**149.3**	149.2	**149.3**	149.2
6.75% bonds 2024	**222.1**	221.9	**222.1**	221.9
5.75% bonds 2035	**198.2**	198.2	**198.2**	198.2
	1,694.6	1,691.9	**1,704.0**	1,704.6
Bank loans and overdrafts	**8.4**	(1.7)	**8.4**	(1.7)
TOTAL UNSECURED	**1,703.0**	1,690.2	**1,712.4**	1,702.9
TOTAL BORROWINGS	**1,703.0**	1,692.9	**1,712.4**	1,702.9
Cash and cash equivalents	**(23.8)**	(233.8)	**(11.0)**	(220.0)
NET BORROWINGS	**1,679.2**	1,459.1	**1,701.4**	1,482.9

The maturity profile of borrowings is as follows:

	GROUP		COMPANY	
MATURITY PROFILE OF BORROWINGS	**2014 £m**	2013 £m	**2014 £m**	2013 £m
In one year or less	**207.6**	2.6	**209.0**	–
In more than one year but less than two	**–**	206.5	**–**	209.5
In more than two years but less than five	**380.2**	197.7	**388.2**	197.7
In more than five years but less than ten	**917.0**	866.0	**917.0**	875.6
In more than ten years	**198.2**	420.1	**198.2**	420.1
In more than one year	**1,495.4**	1,690.3	**1,503.4**	1,702.9
TOTAL BORROWINGS	**1,703.0**	1,692.9	**1,712.4**	1,702.9
Cash and cash equivalents	**(23.8)**	(233.8)	**(11.0)**	(220.0)
NET BORROWINGS	**1,679.2**	1,459.1	**1,701.4**	1,482.9

Cash and cash equivalents comprise cash balances, call deposits held with banks 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.

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. Financial covenants are discussed in more detail in the 'Gearing and financial covenants' section in the Financial Review on page 60.

Bank loans and overdrafts include capitalised finance costs on committed facilities which were undrawn at the prior year end.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

19. Net borrowings continued

MATURITY PROFILE OF UNDRAWN BORROWING FACILITIES	GROUP 2014 £m	GROUP 2013 £m	COMPANY 2014 £m	COMPANY 2013 £m
In one year or less	**5.0**	123.3	**–**	108.3
In more than one year but less than two	**–**	200.0	**–**	200.0
In more than two years but less than five	**399.9**	425.0	**399.9**	425.0
TOTAL AVAILABLE UNDRAWN BORROWING FACILITIES	**404.9**	748.3	**399.9**	733.3

19(ii) – Net borrowings by interest rates

The weighted average interest rate profile of Group and Company net borrowings after derivative instruments is as follows:

INTEREST RATE PROFILE – GROUP	31 DECEMBER 2014 FIXED RATE %	FIXED PERIOD YEARS	FIXED DEBT £m	VARIABLE DEBT £m	TOTAL £m	31 DECEMBER 2013 FIXED RATE %	FIXED PERIOD YEARS	FIXED DEBT £m	VARIABLE DEBT £m	TOTAL £m
BORROWINGS					**WEIGHTED AVERAGE AFTER DERIVATIVE INSTRUMENTS**					WEIGHTED AVERAGE AFTER DERIVATIVE INSTRUMENTS
Sterling	**6.78**	**14.8**	**496.6**	**128.1**	**624.7**	6.82	15.9	493.9	288.1	782.0
Euros	**4.56**	**4.4**	**751.9**	**326.7**	**1,078.6**	3.73	5.0	608.3	299.5	907.8
US dollars	**–**	**–**	**–**	**(0.3)**	**(0.3)**	–	–	–	3.1	3.1
TOTAL BORROWINGS	**5.44**	**8.5**	**1,248.5**	**454.5**	**1,703.0**	5.12	9.9	1,102.2	590.7	1,692.9
CASH AND CASH EQUIVALENTS										
Sterling				**(14.8)**	**(14.8)**				(221.8)	(221.8)
Euros				**(8.9)**	**(8.9)**				(11.4)	(11.4)
US dollars				**(0.1)**	**(0.1)**				(0.6)	(0.6)
TOTAL CASH AND CASH EQUIVALENTS				**(23.8)**	**(23.8)**				(233.8)	(233.8)
NET BORROWINGS			**1,248.5**	**430.7**	**1,679.2**			1,102.2	356.9	1,459.1

INTEREST RATE PROFILE – COMPANY	31 DECEMBER 2014 FIXED RATE %	FIXED PERIOD YEARS	FIXED DEBT £m	VARIABLE DEBT £m	TOTAL £m	31 DECEMBER 2013 FIXED RATE %	FIXED PERIOD YEARS	FIXED DEBT £m	VARIABLE DEBT £m	TOTAL £m
BORROWINGS					**WEIGHTED AVERAGE AFTER DERIVATIVE INSTRUMENTS**					WEIGHTED AVERAGE AFTER DERIVATIVE INSTRUMENTS
Sterling	**6.66**	**14.6**	**506.0**	**128.1**	**634.1**	6.65	15.6	506.7	288.1	794.8
Euros	**4.56**	**4.4**	**751.9**	**326.7**	**1,078.6**	3.73	5.0	608.3	296.7	905.0
US dollars	**–**	**–**	**–**	**(0.3)**	**(0.3)**	–	–	–	3.1	3.1
TOTAL BORROWINGS	**5.40**	**8.5**	**1,257.9**	**454.5**	**1,712.4**	5.06	9.8	1,115.0	587.9	1,702.9
CASH AND CASH EQUIVALENTS										
Sterling				**(11.0)**	**(11.0)**				(217.8)	(217.8)
Euros				**–**	**–**				(2.2)	(2.2)
TOTAL CASH AND CASH EQUIVALENTS				**(11.0)**	**(11.0)**				(220.0)	(220.0)
NET BORROWINGS			**1,257.9**	**443.5**	**1,701.4**			1,115.0	367.9	1,482.9

20. Financial instruments and fair values

Categories of financial instruments

Financial assets in the Group comprise interest rate swaps, forward foreign exchange contracts and cross currency swap contracts which are categorised as derivatives designated as fair value through the income statement (non-hedge) and cross currency swap contracts designated as net investment hedges. Financial assets also include trade and other receivables (excluding prepaid expenses), finance lease receivables, available-for-sale investments and cash and cash equivalents, which are all classified as other financial assets.

Financial liabilities in the Group comprise interest rate swaps and forward foreign exchange contracts which are categorised as fair value through the income statement (non-hedge) and forward foreign exchange contracts designated as net investment hedges. Financial liabilities also include unsecured bank loans and unsecured bond issues which are categorised as debt and initially recognised at fair value less costs and subsequently at amortised cost; and trade and other payables (excluding deferred revenue) which are classified as other financial liabilities.

The carrying values of these financial assets and liabilities approximate their fair value, with the exception of unsecured bond issues. At 31 December 2014, the fair value of £1,694.6 million of unsecured bonds issued was £2,059.9 million (2013: £1,691.9 million compared with £1,950.4 million fair value).

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

- Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Interest rate swaps and currency swap contracts are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and the appropriate exchange rate at the balance sheet date.
- The fair value of non-derivative financial assets and financial liabilities traded on active liquid markets is determined with reference to the quoted market prices. Unlisted investments, such as those classified as available-for-sale investments, are typically valued by the Fund Manager based on the amount at which the asset would be exchanged between knowledgeable, willing parties in an arm's length transaction. The methodology used to estimate fair value will depend on the nature and facts and circumstances of the investment but will use one of the following bases: transaction value, earnings multiple, net assets, price of recent investment and sale price, where appropriate a marketability discount will be applied.
- Financial guarantees are issued by the Company to support bank borrowings of 100 per cent owned subsidiary companies domiciled overseas.

Fair value measurements recognised in the balance sheet

The Group and Company financial instruments that are measured subsequent to initial recognition at fair value are available-for-sale investments, forward exchange and currency swap contracts and interest rate swaps as detailed in Notes 16, 17 and 18. All of these financial instruments would be classified as level 2 fair value measurements, as defined by IFRS 13, being those derived from inputs other than quoted prices (included within level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There were no transfers between categories in the current or prior year.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and as such it aims to maintain a prudent mix between debt and equity financing. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued capital, reserves and retained earnings as disclosed in the statement of changes in equity and Notes 22 to 24. Debt primarily comprises long-term debt issues and drawings against medium-term committed revolving credit facilities from banks as disclosed in Note 19.

The Group is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED...

FOR THE YEAR ENDED 31 DECEMBER 2014

20. Financial instruments and fair values continued

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 Continental 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 described in the Foreign Currency Translation Exposure section in the Financial Review on page 61.

The Group's balance sheet translation exposure (including the impact of derivative financial instruments) is summarised below:

	2014			2013		
	EUROS £m	US DOLLARS £m	TOTAL £m	EUROS £m	US DOLLARS £m	TOTAL £m
GROUP						
Gross currency assets	**1,276.3**	**24.8**	**1,301.1**	1,248.3	25.2	1,273.5
Gross currency liabilities	**(1,149.2)**	**(18.3)**	**(1,167.5)**	(978.6)	(17.2)	(995.8)
NET EXPOSURE	**127.1**	**6.5**	**133.6**	269.7	8.0	277.7
COMPANY						
Gross currency assets	**784.6**	**18.6**	**803.2**	849.2	13.8	863.0
Gross currency liabilities	**(1,093.1)**	**(36.9)**	**(1,130.0)**	(1,037.4)	(31.0)	(1,068.4)
NET EXPOSURE	**(308.5)**	**(18.3)**	**(326.8)**	(188.2)	(17.2)	(205.4)

2014 gross currency liabilities include EUR504.2 million (£390.8 million) and USD28.6 million (£18.3 million) designated as net investment hedges.

2013 gross currency liabilities include EUR225.8 million (£188.2 million) and USD28.6 million (£17.2 million) designated as net investment hedges.

The remaining gross currency liabilities of the Group shown in the table above that are not designated as net investment hedges are either held directly in a euro or US dollar functional currency entity or passed down to such an entity from a sterling functional currency company through inter-company funding arrangements.

Foreign currency sensitivity analysis

The Group's main currency exposure is the euro. The blended sensitivity of the net assets of the Group to a 5 per cent change in the value of sterling against the relevant currencies is £6.4 million (2013: £13.2 million), with a sensitivity of £6.1 million against the euro (2013: £12.8 million) and £0.3 million against the US dollar (2013: £0.4 million). The 5 per cent sensitivity rate is used when reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts the translation of net assets (after taking account of external loans, currency swap contracts and forward foreign exchange contracts) at the period end for a 5 per cent change in the value of sterling against the relevant currencies.

For the Company, the blended sensitivity is £17.1 million (2013: £10.7 million) with a sensitivity of £16.2 million against the euro (2013: £9.9 million) and £0.9 million against the US dollar (2013: £0.8 million).

Forward foreign exchange and currency swap contracts

Some of the forward foreign exchange and currency swap contracts held by the Group are designated as net investment hedges of euro and US dollar denominated subsidiaries, where exchange differences are booked in reserves and recognised in the income statement when the operation is sold. The remaining foreign exchange and currency swap contracts are effectively economic cash flow hedges, for example using surplus cash in one currency to provide (typically through intercompany debt funding arrangements with overseas subsidiaries) funds to repay debt, or to fund development expenditure or acquisitions in another currency. These instruments have not been designated as hedges. As a consequence exchange movements in respect of these instruments are taken through the income statement. Offsetting these movements are £53.5 million of exchange losses arising on intercompany debt funding arrangements discussed above resulting in a loss on exchange differences of £0.1 million (2013: £0.9 million gain) within net finance costs in Note 11.

The Group's translation exposure risk management policy is that between 50 and 100 per cent of assets denominated in a foreign currency should be hedged by liabilities in the same currency. During the year the foreign currency denominated liabilities of the Group were predominately the currency leg of foreign exchange and currency swap contracts (both those designated as net investment hedges and those which are effectively cash flow hedges) and the application of this policy is the main economic purpose of these instruments. Further details are provided within the Foreign Currency translation exposure section of the Finance Review on page 61.

20. Financial instruments and fair values continued

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

	AVERAGE EXCHANGE RATES		CURRENCY CONTRACT (LOCAL CURRENCY)		CONTRACT VALUE		FAIR VALUE	
	2014	2013	2014 m	2013 m	2014 £m	2013 £m	2014 £m	2013 £m
GROUP								
ECONOMIC CASH FLOW HEDGES								
Sell euros (buy sterling)	**1.27**	1.19	**906.0**	862.3	**702.3**	718.6	**12.7**	6.2
Buy euros (sell sterling)	**1.28**	–	**16.8**	–	**13.0**	–	**(0.2)**	–
Buy US dollars (sell sterling)	**1.56**	1.63	**29.0**	22.9	**18.6**	13.8	**0.1**	(0.2)
Sell Polish złoty (buy sterling)	**–**	4.96	**–**	1.6	**–**	0.3	**–**	–
NET INVESTMENT HEDGES								
Sell euros (buy sterling)	**1.26**	1.18	**504.2**	225.8	**390.8**	188.2	**11.6**	3.9
Sell US dollars (buy sterling)	**1.57**	1.64	**28.6**	28.6	**18.3**	17.2	**(0.1)**	0.2
TOTAL							**24.1**	10.1
COMPANY								
ECONOMIC CASH FLOW HEDGES								
Sell euros (buy sterling)	**1.26**	1.19	**1,410.2**	1,088.1	**1,093.2**	906.8	**24.3**	10.1
Buy euros (sell sterling)	**1.28**	–	**16.8**	–	**13.0**	–	**(0.2)**	–
Buy US dollars (sell sterling)	**1.56**	1.63	**29.0**	22.9	**18.6**	13.8	**0.1**	(0.2)
Sell US dollars (buy sterling)	**1.57**	1.64	**28.6**	28.6	**18.3**	17.2	**(0.1)**	0.2
Sell Polish złoty (buy sterling)	**–**	4.96	**–**	1.6	**–**	0.3	**–**	–
TOTAL							**24.1**	10.1

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 maintaining an appropriate mix between fixed and floating rate borrowings. The current Group policy states that 50 to 100 per cent of net 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 Finance Committee and are evaluated and reported on regularly to ensure that the policy is being adhered to. The 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 that 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.

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 2014 would decrease/increase by £5.1 million (2013: decrease/increase by £6.8 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 manage the interest rate risk of the Group's borrowings. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED...

FOR THE YEAR ENDED 31 DECEMBER 2014

20. Financial instruments and fair values continued

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts, based on their contractual maturities, outstanding as at the reporting date:

PAY FIXED, RECEIVE FLOATING CONTRACTS:	AVERAGE CONTRACT–FIXED INTEREST RATE		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
	2014 %	2013 %	2014 £m	2013 £m	2014 £m	2013 £m
GROUP						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	**0.92**	0.85	**658.9**	408.3	**(21.3)**	2.1
In more than five years	**0.95**	1.17	**93.0**	200.0	**(3.6)**	1.5
TOTAL			**751.9**	608.3	**(24.9)**	3.6
COMPANY						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	**0.92**	0.85	**658.9**	408.3	**(21.3)**	2.1
In more than five years	**0.95**	1.17	**93.0**	200.0	**(3.6)**	1.5
TOTAL			**751.9**	608.3	**(24.9)**	3.6

RECEIVE FIXED, PAY FLOATING CONTRACTS:	2014 %	2013 %	2014 £m	2013 £m	2014 £m	2013 £m
GROUP						
In one year or less	**5.72**	6.75	**648.0**	150.0	**51.4**	13.8
In more than one year but less than two	–	5.72	–	648.0	–	46.7
In more than two years but less than five	**6.19**	5.95	**500.0**	350.0	**44.1**	(0.9)
In more than five years	**6.75**	6.75	**50.0**	50.0	**7.9**	4.7
TOTAL			**1,198.0**	1,198.0	**103.4**	64.3
COMPANY						
In one year or less	**5.72**	6.75	**648.0**	150.0	**51.4**	13.8
In more than one year but less than two	–	5.72	–	648.0	–	46.7
In more than two years but less than five	**6.19**	5.95	**500.0**	350.0	**44.1**	(0.9)
In more than five years	**6.75**	6.75	**50.0**	50.0	**7.9**	4.7
TOTAL			**1,198.0**	1,198.0	**103.4**	64.3

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.

The interest rate swaps settle on either a three-month or six-month basis with the floating rate side based on the EURIBOR or sterling LIBOR rate for the relevant period. The Group will settle or receive the difference between the fixed and floating interest rate on a net basis.

20. Financial instruments and fair values continued

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 diverse customer base with no one customer accounting for more than 5 per cent of rental income. Trade receivables were less than 1 per cent of total assets at 31 December 2014 and at 31 December 2013. 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.

AGEING OF PAST DUE BUT NOT IMPAIRED RECEIVABLES WERE AS FOLLOWS:

	2014 £m	2013 £m
0–30 days	**3.4**	4.4
30–60 days	**0.1**	0.7
60–90 days	**0.3**	0.5
90–180 days	**0.6**	0.7
180 days	**0.8**	0.6
Past due but not impaired	**5.2**	6.9
Not due	**9.8**	14.2
TOTAL TRADE RECEIVABLES	**15.0**	21.1

No other receivables were considered impaired or overdue.

Investment in financial instruments is restricted to banks and short-term liquidity funds with a good credit rating. Derivative financial instruments are transacted via International Swaps and Derivatives Association (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 among approved counterparties.

Group other receivables (current), as detailed in Note 17, includes £119.9 million (2013: £131.1 million) due from PSP Investments, an entity with a AAA credit rating.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, 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 that adequate cash and committed bank facilities remain available to cover and match all debt maturities, development spend, trade related and corporate cash flows forward over a rolling 18-month period. This is achieved by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk management is discussed in more detail in the Financial Position and Funding section in the Financial Review on page 59.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

20. Financial instruments and fair values continued

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity profile for its financial instruments. 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.

	2014						2013					
	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												
NON-DERIVATIVE FINANCIAL LIABILITIES:												
Trade and other payables		98.5	0.6	4.3	–	103.4		108.6	0.6	3.9	–	113.1
Non-interest bearing liabilities		2.6	–	–	10.3	12.9		2.9	–	–	11.4	14.3
Variable rate debt instruments	2.4	0.2	0.2	10.6	–	11.0	3.3	2.8	–	–	–	2.8
Fixed rate debt instruments	6.1	313.4	93.1	645.7	1,458.2	2,510.4	6.1	105.1	313.4	479.4	1,717.6	2,615.5
DERIVATIVE FINANCIAL INSTRUMENTS:												
Net settled interest rate swaps		6.5	6.5	11.6	0.1	24.7		(3.1)	(1.7)	6.0	8.9	10.1
Gross settled foreign exchange – Forward contracts												
– Inflowing		(31.2)	–	–	–	(31.2)		(217.7)	–	–	–	(217.7)
– Outflowing		31.4	–	–	–	31.4		218.7	–	–	–	218.7
TOTAL		421.4	100.4	672.2	1,468.6	2,662.6		217.3	312.3	489.3	1,737.9	2,756.8

20. Financial instruments and fair values continued

	2014						2013					
	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
COMPANY												
NON-DERIVATIVE FINANCIAL LIABILITIES:												
Trade and other payables		3.8	949.7	–	–	953.5		4.5	1,120.1	–	–	1,124.6
Non-interest bearing liabilities		0.1	–	–	–	0.1		1.7	–	–	–	1.7
Variable rate debt instruments	2.4	0.2	0.2	10.6	–	11.0	–	–	–	–	–	–
Fixed rate debt instruments	6.1	313.4	93.1	645.7	1,458.2	2,510.4	6.1	105.1	313.4	479.4	1,717.6	2,615.5
DERIVATIVE FINANCIAL INSTRUMENTS:												
Net settled interest rate swaps		6.5	6.5	11.6	0.1	24.7		(3.1)	(1.7)	6.0	8.9	10.1
Gross settled foreign exchange – Forward contracts												
– Inflowing		(31.2)	–	–	–	(31.2)		(217.7)	–	–	–	(217.7)
– Outflowing		31.4	–	–	–	31.4		218.7	–	–	–	218.7
TOTAL		324.2	1,049.5	667.9	1,458.3	3,499.9		109.2	1,431.8	485.4	1,726.5	3,752.9

21. Retirement benefit schemes

Background

The Group has four defined benefit schemes in the UK, the SEGRO Pension Scheme (the 'SEGRO scheme'), the Bilton Group Pension Scheme (the 'Bilton scheme') and two additional schemes following the acquisition of Brixton Ltd, the Brixton plc Pension Plan (the 'Brixton scheme') and the J Saville Gordon Group plc and Subsidiary Companies Retirement and Death Benefit Scheme (the 'JSG scheme'). The assets of the schemes are held by Trustees separately from the assets of the employer. The Group also has a number of defined contribution schemes for which £1.3 million has been recognised as an expense (2013: £1.3 million).

Defined benefit pension provision is through trust-based schemes. These arrangements are now closed to new entrants and, with the exception of the SEGRO Pension Scheme, future accrual of benefits. In these arrangements, the assets of the schemes are invested separately from those of the Group and the schemes are run by independent Trustee boards. The Trustee board of each pension scheme is required by law to act in the best interests of the fund and its members and also takes into consideration the interests of the employers. There is a requirement for the Trustee board to have member representation, with the other Trustees being company appointed.

Each Trustee board is responsible for the investment policy in respect of the assets of the relevant fund, although, in respect of the SEGRO Pension Scheme, the Company must be consulted on this and typically has some input into the investment decisions.

Schemes are valued at least triennially, when the funding position is established. The Company and Trustee boards are required to agree on assumptions for the valuation and to agree the contributions that result from this. The contributions may need to incorporate deficit recovery contributions if a deficit position is determined through the valuation. In agreeing contribution rates, reference must be made to the affordability of contributions by the employer.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

21. Retirement benefit schemes continued

In general, any surplus after benefits have been paid/secured, can be repaid to the employer.

We operate four defined benefit schemes and the SEGRO Pension Scheme is by far the largest. The last triennial valuation of the SEGRO Pension Scheme was performed as at 31 March 2013. Following the valuation, the Company agreed a schedule of future payments with the Trustees, comprising a lump sum payment of £2.73 million in March 2014 and annual payments of £5.93 million payable in equal monthly instalments for a period of four years from 1 April 2014. The IAS 19 deficit of this scheme as at 31 December 2014 is £12.3 million (2013: £8.0 million). Management consider that, were a pension asset to arise in respect of this scheme, this would be fully recoverable in line with the rules of the scheme.

Valuation of the other schemes has been based on the most recent actuarial valuations: 5 April 2013 for the Bilton scheme, 31 December 2011 for the Brixton scheme and 30 June 2013 for the JSG scheme and updated by the independent actuaries in order to assess the liabilities of the schemes at 31 December 2014. Other than market and demographic risks, which are common to all retirement benefit schemes, there are no specific risks in the relevant benefit schemes which the Group considers to be significant or unusual.

Over 70 per cent of the schemes' assets are held in bonds and gilts which are a broad hedge for the schemes' liabilities including some which are index-linked. It is the intention of each scheme to move to less risky, gilt and bond assets as the scheme matures to match the liabilities of the scheme.

THE MAJOR ASSUMPTIONS USED WERE AS FOLLOWS:	2014 %	2013 %
Discount rate for scheme liabilities	**3.4**	4.5
Rate of inflation (RPI/CPI)	**3.3/2.3**	3.6/2.6
Rate of increase to pensions in payment in excess of GMP:		
Before April 2003 (SEGRO/Bilton)	**4.2/3.0**	4.3/3.3
From April 2003 to October 2005	**3.1**	3.4
After October 2005	**2.1**	2.3
Rate of general long-term increase in salaries	**3.3**	3.6

COMPOSITION OF SCHEME ASSETS	ANALYSIS OF ASSETS 2014 £m	ANALYSIS OF ASSETS 2013 £m
EQUITIES		
UK	**10.6**	13.2
US	**23.2**	24.8
Europe	**8.3**	9.7
Japan	**4.5**	5.1
Other	**5.0**	6.0
GILTS		
UK	**111.5**	66.3
Other	**–**	18.4
BONDS		
Corporate	**62.7**	46.9
Other assets	**16.4**	15.4
Overall – SEGRO scheme	**171.4**	142.2
Overall – Bilton scheme	**28.2**	25.0
Overall – Brixton and JSG scheme	**42.6**	38.6

Virtually all equity and debt instruments have quoted prices in active markets.

21. Retirement benefit schemes continued

The life expectancies at age 65 are as follows:

	MALE	FEMALE
Current pensioners	**24.4**	**25.7**
Future pensioners	**26.2**	**27.7**

Both life expectancy estimates use the standard S1PA base tables with a scaling factor of 80 per cent for males and 90 per cent for females (2013: 80 per cent and 90 per cent respectively). Future improvements to the life expectancy are in line with CMI 2012 projections with an assumed long-term rate of improvement of one and a quarter per cent p.a. (2013: one and a quarter per cent p.a.).

CHARGES ON THE BASIS OF THE ASSUMPTIONS WERE:		2014 £m	2013 £m
CHARGE TO GROUP INCOME STATEMENT			
Operating profit:	Current service cost	**(0.5)**	(0.5)
Net finance costs	Net interest expense	**(0.1)**	(0.3)
Net charge to the Group income statement		**(0.6)**	(0.8)
CHARGE TO GROUP STATEMENT OF COMPREHENSIVE INCOME		**(13.7)**	(1.2)

All actuarial gains and losses are recognised immediately and relate to continuing operations. The cumulative recognised actuarial losses are £47.0 million (2013: £33.3 million).

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:

	2014 £m	2013 £m
MOVEMENT IN ASSETS		
1 January	**205.8**	193.1
Expected return on scheme assets	**9.2**	8.7
Actuarial gains – changes in financial assumptions	**24.3**	5.5
Employer cash contributions	**10.4**	5.3
Member cash contributions	**0.1**	0.1
Benefits paid	**(7.6)**	(6.9)
31 December	**242.2**	205.8
MOVEMENT IN LIABILITIES		
1 January	**213.5**	204.1
Service cost	**0.5**	0.5
Interest cost	**9.3**	9.0
Actuarial losses – changes in demographic assumptions	**(0.3)**	6.2
– changes in financial assumptions	**38.3**	0.5
Benefits paid	**(7.6)**	(6.9)
Other	**–**	0.1
31 December	**253.7**	213.5
ANALYSIS OF NET LIABILITIES:		
Market value of schemes' assets	**242.2**	205.8
Present value of funded schemes' liabilities	**(253.7)**	(213.5)
RETIREMENT BENEFIT OBLIGATION RECOGNISED IN OTHER PROVISIONS IN THE BALANCE SHEET	**(11.5)**	(7.7)

The actual return on the scheme assets in the period was a gain of £33.5 million (2013: £14.2 million).

The average duration of the benefit obligations at the end of the reporting period is 20.5 years (2013: 20.5 years) for the SEGRO scheme and 14 years (2013: 13 years) for the other schemes. 7 per cent (2013: 7 per cent) of the liabilities related to active members, 36 per cent (2013: 34 per cent) to deferred and 57 per cent (2013: 59 per cent) to retired members.

The expected employer's contributions to be paid in the year ending 31 December 2015 is £9.6 million (2014: £10.4 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

22. Share capital and share-based payments

Share capital

ISSUED AND FULLY PAID	NUMBER OF SHARES MILLION	PAR VALUE OF SHARES £m
Ordinary shares of 10p each at 1 January 2014	**742.2**	**74.2**
ORDINARY SHARES OF 10P EACH AT 31 DECEMBER 2014	**742.2**	**74.2**

Share-based payments

The Group operates the following share-based payments:

22(i) – Deferred Share Bonus Plan (DSBP)

The DSBP is for Executive Directors and other senior employees. A percentage of any payment made under the Bonus Scheme is deferred to shares and held in trust for three years. The percentage subject to deferral for Executive Directors is 50 per cent of the Bonus payment. The scheme is detailed in the Remuneration Report on pages 83 to 93.

	2014 NUMBER	2013 NUMBER
AT 1 JANUARY	**719, 302**	572,459
Shares granted DSBP	**320,760**	146,843
Shares vested	**(265,886)**	–
Shares expired/lapsed	**(13,722)**	–
AT 31 DECEMBER	**760,454**	719,302

The 2013 DSBP grant was made on 30 June 2014, based on a 27 June 2014 closing mid-market share price of 342.7p.

22(ii) – Long Term Incentive Plan (LTIP)

The LTIP is a discretionary employee share scheme for Executive Directors and senior managers. Vesting of awards is subject to three or four-year performance conditions and is at the discretion of the Remuneration Committee. The performance conditions of the LTIP are detailed in the Remuneration Report on pages 83 to 93. If a participant ceases to be employed by the Group, the award will lapse, unless the participant is deemed to be entitled to the award, in which case the award will be pro-rated on length of employment in relation to the award date.

In 2012, the LTIP performance period was extended from three to four years. To avoid the position where there would be no potential vesting in 2015, transitionary arrangements were put in place; a Transitionary LTIP award based on three-year performance conditions was made in addition to the 2012 LTIP award which was based on a four-year performance period. For both awards, the grant size was reduced by 25 per cent. The same performance targets apply to both awards. Subsequent awards will vest on four-year performance.

	2014 NUMBER	2013 NUMBER
AT 1 JANUARY	**8,134,429**	8,091,548
Shares granted LTIP	**2,333,172**	1,926,981
Shares vested	**–**	(387,012)
Shares expired/lapsed	**(2,021,807)**	(1,497,088)
AT 31 DECEMBER	**8,445,794**	8,134,429

The 2014 LTIP awards were made on 9 April 2014. The calculation of the award was based on a share price of 339.5p, the closing mid-market share price on 8 April 2014. No consideration was paid for the grant of any award.

22. Share capital and share-based payments continued

The Black-Scholes model has been used to fair value the shares granted currently under award, apart from the TSR elements of the award which uses the Monte Carlo model. The assumptions used are as follows:

DATE OF GRANT	29-MAR-11	1 MAY-12	6 AUG-13	9 APR-14
Market price used for award	331.3p	221.1p	311.6p	339.5p
Risk-free interest rate	1.8%	1.8%	1.1%	1.3%
Dividend yield	4.5%	6.6%	4.7%	4.4%
Volatility	54.0%	54.0%	26.0%	24.0%
Term	3 years	3 years/4 years	4 years	4 years
Fair value per share	289.0p	183.0p/171.0p	257.6p	285.1p

22(iii) – Share Incentive Plan (SIP)

The SIP is an HMRC approved all-employee share plan. UK employees, who have been employed by the Group since 1 October of the preceding year, may be awarded shares in relation to the Company's prior year performance and their salary. In 2014, participating employees were awarded shares of 7 per cent of their salary or £3,000, whichever was lower. If a participant ceases to be employed by the Group within three years from date of award the shares will be forfeited, unless the employee is entitled to the shares due to certain leaver circumstances, in which case the shares will be transferred out of the trust to the participant.

	2014 NUMBER	2013 NUMBER
AT 1 JANUARY	**407,667**	323,694
Shares granted	**98,766**	128,256
Shares released	**(43,876)**	(24,575)
Shares forfeited	**(19,689)**	(19,708)
AT 31 DECEMBER	**442,868**	407,667

As at 31 December 2014, 462,557 shares (2013: 425,996) are held in the SIP trust.

22(iv) – Global Share Incentive Plan (GSIP)

The GSIP was launched in 2008 as an all-employee share scheme for non-UK based employees. It is not HMRC approved but the eligibility and performance conditions of the award are designed to replicate the SIP. Employees are granted awards which are released by the Trustees at conclusion of a three-year holding period. If a participant ceases to be employed by the Group by the end of the three-year period then the award will lapse unless the participant is entitled to the award due to the terms of leaving. Shares in respect of the GSIP are held in the SEGRO plc Employees Benefit Trust.

	2014 NUMBER	2013 NUMBER
AT 1 JANUARY	**196,724**	170,945
Shares granted	**56,641**	76,493
Shares released	**(59,326)**	(11,784)
Shares forfeited	**(12,481)**	(38,930)
AT 31 DECEMBER	**181,558**	196,724

22(v) – Brixton Share Incentive Plan (Brixton SIP)

Prior to acquisition in 2009, Brixton operated a share incentive plan. Brixton shares in the Brixton SIP were converted to SEGRO shares under the scheme of arrangement. This plan was closed during 2014 and all shares were transferred to the participants. Therefore as at 31 December 2014, there were no shares held in trust for the Brixton SIP (2013: 3,712 shares).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED...

FOR THE YEAR ENDED 31 DECEMBER 2014

22. Share capital and share-based payments continued

22(vi) – Sharesave

The Group operates an HMRC approved all-employee savings related share option plan for UK-based employees. For 2014, a three-year period was offered to employees and if they remain in employment, employees can purchase shares in the Company at a price which is fixed at the start of the saving period. The price is usually set at a 20 per cent discount to the market price. If a participant ceases to be employed by the Group, in certain circumstances the participant may be able to exercise their options within a fixed period from the date of leaving. During 2014, the movements in Sharesave options were as follows:

	2014		2013	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
AT 1 JANUARY	**315,410**	**199.8p**	315,833	203.4p
Options granted	**164,911**	**271.8p**	63,581	203.2p
Options exercised	**(69,978)**	**196.9p**	(22,683)	240.7p
Options expired/lapsed	**(29,881)**	**219.0p**	(41,321)	209.8p
AT 31 DECEMBER	**380,462**	**230.1p**	315,410	199.8p

The consideration received by the Company from options exercised during the year was £137,768 (2013: £54,597). The grants have been fair valued using the Black-Scholes model. The assumptions are as follows:

DATE OF GRANT	NUMBER OF OPTIONS OUTSTANDING	MARKET PRICE	EXERCISE PRICE	RISK-FREE INTEREST RATE	DIVIDEND YIELD	VOLATILITY	EXERCISABLE	FAIR VALUE PER SHARE THREE YEARS	FAIR VALUE PER SHARE FIVE YEARS
4 April 2008	3,257	703.2p	562.6p	4.1%	4.8%	46.5%	2011–2015	234p	252p
29 April 2010	6,810	319.6p	255.7p	1.8%	5.5%	57.0%	2013–2015	112p	118p
28 April 2011	6,591	321.7p	257.4p	1.8%	4.5%	57.0%	2014–2016	119p	128p
30 April 2012	150,685	235.3p	188.2p	1.8%	6.8%	54.0%	2015	67p	N/A
1 May 2013	58,801	254.0p	203.2p	1.1%	5.2%	24.0%	2016	40p	N/A
2 May 2014	154,318	339.8p	271.8p	1.3%	4.4%	24.0%	2017	67p	N/A
TOTAL	**380,462**								

22(vii) – Executive Share Option Plan (ESOP)

Under the ESOP, senior employees of the Group were granted options to purchase shares in the Company at a stated exercise price. If the performance conditions were not met by the third anniversary of the date of grant, the options lapsed. Participants were able to exercise their options after a three-year holding period subject to continuous employment. Options expire ten years after grant. In certain circumstances, a participant may exercise their options up to a year after leaving the Group. The last grant under ESOP was made in 2005 and the Company has no current intention of making further grants under this scheme.

	2014		2013	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
AT 1 JANUARY	**73,832**	**689.2**	114,526	664.2p
Options expired/lapsed	**(9,429)**	**689.2**	(40,694)	618.9p
AT 31 DECEMBER	**64,403**	**689.2**	73,832	689.2p

The options outstanding at 31 December 2014 are exercisable at 689.2p per share. The only outstanding grant was made on 29 April 2005 and has been fair valued using the Black-Scholes model. The main assumptions are as follows:

DATE OF GRANT	29-APR-05
Option price	689.2p
Risk-free interest rate	4.8%
Dividend yield	4.0%
Volatility	21.0%
Exercisable between	2008–2015
Fair value per share	106p
Options exercisable	64,403

A total of 444,865 (2013: 389,242) options exist at 31 December 2014 in relation to the Sharesave and ESOP scheme, with a weighted average remaining contractual life of 1.7 years (2013: 1.8 years).

23. Share premium account

GROUP AND COMPANY	2014 £m	2013 £m
BALANCE AT 1 JANUARY	**1,069.9**	1,069.9
Shares issued	**0.1**	–
BALANCE AT 31 DECEMBER	**1,070.0**	1,069.9

24. Own shares held

	GROUP		COMPANY	
	2014 £m	2013 £m	2014 £m	2013 £m
BALANCE AT 1 JANUARY	**5.3**	7.3	**5.3**	7.3
Shares purchased	**2.1**	0.5	**2.1**	0.5
Disposed of on exercise of options	**(1.3)**	(2.5)	**(1.3)**	(2.5)
BALANCE AT 31 DECEMBER	**6.1**	5.3	**6.1**	5.3

These represent the cost of shares in SEGRO plc bought in the open market and held by Appleby Trust (Jersey) Limited and Yorkshire Building Society, to satisfy various Group share schemes.

25. Commitments

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

GROUP	2014 £m	2013 £m
Properties	**169.0**	27.6

In addition, commitments in the Group's joint ventures at 31 December 2014 (at share) amounted to £40.3 million (2013: £16.1 million).

26. Contingent liabilities

The Group has given performance guarantees to third parties amounting to £14.5 million (2013: £15.4 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 and has indicated its intention to provide the necessary support required by its subsidiaries.

The Group has provided certain representations and warranties in relation to disposals which are usual for transactions of this nature, including representations and warranties relating to financial, regulatory and tax matters. No provision has been made at 31 December 2014 in relation to the representations and warranties provided.

27. Operating leases

The Group as lessor

Future aggregate minimum rentals receivable under non-cancellable operating leases are:

	GROUP £m	JOINT VENTURES AT SHARE £m	2014 £m	2013 £m
Not later than one year	**180.9**	**67.2**	**248.1**	242.8
Later than one year but not later than five years	**501.6**	**172.9**	**674.5**	641.5
Later than five years	**537.9**	**224.3**	**762.2**	727.7
BALANCE AT 31 DECEMBER	**1,220.4**	**464.4**	**1,684.8**	1,612.0

There are no significant levels of contingent rent in the current or prior year.

The Group as lessee

Future aggregate minimum lease payments on non-cancellable operating leases are:

	2014 £m	2013 £m
Not later than one year	**1.1**	2.2
Later than one year but not later than five years	**2.5**	2.6
After five years	**0.1**	0.3
TOTAL	**3.7**	5.1

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

28. Related party transactions

Group

Transactions during the year between the Group and its joint ventures are disclosed below:

	2014 £m	2013 £m
New loans during the year	**222.4**	6.9
Loans repaid during the year	**75.7**	–
Loans outstanding at the year end	**333.9**	260.7
Dividends received	**22.2**	24.1
Management fee income	**11.8**	7.1

Transactions between the Company and its subsidiaries eliminate on consolidation and are not disclosed in this note.

Company

Amounts due from subsidiaries are disclosed in Note 17 and amounts due to subsidiaries are disclosed in Note 18.

None of the above Group or Company balances are secured.

Remuneration of key management personnel

Key management personnel comprise Executive and Non-Executive Directors and any other members of the Executive Committee, as outlined in the Governance Report on pages 66 to 75. Key management personnel compensation is shown in the table below:

	2014 £m	2013 £m
Salaries and short-term benefits	**4.2**	4.1
Post-employment benefits	**0.2**	0.2
Share-based payments	**0.9**	0.6
TOTAL REMUNERATION	**5.3**	4.9

More detailed information concerning Directors' remuneration, shareholdings, pension entitlements, share options and other long-term incentive plans, as required by the Companies Act 2006, is shown in the Remuneration Report on pages 83 to 93.

29. Notes to the cash flow statements

29(i) – Reconciliation of cash generated from operations

	GROUP		COMPANY	
	2014 £m	2013 £m	2014 £m	2013 £m
Operating profit	**719.8**	372.1	**175.2**	194.7
Adjustments for:				
Depreciation of property, plant and equipment	**2.3**	2.2	**0.1**	0.2
Share of profit from joint ventures after tax	**(151.4)**	(70.6)	**–**	–
Profit on sale of investment properties	**(25.0)**	(13.0)	**–**	–
Amounts written off on acquisitions	**0.2**	0.2	**–**	–
Revaluation surplus on investment and owner occupied properties	**(385.6)**	(93.8)	**–**	–
(Profit)/loss on sale of available-for-sale investments	**(1.9)**	0.4	**–**	–
Other income reallocated	**–**	–	**(25.0)**	(70.7)
Pensions and other provisions	**(8.4)**	(3.8)	**(178.2)**	(155.1)
	150.0	193.7	**(27.9)**	(30.9)
CHANGES IN WORKING CAPITAL:				
Decrease in trading properties	**29.6**	11.8	**–**	–
Decrease/(increase) in debtors and tenant incentives	**7.1**	(7.9)	**–**	0.2
(Increase)/decrease in creditors	**(10.6)**	6.4	**(0.3)**	0.7
NET CASH INFLOW/(OUTFLOW) GENERATED FROM OPERATIONS	**176.1**	204.0	**(28.2)**	(30.0)

29. Notes to the cash flow statements continued

29(ii) – Deposits

Term deposits for a period of three months or less are included within cash and cash equivalents.

29(iii) – Sale of SELP portfolio

The cash flow from the sale of the SELP portfolio in 2013 is made up as follows:

	2014 £m	2013 £m
Gross proceeds	–	583.6
Net costs	–	(10.2)
Property taxes	–	(6.4)
	–	567.0
Deferred consideration	–	(133.3)
Proceeds due	**4.8**	(4.8)
	4.8	428.9
Net cash disposed	–	(27.1)
Other	–	1.0
NET CASH IN FLOW FROM SALE OF SELP PORTFOLIO	**4.8**	402.8

29(iv) – Analysis of net debt

	AT 1 JANUARY 2014 £m	EXCHANGE MOVEMENT £m	ACQUIRED[1] £m	CASH FLOW £m	NON-CASH ADJUSTMENTS[2] £m	AT 31 DECEMBER 2014 £m
GROUP						
Bank loans and loan capital	1,713.0	0.2	153.3	(145.9)	–	**1,720.6**
Capitalised finance costs	(20.1)	(0.2)	–	(2.4)	5.1	**(17.6)**
TOTAL BORROWINGS	1,692.9	–	153.3	(148.3)	5.1	**1,703.0**
Cash in hand and at bank	(233.8)	0.2	–	209.8	–	**(23.8)**
NET DEBT	1,459.1	0.2	153.3	61.5	5.1	**1,679.2**
COMPANY						
Bank loans and loan capital	1,710.6	–	–	10.0	–	**1,720.6**
Capitalised finance costs	(7.7)	–	–	(1.5)	1.0	**(8.2)**
TOTAL BORROWINGS	1,702.9	–	–	8.5	1.0	**1,712.4**
Cash in hand and at bank	(220.0)	–	–	209.0	–	**(11.0)**
NET DEBT	1,482.9	–	–	217.5	1.0	**1,701.4**

1 The amounts acquired relate to the net debt acquired on acquisition of the LPP Portfolio.
2 The non-cash adjustments relate to the amortisation of issue costs offset against borrowings.

30. Property Valuation techniques and related quantitative information

All of the Group's properties are level 3, as defined by IFRS 13, in the fair value hierarchy as at 31 December 2014 and there were no transfers between levels during the year. Level 3 inputs used in valuing the properties, are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

Based on a multi-criteria approach, the following valuation techniques can be used for the same class of assets:

The yield methodology valuation technique is used when valuing the Group's assets which uses market rental values capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the initial yields and the fair market values per square metre derived from actual market transactions.

For properties under construction, properties are valued using a residual method valuation. Under this methodology, the valuer assesses the investment value (using the above mentioned methodology for completed buildings). Deductions are then made for the total estimated costs to complete, including notional finance costs and developer's profit, to take into account the hypothetical purchaser's management of the remaining development process and their perception of risk with regard to construction and the property market (e.g. as regards potential cost overruns and letting risk).

An increase/decrease to ERV will increase/decrease valuations, while an increase/decrease to yield decreases/increases valuations.

There are interrelationships between all these inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the input on the valuation. The impact on the valuation will be mitigated by the interrelationship of two inputs in opposite directions, e.g. an increase in rent may be offset by an increase in yield.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED...

FOR THE YEAR ENDED 31 DECEMBER 2014

30. Property Valuation techniques and related quantitative information continued

2014 BY ASSET TYPE	VALUATION COMPLETED £m	VALUATION OWNER OCCUPIED £m	VALUATION LAND & DEVELOPMENT[2] £m	VALUATION COMBINED PROPERTY PORTFOLIO £m	INPUTS ERV £ per sq. m[3]	INPUTS ERV RANGE £ per sq. m[3]	INPUTS NET TRUE EQUIVALENT YIELD[1] %	INPUTS NET TRUE EQUIVALENT YIELD RANGE %
Logistics warehouses > 10,000 sq. m	1,547.0	–		1,547.0	50.2	16.7-194.9	6.7	5.1-12.7
Smaller warehouses and light industrial buildings	1,943.8	–		1,943.8	90.7	16.8-253.0	6.6	4.8-10.7
Warehouses used as data centres	337.7	–		337.7	159.7	82.1-209.4	6.0	5.3-6.2
Offices	352.3	–		352.3	166.6	53.8-290.6	7.7	5.7-12.5
Other business space	307.2	–		307.2	98.7	18.6-289.3	6.0	4.6-10.1
	4,488.0	–	313.4	4,801.4[2]	74.7	16.7-290.6	6.7	4.6-12.7
BY OWNERSHIP								
Wholly owned	3,306.6	–	251.0	3,557.6	85.3	16.7-290.6	6.6	5.0-12.7
Joint ventures	1,181.4	–	62.4	1,243.8	56.0	26.1-253.0	6.9	4.6-9.7
GROUP TOTAL	4,488.0	–	313.4	4,801.4	74.7	16.7-290.6	6.7	4.6-12.7

1 In relation to the completed properties only.

2 Land and development valuations by asset type are not available as land sites are not yet categorised by asset type. Combined property portfolio column will not cast down but row does cast across.

3 On a fully occupied basis.

BY GEOGRAPHY	VALUATION COMPLETED £m	VALUATION OWNER OCCUPIED £m	VALUATION LAND & DEVELOPMENT[2] £m	VALUATION COMBINED PROPERTY PORTFOLIO £m	INPUTS ERV £ per sq. m[3]	INPUTS ERV RANGE £ sq. m[3]	INPUTS NET TRUE EQUIVALENT YIELD[1] %	INPUTS NET TRUE EQUIVALENT YIELD RANGE %
GREATER LONDON	1,752.0	–	67.2	1,819.2	110.0	34.6-253.0	6.1	4.6-9.7
THAMES VALLEY AND NATIONAL LOGISTICS	1,601.1	–	64.8	1,665.9	105.8	26.9-290.6	6.5	5.0-7.2
NORTHERN EUROPE								
Germany	314.4	–	67.8	382.2	42.3	16.7-112.6	7.2	6.1-10.1
Belgium/Netherlands	69.4	–	19.0	88.4	41.3	23.7-83.8	8.3	6.8-11.6
SOUTHERN EUROPE								
France	357.3	–	11.6	368.9	44.7	26.7-96.9	7.9	5.9-12.7
Italy	101.2	–	0.8	102.0	72.8	25.6-162.8	9.0	8.2-12.5
CENTRAL EUROPE								
Poland	262.4	–	60.8	323.2	37.8	29.8-111.6	7.9	7.3-8.4
Czech Republic/Hungary	30.2	–	21.4	51.6	41.4	37.0-74.4	7.8	7.7-7.8
GROUP TOTAL	4,488.0	–	313.4	4,801.4	74.7	16.7-290.6	6.7	4.6-12.7

Less trader uplift (Note 15(ii))	(2.3)
Add other adjustments	(0.4)
	4,798.7
Investment properties – Group (Note 15(i))	3,477.0
Investment properties – Joint ventures (Note 7(ii))	1,230.8
Trading properties – Group (Note 15(ii))	77.8
Trading properties – Joint ventures (Note 7(ii))	13.1
	4,798.7

1 In relation to the completed properties only.

2 Land and development valuations by asset type are not available as land sites are not yet categorised by asset type. Combined property portfolio column will not cast down but row does cast across.

3 On a fully occupied basis.

30. Property Valuation techniques and related quantitative information continued

2013 BY ASSET TYPE	VALUATION: COMPLETED £m	VALUATION: OWNER OCCUPIED £m	VALUATION: LAND & DEVELOPMENT[2] £m	VALUATION: COMBINED PROPERTY PORTFOLIO £m	INPUTS: ERV £ per sq. m[3]	INPUTS: ERV RANGE £ per sq. m[3]	INPUTS: NET TRUE EQUIVALENT YIELD[1] %	INPUTS: NET TRUE EQUIVALENT YIELD RANGE %
Logistics warehouses > 10,000 sq. m	1,066.3	–		1,066.3	50.3	18.0–194.5	7.6	5.4–11.7
Smaller warehouses and light industrial buildings	1,802.0	0.5		1,802.5	86.3	20.5–215.9	7.5	5.3–14.3
Warehouses used as data centres	249.4	–		249.4	150.3	84.7–191.1	6.6	6.4–7.6
Offices	365.8	3.6		369.4	130.4	53.8–205.0	8.6	7.0–14.8
Other business space	313.2	–		313.2	84.6	20.0–201.0	6.9	5.3–14.1
	3,796.7	4.1	347.9	4,148.7[2]	75.9	18.0–215.9	7.6	5.3–14.8
BY OWNERSHIP								
Wholly owned	2,744.3	4.1	308.0	3,056.4	81.3	18.0–205.0	7.6	5.7–14.8
Joint ventures	1,052.4	–	39.9	1,092.3	64.8	27.8–215.9	7.4	5.3–10.6
GROUP TOTAL	3,796.7	4.1	347.9	4,148.7	75.9	18.0–215.9	7.6	5.3–14.8

1 In relation to the completed properties only.
2 Land and development valuations by asset type are not available as land sites are not yet categorised by asset type. Combined property portfolio column will not cast down but row does cast across.
3 On a fully occupied basis.

BY GEOGRAPHY	VALUATION: COMPLETED £m	VALUATION: OWNER OCCUPIED £m	VALUATION: LAND & DEVELOPMENT[2] £m	VALUATION: COMBINED PROPERTY PORTFOLIO £m	INPUTS: ERV £ per sq. m[3]	INPUTS: ERV RANGE £ sq. m[3]	INPUTS: NET TRUE EQUIVALENT YIELD[1] %	INPUTS: NET TRUE EQUIVALENT YIELD RANGE %
GREATER LONDON	1,521.4	–	83.5	1,604.9	102.8	61.8–215.9	7.0	5.3–14.3
THAMES VALLEY AND NATIONAL LOGISTICS	1,281.1	2.7	52.9	1,336.7	104.1	42.0–205.0	7.4	5.4–12.6
NORTHERN EUROPE								
Germany	205.1	–	70.5	275.6	40.6	18.0–82.8	8.3	6.6–11.7
Belgium/Netherlands	157.7	1.4	28.7	187.8	60.0	33.8–87.2	9.8	7.2–14.8
SOUTHERN EUROPE								
France	329.9	–	10.4	340.3	49.0	29.2–91.8	8.4	6.1–14.0
Italy	65.2	–	36.9	102.1	67.1	27.5–80.4	9.5	9.3–10.7
CENTRAL EUROPE								
Poland	216.6	–	42.7	259.3	40.7	35.2–62.2	8.4	7.9–9.4
Czech Republic/Hungary	19.7	–	22.3	42.0	44.4	43.6–44.6	8.8	8.6–8.9
GROUP TOTAL	3,796.7	4.1	347.9	4,148.7	75.9	18.0–215.9	7.6	5.3–14.8

Less trader uplift (Note 15(ii))	(4.2)
Add other adjustments	0.7
	4,145.2
Investment properties – Group (Note 15(i))	2,910.0
Investment properties – Joint ventures (Note 7(ii))	1,079.6
Trading properties – Group (Note 15(ii))	138.7
Trading properties – Joint ventures (Note 7(ii))	12.8
Owner occupied properties	4.1
	4,145.2

1 In relation to the completed properties only.
2 Land and development valuations by asset type are not available as land sites are not yet categorised by asset type. Combined property portfolio column will not cast down but row does cast across.
3 On a fully occupied basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED...

FOR THE YEAR ENDED 31 DECEMBER 2014

31. Group entities

The principal entities at 31 December 2014 are listed below (all equity holdings unless otherwise stated). The Directors consider that providing details of all subsidiaries and joint ventures would result in disclosure of excessive length. The following information relates to those entities whose results or financial position, in the opinion of the Directors, are material to the Group. A full list will be appended to the next annual return.

	COUNTRY OF INCORPORATION/ OPERATION	SUBSIDIARIES % HOLDING	JOINT VENTURES % HOLDING
PROPERTY			
Airport Property Partnership	England and Wales		50
Bilton plc *	England and Wales	100	
Brixton Greenford Park Limited	England and Wales	100	
Brixton (Hatton Cross) 1 Limited	England and Wales	100	
Brixton (Heathrow Estate) Limited	England and Wales	100	
Brixton (Jersey) Limited	England and Wales	100	
Brixton Limited *	England and Wales	100	
Brixton (Metropolitan Park) 1 Limited	England and Wales	100	
Brixton (Origin) Limited	England and Wales	100	
Brixton Premier Park Limited	England and Wales	100	
Brixton Properties Limited	England and Wales	100	
Brixton Radlett Property Limited	England and Wales	100	
Europa Magnesium S.R.L.	Italy	100	
Karnal Investments Sp z.o.o.	Poland	100	
SEGRO (Barking) Limited	England and Wales	100	
SEGRO (Blanc Mesnil) S.à.r.l.	France	100	
SEGRO (Burton upon Trent) Limited	England and Wales	100	
SEGRO European Logistics Partnership S.à.r.l.	Luxembourg		50
SEGRO France SA	France	100	
SEGRO Industrial Estates Limited	England and Wales	100	
SEGRO Management NV	Belgium	100	
SEGRO Properties Limited *	England and Wales	100	
SEGRO (Rugby Gateway) LLP	England and Wales		50
Slough Trading Estate Limited *	England and Wales	100	
The Heathrow Big Box Industrial and Distribution Fund	England and Wales		50
The UK Logistics Limited Partnership	England and Wales	100	
ZINC Six S.R.L.	Italy	100	
SERVICE			
Followcastle Limited	England and Wales	100	
SEGRO Administration Limited *	England and Wales	100	
SEGRO Finance plc *	England and Wales	100	
OTHER			
SEGRO B.V. (operating in Netherlands, Italy and Central Europe)	Netherlands	100	
SEGRO Germany GmbH	Germany	100	
SEGRO Holdings France SAS	France	100	
SEGRO Overseas Holdings Limited *	England and Wales	100	

* Held directly by SEGRO plc, a company incorporated in England and Wales.

Supplementary notes not part of audited financial statements

Table 1: EPRA performance measures summary

	NOTES	2014 £m	2014 PENCE PER SHARE	2013 £m	2013 PENCE PER SHARE
EPRA profit after tax	Table 2	**127.8**	**17.2**	131.4	17.7
EPRA NAV	Table 3	**2,844.7**	**384**	2,312.6	312
EPRA NNNAV	14	**2,514.6**	**339**	2,086.8	282
EPRA net initial yield	Table 4		**5.4%**		6.3%
EPRA 'topped up' net initial yield	Table 4		**6.0%**		6.9%
EPRA vacancy rate	Table 5		**6.3%**		8.5%
EPRA cost ratio (including vacant property costs)	Table 6		**23.7%**		24.3%
EPRA cost ratio (excluding vacant property costs)	Table 6		**20.1%**		19.8%

Table 2: EPRA income statement, proportional consolidation

	NOTES	2014 GROUP £m	2014 JOINT VENTURES £m	2014 TOTAL £m	2013 GROUP £m	2013 JOINT VENTURES £m	2013 TOTAL £m
Gross rental income	2,7	**215.1**	**74.6**	**289.7**	273.8	48.5	322.3
Property operating expenses	2,7	**(40.5)**	**(11.2)**	**(51.7)**	(50.4)	(8.0)	(58.4)
NET RENTAL INCOME		**174.6**	**63.4**	**238.0**	223.4	40.5	263.9
Joint venture management fee income	2	**11.8**	**–**	**11.8**	7.1	–	7.1
Administration expenses	2,7	**(28.3)**	**(0.7)**	**(29.0)**	(26.1)	(0.4)	(26.5)
EPRA OPERATING PROFIT BEFORE INTEREST AND TAX		**158.1**	**62.7**	**220.8**	204.4	40.1	244.5
Net finance costs (including adjustments)	2,7	**(74.7)**	**(15.8)**	**(90.5)**	(96.6)	(13.9)	(110.5)
EPRA PROFIT BEFORE TAX		**83.4**	**46.9**	**130.3**	107.8	26.2	134.0
Tax on EPRA profit	2,7	**(1.9)**	**(0.6)**	**(2.5)**	(2.7)	0.1	(2.6)
EPRA PROFIT AFTER TAX		**81.5**	**46.3**	**127.8**	105.1	26.3	131.4
Number of shares, million	14			**741.2**			741.0
EPRA EPS, PENCE PER SHARE	14			**17.2**			17.7

NOTES TO THE FINANCIAL STATEMENTS CONTINUED…

FOR THE YEAR ENDED 31 DECEMBER 2014

Supplementary notes not part of audited financial statements continued

Table 3: Balance sheet, proportional consolidation

	NOTES	2014 GROUP £m	2014 JOINT VENTURES £m	2014 TOTAL £m	2013 GROUP £m	2013 JOINT VENTURES £m	2013 TOTAL £m
Investment properties	15,7	3,477.0	1,230.8	4,707.8	2,910.0	1,079.6	3,989.6
Trading properties	15,7	77.8	13.1	90.9	138.7	12.8	151.5
Owner occupied properties		–	–	–	4.1	–	4.1
TOTAL PROPERTIES		3,554.8	1,243.9	4,798.7	3,052.8	1,092.4	4,145.2
Investment in joint ventures	7	855.5	(855.5)	–	635.7	(635.7)	–
Other net assets/(liabilities)		157.7	(27.2)	130.5	115.3	(27.3)	88.0
Net debt	19,7	(1,679.2)	(361.2)	(2,040.4)	(1,459.1)	(429.4)	(1,888.5)
TOTAL SHAREHOLDERS' EQUITY[1]		2,888.8	–	2,888.8	2,344.7	–	2,344.7
EPRA adjustments	14			(44.1)			(32.1)
EPRA NET ASSET VALUE	14			2,844.7			2,312.6
Number of shares, million	14			741.1			741.3
EPRA NAV, PENCE PER SHARE	14			384			312

1 After minority interests.

Table 4: EPRA net initial yield and 'topped-up' net initial yield

COMBINED PROPERTY PORTFOLIO – 2014	NOTES	UK £m	CONTINENTAL EUROPE £m	TOTAL £m
TOTAL PROPERTIES PER FINANCIAL STATEMENTS	Table 3	3,485.1	1,313.6	4,798.7
Add valuation surplus not recognised on wholly owned trading properties[1]		–	2.3	2.3
Other items		–	0.4	0.4
COMBINED PROPERTY PORTFOLIO PER EXTERNAL VALUERS' REPORTS		3,485.1	1,316.3	4,801.4
Less development properties (investment, trading and joint ventures)		(132.0)	(181.4)	(313.4)
NET VALUATION OF COMPLETED PROPERTIES		3,353.1	1,134.9	4,488.0
Add notional purchasers' costs		190.8	51.2	242.0
GROSS VALUATION OF COMPLETED PROPERTIES INCLUDING NOTIONAL PURCHASERS' COSTS	A	3,543.9	1,186.1	4,730.0

		£m	£m	£m
INCOME				
Gross passing rent[2]		179.9	84.0	263.9
Less irrecoverable property costs		(2.1)	(5.3)	(7.4)
NET PASSING RENT	B	177.8	78.7	256.5
Adjustment for notional rent in respect of rent frees		20.1	8.1	28.2
TOPPED UP NET RENT	C	197.9	86.8	284.7
Including fixed/minimum uplifts[3]		8.1	0.5	8.6
TOTAL TOPPED UP NET RENT		206.0	87.3	293.3

YIELDS – 2014		UK%	CONTINENTAL EUROPE%	TOTAL%
EPRA net initial yield	B/A	5.0	6.6	5.4
EPRA topped up net yield	C/A	5.6	7.3	6.0
Net true equivalent yield		6.3	7.9	6.7

1 Trading properties are recorded in the financial statements at the lower of cost and net realisable value, therefore valuations above cost have not been recognised.
2 Gross passing rent excludes short term lettings and licences.
3 Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five yearly, upwards only rent review clauses (UK) or indexation clauses (continental Europe).

Table 5: EPRA vacancy rate

	2014 £m	2013 £m
Annualised potential rental of vacant premises	**19.8**	25.9
Annualised potential rental value for the completed property portfolio	**313.8**	304.3
EPRA VACANCY RATE	**6.3%**	8.5%

Table 6: EPRA cost ratio

EPRA COST RATIO	NOTES	2014 £m	2013 £m
COSTS			
Property operating expenses[1]	5	**40.5**	50.4
Administration expenses	6	**28.3**	26.1
Share of joint venture property operating and administration expenses[2]	7	**12.2**	7.3
Less:			
Joint venture property management fee income	4	**(12.2)**	(5.4)
TOTAL COSTS (A)		**68.8**	78.4
Group vacant property costs	5	**(7.5)**	(12.6)
Share of joint venture vacant property costs	7	**(3.1)**	(1.8)
TOTAL COSTS EXCLUDING VACANT PROPERTY COSTS (B)		**58.2**	64.0
GROSS RENTAL INCOME			
Gross rental income	4	**215.1**	273.8
Share of joint venture property gross rental income	7	**74.6**	48.5
TOTAL GROSS RENTAL INCOME (C)		**289.7**	322.3
TOTAL EPRA COST RATIO (INCLUDING VACANT PROPERTY COSTS) (A)/(C)		**23.7%**	24.3%
TOTAL EPRA COST RATIO (EXCLUDING VACANT PROPERTY COSTS) (B)/(C)		**20.1%**	19.8%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £2.5 million (2013: £2.1 million) (see Note 5 for further detail on the nature of costs capitalised).

2 Share of joint venture property operating and administration expenses after deducting costs related to performance and other fees.

FIVE-YEAR FINANCIAL RESULTS

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
GROUP INCOME STATEMENT					
Net rental income	**174.6**	223.4	254.8	271.2	282.1
Joint venture management fee income	**11.8**	7.1	7.4	5.9	1.9
Administration expenses	**(28.3)**	(26.1)	(27.9)	(32.1)	(39.2)
Share of joint ventures' EPRA profit after tax	**46.3**	26.3	20.2	16.6	10.8
Net finance costs (including adjustments)	**(74.7)**	(96.6)	(109.6)	(123.1)	(128.3)
EPRA PROFIT BEFORE TAX	**129.7**	134.1	144.9	138.5	127.3
Adjustments to the share of profit/(loss) from joint ventures after tax	**105.1**	44.3	(17.5)	10.0	31.1
Profit/(loss) on sale of investment properties	**25.0**	13.0	(28.9)	5.2	(2.8)
Valuation surplus/(deficit) on investment and owner occupied properties	**385.6**	93.8	(284.4)	(272.7)	32.4
(Loss)/profit on sale of trading properties	**(0.3)**	6.1	(1.8)	5.2	(0.1)
Increase in provision for impairment of trading properties	**(1.7)**	(15.2)	(24.9)	(9.1)	(3.6)
Gain/(loss) on sale of investment in joint ventures	**–**	–	0.2	–	(0.5)
Other investment income/(loss)	**1.9**	(0.4)	2.4	2.4	5.8
Amounts written off on acquisitions	**(0.2)**	(0.2)	(0.6)	(0.2)	(13.9)
Net fair value gain/(loss) on interest rate swaps and other derivatives	**10.9**	(63.4)	22.9	67.1	21.5
Net loss on early close out of debt	**(1.6)**	–	(14.5)	–	–
PROFIT/(LOSS) BEFORE TAX	**654.4**	212.1	(202.2)	(53.6)	197.2
GROUP BALANCE SHEET					
Investment properties	**3,477.0**	2,910.0	3,795.7	4,316.6	4,498.3
Owner occupied properties	**–**	4.1	4.3	6.5	7.8
Trading properties	**77.8**	138.7	193.3	261.4	289.9
TOTAL DIRECTLY OWNED PROPERTIES	**3,554.8**	3,052.8	3,993.3	4,584.5	4,796.0
Plant and equipment	**6.6**	4.7	2.9	5.8	7.3
Investments in joint ventures	**855.5**	635.7	342.6	298.8	279.8
Other assets	**372.9**	324.5	292.0	283.4	169.8
Cash and cash equivalents	**23.8**	233.8	16.6	21.2	44.6
TOTAL ASSETS	**4,813.6**	4,251.5	4,647.4	5,193.7	5,297.5
Borrowings	**(1,703.0)**	(1,692.9)	(2,106.9)	(2,324.6)	(2,247.8)
Deferred tax provision	**(10.3)**	(11.4)	(23.3)	(25.2)	(47.9)
Other liabilities and non-controlling interests	**(211.5)**	(202.5)	(282.2)	(288.4)	(291.5)
TOTAL SHAREHOLDERS' EQUITY	**2,888.8**	2,344.7	2,235.0	2,555.5	2,710.3
TOTAL MOVEMENT IN SHAREHOLDERS' EQUITY					
Profit/(loss) attributable to equity shareholders	**682.0**	210.6	(197.3)	(30.4)	210.3
Other equity movements	**(137.9)**	(100.9)	(123.2)	(124.4)	(92.5)
	544.1	109.7	(320.5)	(154.8)	117.8
DATA PER ORDINARY SHARE (PENCE)					
EARNINGS PER SHARE					
Basic earnings/(loss) per share	**92.0**	28.4	(26.6)	(4.1)	28.5
EPRA earnings per share	**17.2**	17.7	19.3	18.4	17.1
NET ASSETS PER SHARE BASIC					
Basic net assets per share	**390**	316	302	345	366
EPRA net assets per share	**384**	312	294	340	376
DIVIDEND PER SHARE	**15.1**	14.8	14.8	14.8	14.3

FINANCIAL INFORMATION

Financial calendar and shareholder information

FEBRUARY 2015		
Payment:	6¾ per cent bonds 2024 interest	23 February
Announcement of year end results:		25 February
MARCH 2015		
Payment:	7 per cent bonds 2022 interest	16 March
Ex-dividend date for final dividend:	Property Income Distribution	26 March
Record date:	Property Income Distribution	27 March
Payment:	6 per cent bonds 2019 interest	30 March
APRIL 2015		
Final date for SCRIP election:	Property Income Distribution	14 April
Payment:	5¼ per cent bonds 2015 interest	21 April
Annual General Meeting:		29 April
MAY 2015		
Payment:	Property Income Distribution	8 May
Payment:	6¾ per cent 2021 interest	25 May
JUNE 2015		
Payment:	5½ per cent bonds 2018 interest	22 June
Payment:	5¾ per cent bonds 2035 interest	22 June
JULY 2015		
Announcement of half year results:		28 July
AUGUST 2015		
Payment:	6¾ per cent bonds 2024 interest	24 August
SEPTEMBER 2015		
Payment:	7 per cent bonds 2022 interest	14 September
Payment:	6¼ per cent bonds 2015 interest	30 September
Payment:	6¼ per cent bonds 2015 repayment	30 September
Payment:	6 per cent bonds 2019 interest	30 September
OCTOBER 2015		
Payment:	Property Income Distribution &/or Dividend	October
Payment:	5¼ per cent bonds 2015 interest	21 October
Payment:	5¼ per cent bonds 2015 repayment	21 October
NOVEMBER 2015		
Payment:	6¾ per cent bonds 2021 interest	23 November
DECEMBER 2015		
Payment:	5⅝ per cent bonds 2020 interest	7 December

FINANCIAL INFORMATION CONTINUED…

Analysis of shareholders – 31 December 2014

Shareholder analysis

RANGE	HOLDERS	% OF HOLDERS	SHARES	% OF SHARES
1 – 1,000	5,294	59.49	1,346,641	0.18
1,001 – 10,000	2,704	30.38	8,706,875	1.18
10,001 – 100,000	550	6.18	18,579,175	2.50
100,001 – 1,000,000	245	2.75	89,609,908	12.07
1,000,001+	107	1.20	624,117,465	84.07
TOTALS	8,900	100	742,360,064	100

Category analysis

CATEGORY	HOLDERS	% OF HOLDERS	SHARES	% OF SHARES
Individual (certificated)	6,251	70.24	10,089,478	1.36
Individual (uncertificated)	164	1.84	975,791	0.13
Nominee and Institutional Investors	2,485	27.92	731,294,795	98.51
TOTALS	8,900	100	742,360,064	100

SHAREHOLDER INFORMATION

Useful historical information

Share history of the company

- On 20 August 2007, the ordinary share capital was consolidated on the basis of 12 new ordinary shares of $27^{1}/_{12}$ pence for every 13 ordinary shares of 25 pence held on the 17 August 2007. A special dividend of 53 pence per share was paid in connection with the consolidation on 31 August 2007.
- On 4 March 2009, a rights issue was announced on the basis of 12 new ordinary shares for every existing share held on 17 March 2009 at a subscription price of 10 pence per share. Each $27^{1}/_{12}$ pence ordinary share in issue was sub-divided and re-classified into one ordinary share of one pence each and one deferred share of $26^{1}/_{12}$ pence each. The deferred shares were created for technical reasons in order to maintain the aggregate nominal value of the Company's share capital upon sub-division of its ordinary shares. The very limited rights attached to the deferred shares rendered them effectively valueless and they were cancelled on 8 May 2009.
- In relation to the acquisition of Brixton plc, on 24 August 2009, SEGRO plc undertook a share consolidation, open offer and private placing. On 31 July 2009, every 10 ordinary shares of one pence each were consolidated into one ordinary share of ten pence each and, 0.10484 open offer shares of ten pence each were offered to every shareholder of SEGRO plc who, on 13 July 2009, held ten ordinary shares of one pence each. The acquisition of Brixton was conducted by a scheme of arrangement. Brixton shareholders were offered 0.175 consideration shares of ten pence each in SEGRO plc for each Brixton share held.

Shareholder enquiries

If you have any questions about your shareholding or if you require further guidance (e.g. to notify a change of address) please contact Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, telephone +44 (0)871 384 2186. Alternatively, you can check your shareholding and access dividend information by registering at www.shareview.co.uk, or you can securely send queries via the website by visiting https://help.shareview.co.uk.

Electronic communications

Shareholders have the opportunity to elect to receive shareholder communications electronically, e.g. Annual Reports, Notice of the Annual General Meeting and Proxy Forms. You can elect to receive email notifications of shareholder communications by registering at www.shareview.co.uk where you can also set up a bank mandate to receive dividends directly to your bank account and to submit proxy votes for shareholder meetings. Receiving the Company's communications electronically allows the Company to communicate with its shareholders in a more environmentally friendly, cost effective and timely manner.

AGM

The 2014 AGM will be held on 29 April 2015 at RSA House, 8 John Adam Street, London WC2N 6EZ.

ShareGift

ShareGift is a charity (registered under the name The Orr Mackintosh Foundation, registered charity number 1052686) which specialises in accepting donations of small numbers of shares which are uneconomic to sell on their own. Shares which have been donated to ShareGift are aggregated and sold when practicable, with the proceeds passed on to a wide range of UK charities. ShareGift can also help with larger donations of shares. Further details about ShareGift can be obtained from its website at www.sharegift.org or by writing to ShareGift at 17 Carlton House Terrace, London, SW1Y 5AH, telephone: +44 (0)207 930 3737.

Dividends

A requirement of the REIT regime is that a REIT must distribute to shareholders by way of dividend at least 90 per cent of its profits from its tax-exempt UK property rental business (calculated under UK tax principles after the deduction of interest and capital allowances and excluding chargeable gains). Such distributions are referred to as Property Income Distributions, or PIDs. Any further distributions may be paid as ordinary dividends or PIDs, which are derived from profits earned by its UK, non-REIT taxable business, as well as its overseas operations.

SCRIP Dividend and Dividend Reinvestment Plan

The Board has recommended the re-introduction of a scrip dividend option (SCRIP) in respect of cash dividends (including those treated as Property Income Distributions), which, if approved by shareholders at the AGM, will allow shareholders who elect to receive the SCRIP, to take the final dividend in shares rather than cash. Details of the proposed SCRIP together with information on how shareholders can elect to receive it subject to shareholder approval, will be provided with the Notice of Meeting and will be available on the Company's website www.segro.com. If shareholders approve the introduction of the SCRIP, it will run for the three years ending on the earlier of 28 April 2018 and the beginning of the third AGM of the Company following 29 April 2015. The Dividend Reinvestment Plan (DRIP) will be suspended for the 2014 final dividend and for any dividend in respect of which the SCRIP dividend option is offered but will be re-instated for dividends in respect of which the Board decides not to offer the SCRIP.

Withholding tax

SEGRO is required to withhold tax at source from its PIDs at the basic tax rate (20 per cent). UK shareholders need take no immediate action (unless they qualify for exemption as described below) and will receive with each dividend payment a tax deduction certificate stating the amount of tax deducted.

UK shareholders who fall into one of the classes of shareholder able to claim an exemption from withholding tax may be able to receive a gross PID payment if they have submitted a valid relevant Exemption Declaration form, either as a beneficial owner of the shares, or as an intermediary if the shares are not registered in the name of the beneficial owner, to Equiniti. The Exemption Declaration form is available at www.segro.com under Investors/Shareholder Information/REIT. A valid declaration form, once submitted, will continue to apply to future payments of PIDs until rescinded, and so it is a shareholder's responsibility to notify SEGRO if their circumstances change and they are no longer able to claim an exemption from withholding tax.

Shareholders resident outside the UK may be able to claim a partial refund (either as an individual or as a company) from HMRC, subject to the terms of a double tax treaty, if any, between the UK and the country in which the shareholder is resident.

GLOSSARY OF TERMS

APP
Airport Property Partnership, a 50-50 joint venture between SEGRO and Aviva Investors.

COMPLETED PORTFOLIO
The completed investment and trading properties and the Group's share of joint ventures' completed investment and trading properties.

DEVELOPMENT PIPELINE
The Group's current programme of developments authorised or in the course of construction at the balance sheet date, together with potential schemes not yet commenced on land owned or controlled by the Group.

EPRA
The European Public Real Estate Association, a real estate industry body, which has issued Best Practices Recommendations in order to provide consistency and transparency in real estate reporting across Europe.

ESTIMATED COST TO COMPLETION
Costs still to be expended on a development or redevelopment to practical completion, including attributable interest.

ESTIMATED RENTAL VALUE (ERV)
The estimated annual market rental value of lettable space as determined biannually by the Group's valuers. This will normally be different from the rent being paid.

GEARING
Net borrowings divided by total shareholders' equity excluding intangible assets and deferred tax provision.

GROSS RENTAL INCOME
Contracted rental income recognised in the period in the income statement, including surrender premiums and interest receivable on finance leases. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight line basis over the lease term.

HECTARES (HA)
The area of land measurement used in this analysis. The conversion factor used, where appropriate, is 1 hectare = 2.471 acres.

INVESTMENT PROPERTY
Completed land and buildings held for rental income return and/or capital appreciation.

IPD
Investment Property Databank is a provider of real estate performance and risk analysis.

JOINT VENTURE
An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

LOAN TO VALUE (LTV)
Net borrowings divided by the carrying value of total property assets (investment, owner occupied and trading properties). This is measured either on a 'look-through' basis (including joint ventures at share) or wholly owned (which excludes joint ventures).

LPP
Logistics Property Partnership, a former 50-50 joint venture between SEGRO and Moorfield Real Estate Fund II (MREF II) which was acquired by SEGRO in full in July 2014.

NET TRUE EQUIVALENT YIELD
The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time. It assumes that rent is received quarterly in advance.

NET INITIAL YIELD
Annualised current passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs. This is in accordance with EPRA's Best Practices Recommendations.

NET RENTAL INCOME
Gross Rental Income less ground rents paid, net service charge expenses and property operating expenses.

PASSING RENT
The annual rental income currently receivable on a property as at the balance sheet date (which may be more or less than the ERV). Excludes rental income where a rent free period is in operation. Excludes service charge income (which is netted off against service charge expenses).

PRE-LET
A lease signed with an occupier prior to completion of a development.

REIT
A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications. SEGRO plc and its UK subsidiaries achieved REIT status with effect from 1 January 2007.

RENT ROLL
See Passing Rent.

SELP
SEGRO European Logistics Partnership, a 50-50 joint venture between SEGRO and Public Sector Pension Investment Board (PSP Investments).

SIIC
Sociétés d'investissements Immobiliers Cotées are the French equivalent of UK Real Estate Investment Trusts (see REIT).

SPECULATIVE DEVELOPMENT
Where a development has commenced prior to a lease agreement being signed in relation to that development.

SPPICAV
A Société de Placement à Prépondérance Immobilière à Capital Variable is an alternative corporate means of owning real estate assets in France.

SQUARE METRES (SQ M)
The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is 1 square metre = 10.7639 square feet.

TAKEBACK
Rental income lost due to lease expiry, exercise of break option, surrender or insolvency.

TOPPED UP NET INITIAL YIELD
Net initial yield adjusted to include notional rent in respect of let properties which are subject to a rent free period at the valuation date. This is in accordance with EPRA's Best Practices Recommendations.

TOTAL PROPERTY RETURN (TPR)
A measure of the ungeared return for the portfolio and is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned, as calculated by IPD and excluding land.

TOTAL SHAREHOLDER RETURN (TSR)
A measure of return based upon share price movement over the period and assuming reinvestment of dividends.

TRADING PROPERTY
Property being developed for sale or one which is being held for sale after development is complete.

YIELD ON COST
Yield on cost is the expected gross yield based on the estimated current market rental value (ERV) of the developments when fully let, divided by the book value of the developments at the earlier of commencement of the development or the balance sheet date plus future development costs and estimated finance costs to completion.

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GO ONLINE

To keep up to date with SEGRO, you can source facts and figures about the Group through the various sections on our website and sign up for email alerts for fast communication of breaking news.

Financial reports, shareholder information and property analysis are frequently updated and our current share price is always displayed on the Home Page.

As well as featuring detailed information about available property throughout the portfolio, www.segro.com now also includes a dedicated property search function making it easy for potential customers, or their agents, to find business space that fits their requirement exactly. SEGRO's performance in areas such as sustainability and customer care are also featured on the site. www.segro.com

OTHER PUBLICATIONS

Additional disclosures on our property portfolio can be found in the 2014 Property Analysis Report. Simply visit www.segro.com for this document and further information on Sustainability.

FORWARD-LOOKING STATEMENTS

The Annual Report contains certain forward-looking statements with respect to SEGRO's expectations and plans, strategy, management objectives, future developments and performances, costs, revenues and other trend information. These statements are subject to assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties relate to factors that are beyond SEGRO's ability to control or estimate precisely and which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Certain statements have been made with reference to forecast process changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of SEGRO are based upon the knowledge and information available to Directors on the date of this Annual Report. Accordingly, no assurance can be given that any particular expectation will be met and SEGRO's shareholders are cautioned not to place undue reliance on the forward-looking statements. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), SEGRO does not undertake to update forward-looking statements to reflect any changes in events, conditions or circumstances on which any such statement is based. Past share performance cannot be relied on as a guide to future performance. Nothing in this Annual Report should be construed as a profit forecast.

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