SEGRO
WHERE BUSINESS WORKS

DELIVERING

ANNUAL REPORT AND ACCOUNTS 2013

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The Directors present the Annual Report for the year ended 31 December 2013 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 55, inclusive, comprise the Strategic Report and pages 56 to 93 inclusive comprise the Directors' Report both 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 which 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.

SEGRO is a UK Real Estate Investment Trust ('REIT'), and a leading owner, asset manager and developer of modern warehousing, light industrial property, as well as of higher value uses such as offices and data centres. We own or manage 5.3 million square metres of space in £5.2 billion of assets (our share of which totals £4.1 billion), serving 1,250 customers from a range of industry sectors. Our properties are located around major conurbations and at key transportation hubs across eight European countries, principally in the UK, France, Germany and Poland.

RESILIENT PERFORMANCE IN 2013

£134.1 MILLION
EPRA PROFIT BEFORE TAX

17.7 PENCE
EPRA EARNINGS PER SHARE

£212.1 MILLION
PROFIT BEFORE TAX

14.8 PENCE
TOTAL DIVIDEND PER SHARE

£4,149 MILLION
PORTFOLIO VALUE (SEGRO SHARE)

312 PENCE
EPRA NET ASSET VALUE PER SHARE

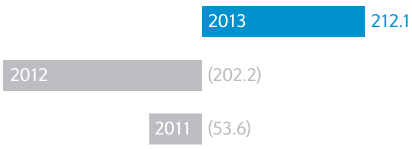
OVERVIEW FINANCIAL RECORD

DELIVERING ON OUR STRATEGIC PRIORITIES

EPRA PROFIT BEFORE TAX (£ MILLION)

EPRA EPS (PENCE)

PROFIT BEFORE TAX (£ MILLION)



TOTAL DIVIDEND PER SHARE (PENCE)

PORTFOLIO VALUE (£ BILLION)
(SEGRO SHARE)

EPRA NET ASSET VALUE PER SHARE
(PENCE)

MAKING SIGNIFICANT PROGRESS

In 2013, we have made further significant progress in delivering the strategic priorities we set out in November 2011. Our asset base and capital structure have been strengthened and we are well positioned to capitalise on growth opportunities in 2014 and beyond.

As part of our asset recycling programme, we have sold £591 million of assets this year, including £346 million of non-core assets. Not only is this ahead of the £300 million to £500 million target we set ourselves, but we have also achieved prices ahead of 31 December 2012 values. We have reinvested around half of the proceeds in accretive acquisitions in our core markets and in our profitable and de-risked development pipeline.

We completed the creation of the SEGRO European Logistics Partnership (known as SELP) with Canadian investor Public Sector Pension Investment Board ('PSP Investments') in October 2013, which was seeded with €1 billion of SEGRO's Continental European 'big box' logistics assets and land. The use of third party capital will allow us to increase our exposure to this growing market, generating attractive returns for our shareholders: we have made an encouraging start by exchanging contracts, in February 2014, to acquire a €472 million Continental European 'big box' portfolio.

The combination of net disposals and the creation of SELP means we have also been able to reduce Group debt, another of our strategic priorities. Our loan to value ratio (including our share of debt in our joint ventures) has fallen to 42 per cent as a result, assisted by a welcome increase in the value of our assets. We retain a long term LTV target of 40 per cent but it may rise temporarily depending on the timing of our investment and disposal activity.

Our headline rental income has continued to be impacted by disposal activity this year, as well as by the exit of Neckermann from its campus in January 2013. EPRA earnings per share have correspondingly fallen by 8 per cent to 17.7 pence, reflecting a 12 per cent decline in net rental income, partly offset by lower net interest costs and administrative expenses.

Despite the tough economic environment across much of Europe, the investment market appetite for industrial and logistics assets has strengthened considerably during the year, particularly in the UK. This is reflected in the 4 per cent increase in the value of our completed assets and the 6 per cent rise in EPRA net asset value per share to 312 pence from 294 pence a year ago.

Whilst Group EPRA earnings have fallen, mainly due to disposals, this was in line with our expectations and we have made progress against our strategic objectives. We expect to make further progress in 2014 as we intensify our efforts towards identifying opportunities for future growth.

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

DIVIDEND

The recommended final dividend of 9.9 pence per share (2012: 9.9 pence) will be paid as a Property Income Distribution, giving a total dividend for the year of 14.8 pence (2012: 14.8 pence). The final dividend will be paid on 9 May 2014 to shareholders on the register at the close of business on 28 March 2014.

The Board continues to offer a Dividend Reinvestment Plan for the 2013 final dividend.

The Board expects to maintain the dividend throughout the strategic reshaping process, and is committed to a progressive dividend policy in the longer term, consistent with our goal of creating a leading income-focused REIT.

BOARD CHANGES

In January 2013, Margaret Ford joined the Board as a Non-Executive Director, becoming the Senior Independent Director. In May 2013, Andy Gulliford, Chief Operating Officer, and Phil Redding, Chief Investment Officer, were appointed to the Board as Directors.

Thom Wernink, Non-Executive Director, will retire from the Board at our AGM in April 2014, having served it for nine years. On behalf of the Board, I thank him for his wise counsel and contribution to the business over that time. A replacement for Thom will be announced in due course.

NIGEL RICH CBE
CHAIRMAN

OVERVIEW AT A GLANCE

PROVIDING A CLEAR LINE OF SIGHT

OUR STRATEGIC PRIORITIES

Our strategy is founded on the two pillars of Disciplined Capital Allocation and Operational Excellence which, if underpinned by an efficient and prudent capital structure and lean overhead base, should translate into attractive shareholder returns. For more information see page 11.

In November 2011, we published our four strategic priorities to deliver our goals.

OUR PERFORMANCE

We have delivered tangible results against our strategic objectives, but recognise that there remains more to do.

OUR BUSINESS MODEL

We want to be the best European owner-manager and developer of warehouse/industrial properties and to be a leading income-focused REIT.

BUY SMART

We acquire land and buildings in European countries and regions which offer attractive income and capital growth potential.

ADD VALUE

We manage each of our assets to enhance their capital and income returns through lease initiatives, refurbishment and development.

SELL WELL

We assess the future return and risk profile of each of our assets and will sell if we believe that disposal will generate a higher risk-adjusted return than continuing to hold the asset.

1 RESHAPING THE EXISTING PORTFOLIO

To focus on high-quality, modern warehousing and light industrial assets in the strongest markets

We sold £591 million of assets at an average 4.7 per cent above December 2012 book values and at a topped-up yield of 7.2 per cent.

We generated a total property return (TPR) of 10.7 per cent. Our UK portfolio TPR was 14.0 per cent outperforming the IPD UK benchmark TPR of 12.7 per cent.

2 DELIVERING PROFITABLE GROWTH THROUGH DEVELOPMENT AND ACQUISITION

To take advantage of development and acquisition opportunities which meet or exceed our target rates of return and enhance the quality of our portfolio

We acquired £141 million of land and standing assets, the latter at a yield of 7.1 per cent.

We deployed £108 million into our development pipeline, completing 15 projects, 85 per cent let at 31 December 2013, generating £6.6 million of rent when fully let. Our pipeline contains 18 projects which are 60 per cent pre-let.

3 REDUCING NET DEBT AND INTRODUCING THIRD PARTY CAPITAL

To create a capital structure which seeks to enhance our return on equity on a sustainable basis throughout the property cycle without taking undue risk

We reduced Group net debt by £631 million, reducing our 'look-through' LTV to 42 per cent from 51 per cent at 31 December 2012.

We created the SEGRO European Logistics Partnership joint venture, seeding it with €1 billion of Continental European 'big box' logistics assets and development land.

4 DRIVING OUR OPERATIONAL PERFORMANCE

To improve total property returns through excellent asset management and customer service, whilst keeping tight control on costs

£27 million of rental income contracted compared to £21 million of take-backs (excluding Neckermann).

Like-for-like net rental income fell 1.5 per cent.

Cost ratio rose to 24.2 per cent (2012: 22.9 per cent) despite a 7 per cent fall in administrative expenses.

EPRA vacancy rate is 8.5 per cent (2012: 8.2 per cent).

76 per cent of our customers rated us 'good' or 'excellent' (2012: 72 per cent).

FOR MORE DETAIL, SEE: FINANCIAL REVIEW PAGE 48 ▶

OUR KPIs

43.2%
TOTAL SHAREHOLDER RETURN

OUR FUTURE

We will continue to manage the Group in line with our four strategic priorities.

We will deploy our asset base, capital structure and management expertise to generate attractive returns in 2014 and beyond, without taking undue risk.

OUR RISK AWARENESS

Equity market volatility and relative performance of peers can impact the performance of SEGRO's shares.

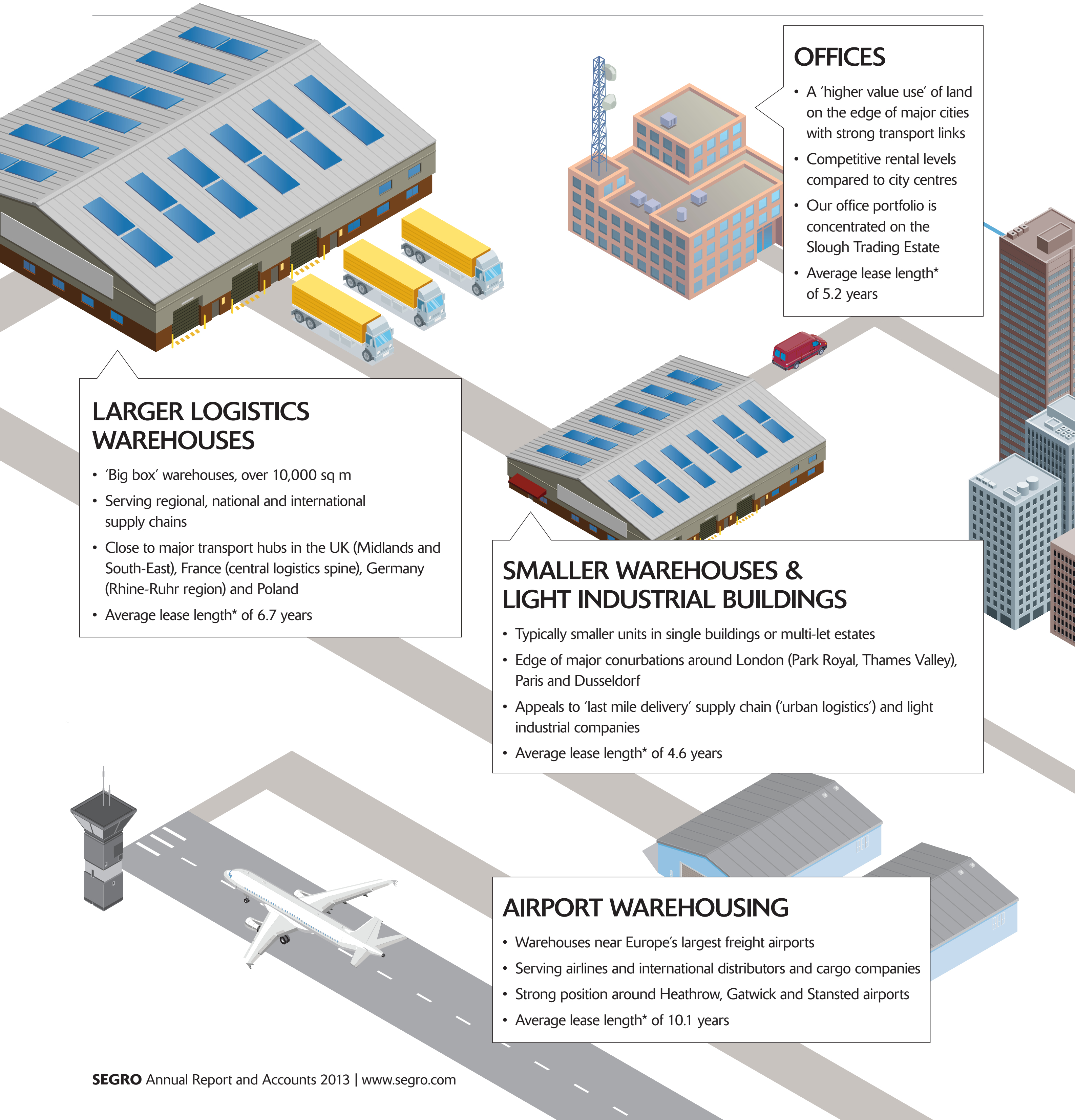
Our performance is also dependent on macro-economic conditions as well as changes in government policies and in the commercial real estate environment.

OUR KPIs	OUR FUTURE	OUR RISK AWARENESS
10.7% TOTAL PROPERTY RETURN; 312P EPRA NAV PER SHARE; 42% LTV	We will continue to sell our non-core assets but we will also sell core assets if their risk/return profile does not meet our targets. There were £440 million of non-core assets on the balance sheet at 31 December 2013 (2012: £725 million).	The investor appetite for commercial real estate could impact the valuation of our assets, our ability to sell at prices in line with current valuation and our ability to acquire assets at prices which meet our return criteria. A poor macro-economic environment could impact our tenants' ability to pay their rent.
10.7% TOTAL PROPERTY RETURN; 17.7P EPRA EPS; 8.5% EPRA VACANCY RATE	We will continue to source new acquisitions in our core markets which enhance our return and risk profile. We have 18 development projects in our pipeline at 31 December, which are 60 per cent pre-let at 31 December 2013. We will add to our development programme in 2014.	We are dependent on equity and debt markets for funding, as well as on our ability to raise proceeds from disposals. Any disruption to equity or debt capital markets could limit our ability to fund acquisitions and developments.
42% LTV	We retain our longer-term term target of a 40 per cent 'look-through' LTV ratio. The LTV could fluctuate depending on the timing and extent of acquisitions, disposals and development expenditure.	Our LTV is dependent both on the quantum of debt on our (and our joint ventures') balance sheet, which depends on the level of capital investment, our ability to sell assets, and on the value of our assets which depends on the health of the commercial real estate environment and the pricing of other asset classes.
17.7P EPRA EPS; 24.2% TOTAL COST RATIO; 76% CUSTOMER SATISFACTION; 8.5% EPRA VACANCY RATE; 10.7% TOTAL PROPERTY RETURN	We aim to generate positive rent roll growth from standing assets. We target a vacancy rate of between 6 per cent and 8 per cent over the long-term. We retain our target total cost ratio of 20 per cent although achieving this is dependent on both cost control and the level of gross rental income. We aim to at least maintain our level of customer satisfaction.	Our operational performance is dependent on the financial health of our customers and other stakeholders. A weak or uncertain economy can cause occupiers to reduce their space requirements and may impact their ability to pay rent and other property charges. The actions of competitors can impact our operational performance, influencing rental levels and yields.

KPIs PAGE 12 ▶
FINANCIAL REVIEW PAGE 48 ▶
PRINCIPAL RISKS PAGE 32 ▶

MODERN, FLEXIBLE PROPERTY PORTFOLIO

The growth in international trade, distribution outsourcing, consumer spending and online retailing on the one hand, and the growth in technology and the need for secure data are both driving the demand for modern well located warehousing.



OFFICES

- A 'higher value use' of land on the edge of major cities with strong transport links
- Competitive rental levels compared to city centres
- Our office portfolio is concentrated on the Slough Trading Estate
- Average lease length* of 5.2 years

LARGER LOGISTICS WAREHOUSES

- 'Big box' warehouses, over 10,000 sq m
- Serving regional, national and international supply chains
- Close to major transport hubs in the UK (Midlands and South-East), France (central logistics spine), Germany (Rhine-Ruhr region) and Poland
- Average lease length* of 6.7 years

SMALLER WAREHOUSES & LIGHT INDUSTRIAL BUILDINGS

- Typically smaller units in single buildings or multi-let estates
- Edge of major conurbations around London (Park Royal, Thames Valley), Paris and Dusseldorf
- Appeals to 'last mile delivery' supply chain ('urban logistics') and light industrial companies
- Average lease length* of 4.6 years

AIRPORT WAREHOUSING

- Warehouses near Europe's largest freight airports
- Serving airlines and international distributors and cargo companies
- Strong position around Heathrow, Gatwick and Stansted airports
- Average lease length* of 10.1 years

DATA CENTRES

- A 'higher value use' of warehouses on the edge of major cities
- Demand from financial institutions and third party providers of data storage
- Slough Trading Estate is a major data centre hub due to proximity to London, dual power supply and high security
- Average lease length* of 14.0 years

* Average lease length is to earlier of break or expiry

STRATEGIC REPORT **BUSINESS REVIEW**

IN THE STRONGEST EUROPEAN MARKETS

OUR PRODUCTS

'BIG BOX' LOGISTICS

Our warehouse assets are designed to appeal to a wide range of occupiers for manufacturing, storage and logistics uses.

LIGHT INDUSTRIAL AND 'HIGHER VALUE USE' ASSETS

We own and develop industrial estates for smaller occupiers, and buildings which command higher rents than traditional warehouses, such as offices and data centres.

LAND BANK

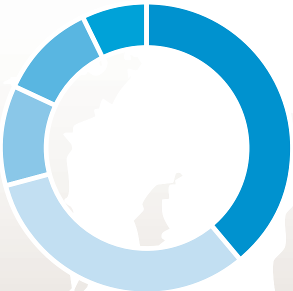
Our land bank is largely concentrated in areas of strong tenant demand and limited supply of good quality space, near major urban conurbations and logistics hubs.

OUR MAIN LOCATIONS

Our portfolio is concentrated in areas of strong tenant demand with limited supply of high quality warehouse properties, on the edge of major urban conurbations and around key transport hubs in eight European countries.

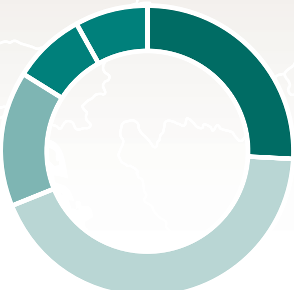
OUR PORTFOLIO

GEOGRAPHICAL SPLIT BY VALUE (SEGRO SHARE)



- UK: GREATER LONDON **39%**
- UK: THAMES VALLEY AND NATIONAL LOGISTICS **32%**
- NORTHERN EUROPE **11%**
- SOUTHERN EUROPE **11%**
- CENTRAL EUROPE **7%**

ASSET TYPE BY VALUE (SEGRO SHARE)



- LARGER LOGISTICS WAREHOUSES **26%**
- SMALLER WAREHOUSES AND LIGHT INDUSTRIAL **43%**
- HIGHER VALUE USE **15%**
- LAND AND DEVELOPMENT **8%**
- BUSINESS SPACE **8%**

TOP 20 CUSTOMERS

The top 20 customers represent 26 per cent of total headline rent (including JVs at share) at 31 December 2013.

CUSTOMER	TYPE
Deutsche Post	Transport & Distribution
Telefonica UK Ltd	Communications & Technology (incl Data Centres)
Tesco	Retail, Media & Leisure
Infinity	Communications & Technology (incl Data Centres)
Royal Mail Group	Transport & Distribution
Equinix	Communications & Technology (incl Data Centres)
IAG	Airlines & Air Cargo
Alcatel-Lucent Italia SPA	Communications & Technology (incl Data Centres)
Mars Chocolate UK Ltd	Manufacturing & Engineering
Sainsbury's Supermarkets	Retail, Media & Leisure
UCB SA	Manufacturing & Engineering
Antalis	Manufacturing & Engineering
Federal Express & OPEK Group	Transport & Distribution
Barclays Bank Plc	Utilities & Services
Savvis UK Limited	Communications & Technology (incl Data Centres)
Wincanton Group	Transport & Distribution
Booker Belmont Wholesale	Retail
Cisco Systems Belgium BVBA	Communications & Technology (incl Data Centres)
London City Bond Ltd	Transport & Distribution
Worldwide Flight Services	Airlines & Air Cargo

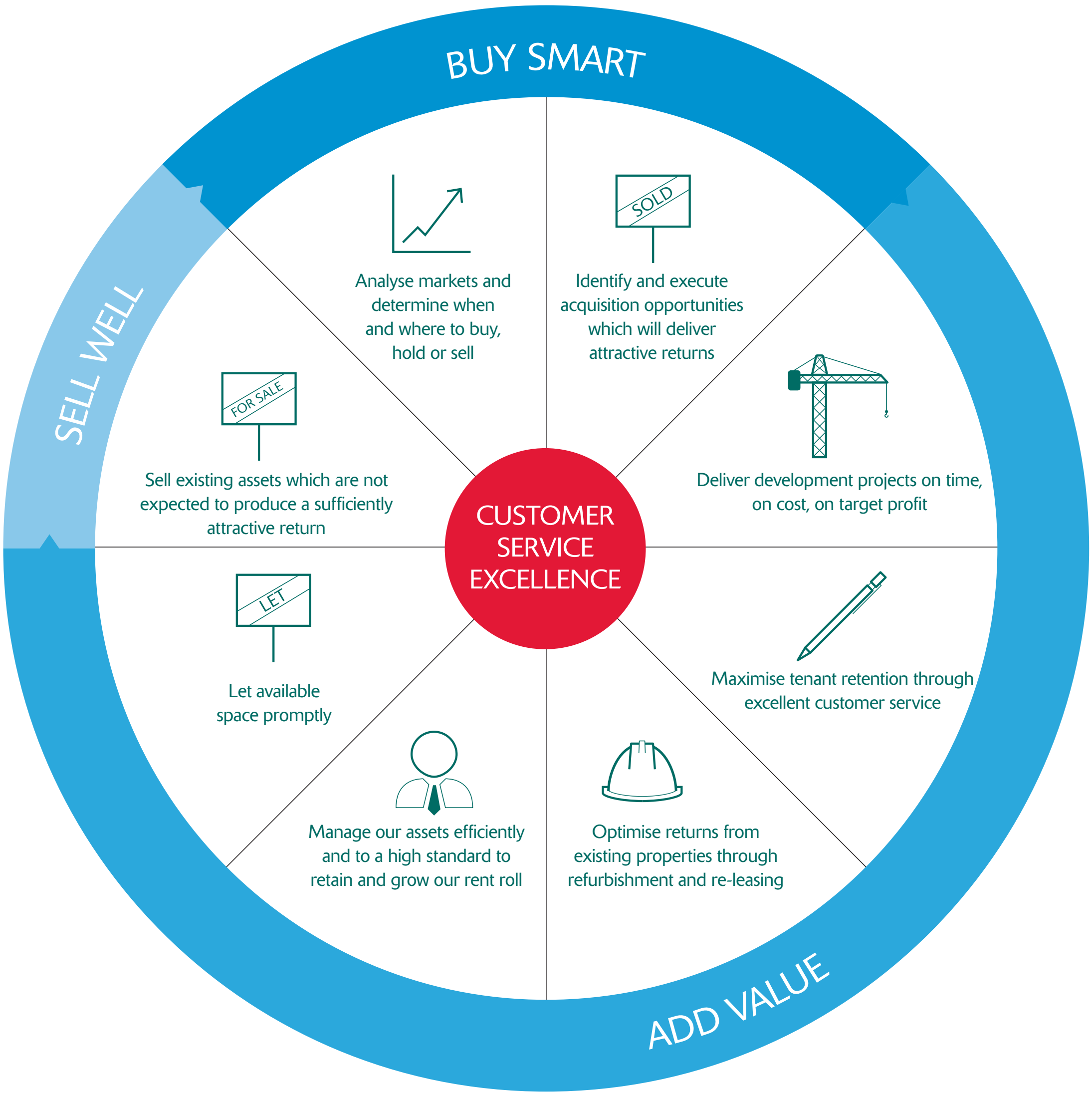
Mory Ducros, which entered administration in November 2013, is excluded from the top 20 customers list. Headline rent relating to this customer in at 31 December 2013 was approximately £2.2 million.

WE HAVE A SIMPLE BUSINESS MODEL

We own, develop and manage warehouse and logistics 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).

Our Business Model is based on three key elements – Buy Smart, Add Value, Sell Well. This means carefully assessing and timing the acquisition of land and buildings, being an expert developer and applying asset management initiatives to increase income and add value to our portfolio.

While we expect to retain most of our properties for the long-term, we are mindful of selling assets at the right stage of both an asset's life cycle and the overall market cycle so that proceeds can be recycled into new opportunities which have a more attractive risk-return profile.



DRIVEN BY A CLEAR STRATEGY TO MAXIMISE VALUE

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

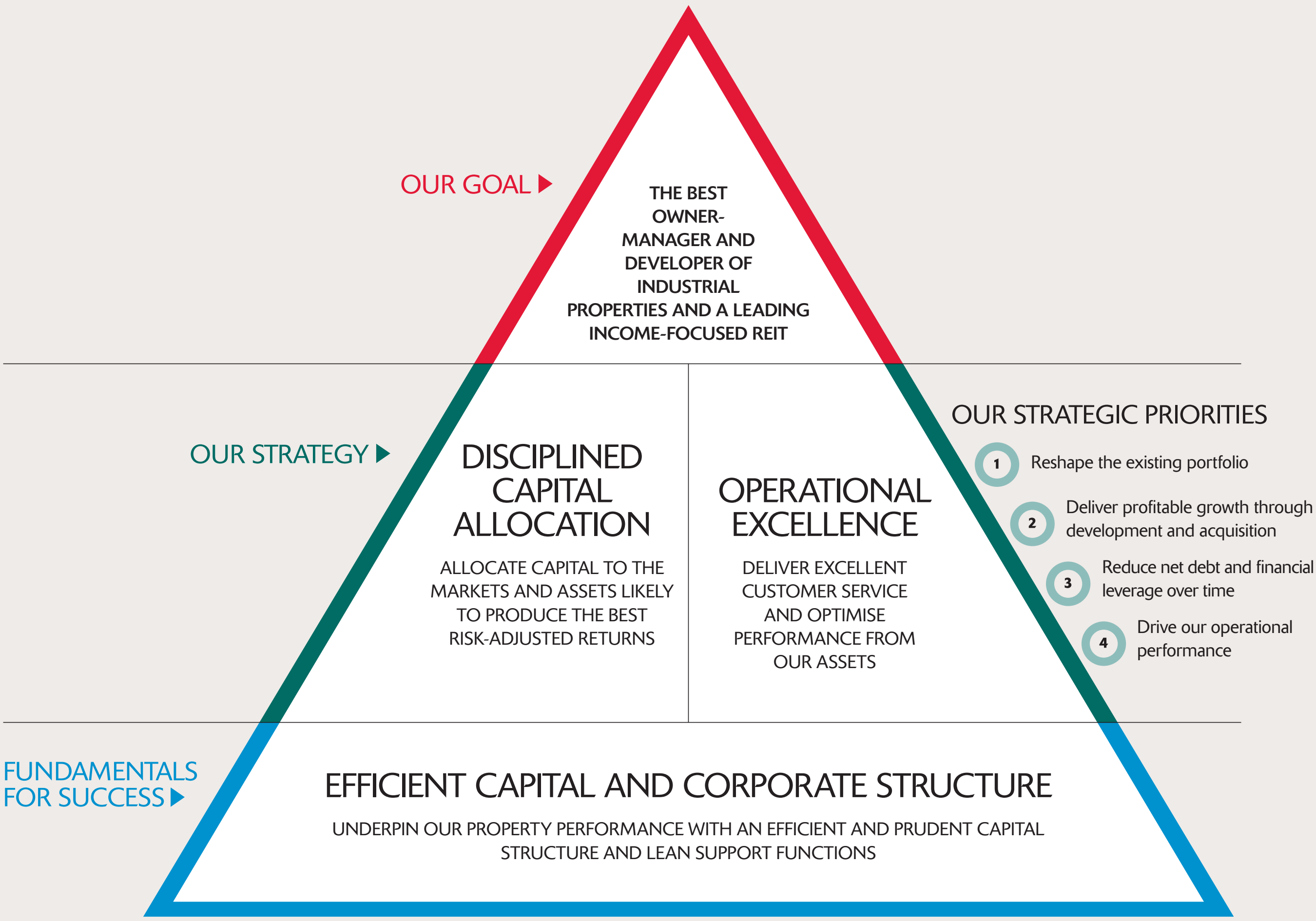
Our goal – to be the best owner-manager and developer of industrial properties and a leading income-focused REIT – rests on the two strategic pillars of Disciplined Capital Allocation and Operational Excellence which, if underpinned by an efficient and prudent capital structure and lean support functions, should generate attractive returns for our shareholders.

In order to achieve our goal, we are building a portfolio comprised of 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 will be 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 relatively modest financial leverage through the cycle, should translate into attractive total shareholder returns.

In order to implement our strategy, we set out a plan which has four strategic priorities, against which we monitor our progress. Both the priorities and our progress against them are detailed further in the Chief Executive's Review on pages 14 to 23.



STRATEGIC REPORT **KEY PERFORMANCE INDICATORS**

MEASURED AGAINST OUR TARGETS

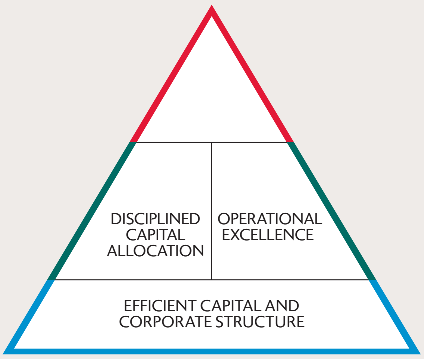
Our objective is to deliver attractive returns to our shareholders through the execution of our strategy.

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 a wholly-owned business and a share of joint ventures.

Some of these metrics are also used to determine how senior 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 page 75.

OUR STRATEGY



RISK MANAGEMENT

We recognise that the management of risk has a role to play in the achievement of our eight 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 32 to 37.

10.7%

TOTAL PROPERTY RETURN

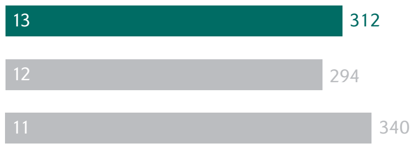
(TPR)†

What it is: TPR is the ungeared combined income and capital return from the Group's portfolio (excluding land) during the year. It is an important measure of the success of our strategy in terms of asset selection and management. IPD provides an external calculation of our TPR as well as providing a benchmark TPR from similar properties. As detailed on page 77, we aim to outperform the benchmark over the long-term and it is a key metric used in setting Executive Directors' and senior managers' long-term incentive plan targets and is a key element in annual bonus targets for all employees.

Our performance: The TPR of the Group was 10.7 per cent (2012: -0.1 per cent). Our UK portfolio generated a TPR of 14.0 per cent, outperforming the IPD Quarterly UK Industrial Index benchmark TPR of 12.7 per cent. The TPR of our Continental Europe portfolio was 4.0 per cent, primarily reflecting weaker performance by our non-core assets and assets in France. We will receive the IPD benchmark TPR for our Continental European portfolio later in the year.

312 PENCE

EPRA NAV PER SHARE†

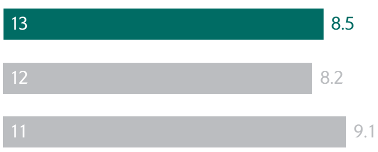


What it is: The value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that are attributable to our shareholders. We aim for sustainable long-term asset value growth whilst carefully managing our liabilities to maintain balance sheet strength.

Our performance: EPRA NAV increased by 18 pence per share over the year to 31 December 2013, mainly due to an increase in the value of the Group's UK and Poland property portfolios, offset by a reduction in the Group's assets in Germany and France. The valuation reduction was concentrated in our more secondary and bespoke non-core assets, which fell in value by 6.4 per cent. The value of our core industrial, logistics and 'higher value use' assets increased by 4.6 per cent.

8.5%

EPRA VACANCY RATE

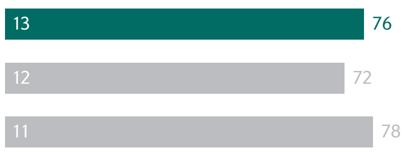


What it is: The vacancy rate measures our ability to find customers to occupy the property assets within our portfolio. An improving vacancy rate generally implies additional rental income and lower vacant property costs. Some level of vacancy will always exist within our portfolio in order to support our asset management activities and allow our customers the opportunity to move premises. Over time, we are targeting a longer-term rate of vacancy for our core portfolio of 6–8 per cent.

Our performance: The portfolio vacancy rate rose to 8.5 per cent from 8.2 per cent at 31 December 2012. The increase partly reflects the disposal of some assets with low vacancy, such as IQ Winnersh and the portfolio transferred into SELP, and a reduction in the level of short term lettings.

76%

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 216 customers surveyed across five countries) as an occupier of our buildings was rated as 'good' or 'excellent' by 76 per cent of our customers during 2013 (2012: 72 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

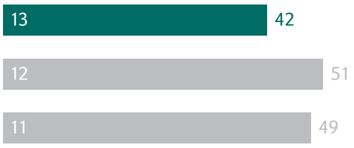
EFFICIENT CAPITAL AND CORPORATE STRUCTURE

ITEMS ARE DIRECTLY CAPTURED IN SEGRO'S INCENTIVE SCHEMES

42%

LOAN TO VALUE RATIO

(INCLUDING JOINT VENTURES AT SHARE)††

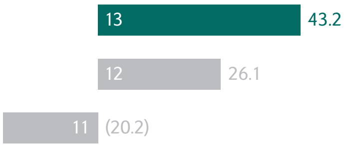


What it is: The proportion of our property assets (including investment, owner-occupier and trading properties at carrying value and our share of properties in joint ventures) that are funded by borrowings. We remain committed to reducing the LTV ratio to 40 per cent over the longer term because we believe 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 42 per cent from 51 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 close to our longer-term target of 40 per cent, the timing of investment decisions and disposals may cause the LTV to rise in the short term.

43.2%

TOTAL SHAREHOLDER RETURN

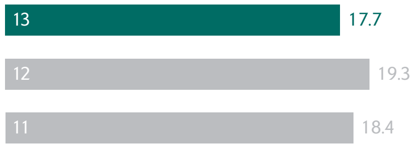


What it is: TSR measures the change in our share price over the year assuming that dividends paid are reinvested. This KPI reflects our commitment to delivering enhanced returns for our shareholders through the execution of our strategy over the medium-term. TSR is a key metric used in setting the Executive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

Our performance: The TSR of the Group was 43.2 per cent, compared with 19.4 per cent for the FTSE 350 Real Estate sector. This performance reflects a combination of a higher dividend yield relative to the sector and an increase in the share price from 246.6 pence at 31 December 2012 to 334.0 pence at 31 December 2013.

17.7 PENCE

EPRA EPS*

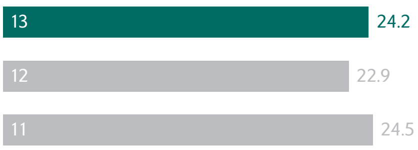


What it is: The after tax earnings we generate, calculated in accordance with EPRA guidelines, that are attributable to our shareholders. This measures how profitable our operations have been during the year. Earnings are a key element in the annual bonus targets applied to all employees.

Our performance: As expected, EPRA EPS fell by 8.3 per cent year on year, reflecting the loss of income from Neckermann and the dilutive impact of disposals on gross rental income, partly offset by the 11.9 per cent decline in net finance costs and 6.5 per cent decline in administrative expenses.

24.2%

TOTAL COST RATIO



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 to reduce our total cost ratio towards 20 per cent.

Our performance: The cost ratio increased to 24.2 per cent (2012: 22.9 per cent) due to the negative impact of net disposals on gross rental income and despite a 6.5 per cent decline in administrative expenses. We also incurred £2.9 million of costs associated with the Neckermann campus which was substantially vacant during the year until we completed its disposal in December which meant that property operating costs remained stable, despite our disposal activity.

ADDITIONAL EPRA MEASURES

	2011	2012	2013
EPRA earnings (£m)[1]	136.6	143.0	**131.4**
NNNAV (pence per share)[2]	322	262	**282**
Net Initial Yield (%)[2]	6.4	6.8	**6.3**
Topped up Net Initial Yield (%)[2]	7.1	7.7	**6.9**

1 Stated after tax and non-controlling interests.
2 Please see the 2013 Property Analysis Report for further details of our yields, available at www.segro.com

* 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 they provide a transparent and consistent basis to enable a comparison between European property companies.
† The 2013 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. In 2011, the TPR was an internal calculation.
†† The 31 December 2013 LTV ratio includes our share of joint venture borrowings and property assets. We also 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.

STRATEGIC REPORT CHIEF EXECUTIVE'S REVIEW

HOW WE ARE PROGRESSING WITH OUR STRATEGY

"We are now well positioned to take advantage of improving markets and business sentiment"

Our focus throughout 2013 has ensured that we have made further progress towards our ambition of becoming the best owner, asset manager and developer of industrial 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 non-core 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 financial leverage over time and introducing further third party capital where appropriate; and
4. Driving our operational performance across the business through greater customer focus, knowledge sharing, efficiency improvements and cost reductions.

We have made significant progress against these priorities, exceeding our disposal target for the year, expanding our development programme and reducing our Group net debt by 30 per cent. The most significant transaction in the year was the creation of the SEGRO European Logistics Partnership ('SELP'), a €1 billion joint venture. This represented an important milestone in our objective to increase the use of third party capital whilst also leveraging our operating and investment expertise to expand our exposure to the growing European 'big box' logistics market on an attractive, risk-adjusted basis.

There remains progress to be made on all four of the priorities; however, having sold £1.1 billion of assets since the start of 2012, our focus is now shifting from portfolio reshaping and business restructuring towards growth. Our development pipeline is rich with opportunities to deliver long-term attractive income and capital returns, and we believe the Group is well placed to benefit from both the improving economic environment and a number of structural drivers of demand, not least the growth in online retailing, as retailers seek real estate solutions to their 'last mile delivery' requirements.

OUR STRATEGIC PRIORITIES:

1 RESHAPING THE EXISTING PORTFOLIO
PAGE 15

2 DELIVERING PROFITABLE GROWTH THROUGH DEVELOPMENT AND ACQUISITION
PAGE 16

3 REDUCING NET DEBT AND INTRODUCING THIRD PARTY CAPITAL
PAGE 19

4 DRIVING OUR OPERATIONAL PERFORMANCE
PAGE 20

1 RESHAPING THE EXISTING PORTFOLIO

We disposed of £591 million of assets this year, exceeding our target of £300 million to £500 million, at an average 4.7 per cent above December 2012 book values.

The proceeds of the asset disposals reflect an average topped-up yield of around 7 per cent, similar to the average yield on the assets we acquired, but with the added benefit of having improved the overall quality of our portfolio.

£245 million of the disposal proceeds were from the sale of IQ Winnersh, an asset classed originally as 'core' but which had a high office content. We took advantage of an improvement in investor demand for regional UK offices to crystallise an 11 per cent gain on the asset's December 2012 book value which allows us to recycle the proceeds into opportunities with a higher return profile.

Of the remaining £440 million of assets identified as non-core in November 2011, £74 million relates to assets in the UK and £366 million to assets in Continental Europe. We have now sold four of the six large, non-strategic assets we identified in November 2011, including three in 2013. The remaining two (Pegasus Park in Brussels and Energy Park outside Milan, which is still under construction) are valued at £163 million.

We continue to evaluate options for the remaining non-core assets and will seek to sell these within the next two to three years. In the meantime, our operations team will continue to manage the assets in order to maximise the income and returns from them prior to sale.

WEST CROSS INDUSTRIAL PARK, UK

We expect the level of disposals in 2014 to be lower than in 2013. However, we will continue to recycle capital out of the remaining non-core assets and other assets as part of our ongoing strategy of actively managing the portfolio. In pursuing disposals we shall be mindful of the likely return profile of such assets as well as the availability of suitable opportunities for reinvestment.

DISPOSALS COMPLETED IN 2013[1]

MONTH	ASSET / PORTFOLIO	GROSS PROCEEDS (£M)	NET INITIAL YIELD (PER CENT)
January	Thales campus, UK	80.0	5.9 / 5.9[2]
February	MPM campus, Germany	56.0	7.9 / 7.9[2]
July	IQ Winnersh, UK	245.1	5.8 / 7.4[2]
September	West Cross Industrial Park, UK	75.0	5.4 / 6.8[2]
September	London industrial estates, UK	30.3	6.4 / 7.2[2]
December	Neckermann campus, Germany	38.3	n/a
Various	Other non-core assets	46.3	7.6 / 7.8[2]
Various	UK, Belgium land	20.0	n/a
	Disposals during the year	591.0	6.2 / 7.2[2,3]

1 Excludes disposal of assets into the SELP joint venture
2 Including the benefit of top-ups
3 Yield excludes land disposals

2 DELIVERING PROFITABLE GROWTH THROUGH DEVELOPMENT AND ACQUISITION

In 2013, we invested £141 million into standing assets and land in our core markets, and another £108 million into our development pipeline, completing 15 projects during the year. We have 18 projects in our current development pipeline and the land acquisitions will enhance our development opportunities in the future.

ACCRETIVE ACQUISITIONS BUILD SCALE IN OUR CORE MARKETS

We completed £114 million of acquisitions of logistics warehouses in our core markets. We expect the acquisitions to deliver resilient income-oriented total property returns, be accretive to earnings and improve our cost ratio as we build scale, particularly in Continental Europe.

In April, we acquired Zeran Park II, an asset 10 miles from the centre of Warsaw, used mainly for urban logistics and ideally placed to accommodate demand for modern urban distribution space in this growing capital city.

In the UK, we purchased two 'urban logistics' warehouses: one in East London, an important regeneration area with limited supply of good quality logistics space, and one adjacent to our Premier Park estate in Park Royal. We also acquired two modern, long-leased logistics warehouses in the Midlands. Both assets are within the UK's logistics 'golden triangle', an area with strong transportation links and a limited supply of good quality 'big box' logistics warehousing. They were all acquired in off-market transactions, demonstrating our ability to source assets in an innovative and cost-effective manner.

In early 2014, we exchanged contracts to purchase a portfolio of 'big box' logistics assets in Continental Europe within the SELP joint venture for €472 million (our share was €236 million). We expect the transaction to complete in the second quarter of 2014 and there are more details on page 28.

PHIL REDDING
CHIEF INVESTMENT OFFICER

"We have completed a number of off-market acquisitions in 2013, which demonstrate the strength of our investment market network."

SUCCESSFUL AND GROWING DEVELOPMENT PIPELINE

Development represents our most effective generator of capital and income growth and we invested £108 million in creating new space during 2013. The 15 developments we completed in 2013 should generate a yield on cost of 9.7 per cent when fully let.

Retailers and third party logistics providers are having to keep up with the rapidly changing pattern of consumer demand: purchases are increasingly made online for delivery to destinations other than traditional retail stores, at ever greater speeds. The shortage of suitable modern, well-located warehouses in our core markets, combined with a growing need for urban, regional and national distribution space, is driving strong demand for newly-developed space.

ACQUISITIONS COMPLETED IN 2013

MONTH	PROPERTY TYPE	LOCATION	ACQUISITION PRICE (£M)	NET INITIAL YIELD (PER CENT)
April	Urban logistics	Warsaw, Poland	36.9	7.5
August	Big Box logistics	Midlands, UK	18.1	7.4
September	Urban logistics	Park Royal, UK	15.3	6.1
September	Urban logistics	East London, UK	30.0	6.9
November	Big Box logistics	Northampton, UK	13.6	7.3
Various	Land	UK, Paris, Warsaw	27.0	n/a
	Acquisitions during the year		140.9	7.1[1]
Post year-end	Big Box logistics	Germany, Poland, France	196.7	7.1[1]

1 Yield excludes land acquisitions

DEVELOPMENT PIPELINE AS AT 31 DECEMBER 2013

CURRENT PROJECTS AS AT 31 DECEMBER 2013	CUSTOMER	ASSET CLASS	OWNER-SHIP %	SPACE TO BE BUILT (100%) SQ M	EXPECTED START	EXPECTED COMPLETION
UK						
London, Enfield – Advent Way	Premier Inn	Other business space	100	3,925	Oct-13	Aug-14
London, Enfield – Advent Way	Speculative development	Smaller warehouses and light industrial	100	7,911	Oct-13	Aug-14
London, Heathrow – Stockley Close	Speculative development	Smaller warehouses and light industrial	100	8,620	Apr-14	Nov-14
Radlett – Parkbury	Geopost	Smaller warehouses and light industrial	100	3,458	Dec-13	Oct-14
Reading – Imperial Way	Geopost	Smaller warehouses and light industrial	100	3,494	Jan-14	Jul-14
Slough Trading Estate – Cambridge Avenue	Speculative development	Smaller warehouses and light industrial	100	3,293	May-13	Apr-14
Slough Trading Estate – Fairlie Road	Fedex/Spec	Smaller warehouses and light industrial	100	5,968	Jul-13	May-14
Slough Trading Estate – Buckingham Avenue	Speculative development	Smaller warehouses and light industrial	100	6,554	Feb-14	Jan-15
				43,223		
Percentage let (at 31 December 2013)				34%		
Yield on cost[1]				8.5%		
CONTINENTAL EUROPE						
Germany, Berlin – BBI	Speculative development	Smaller warehouses and light industrial	100	9,038	Jul-13	Mar-14
Germany, Dusseldorf – City Park	Speculative development	Other business space	100	4,790	Jan-14	Nov-14
Germany, Dusseldorf – City Park	Deutsche Post/Spec	Smaller warehouses and light industrial	100	14,550	Jan-14	Aug-14
Germany, Dusseldorf – Krefeld	ASICS/Spec	Larger Logistics	50	55,550	Jan-14	Jul-14
Germany, Dusseldorf – Krefeld	ASICS	Larger Logistics	50	36,460	Jan-15	Jul-15
Germany, Dusseldorf – Rhine Park	Speculative development	Smaller warehouses and light industrial	100	13,641	Jan-14	Aug-14
Poland, Gdansk	Zabka	Larger Logistics	100	23,873	Jun-14	Mar-15
Poland, Lodz	CWS Boco	Smaller warehouses and light industrial	50	5,725	Sep-13	May-14
Poland, Ozarow	CAT	Smaller warehouses and light industrial	100	4,605	Aug-13	Feb-14
Italy, Milan – Vimercate	Alcatel	Offices	100	33,984	Sep-11	Mar-14
				202,216		
Percentage let (at 31 December 2013)				72%		
Yield on cost[1]				9.5%		
TOTAL				245,439		
Percentage let (at 31 December 2013)				60%		
Yield on cost[1]				9.2%		

1 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 31 December 2013 plus future development costs and estimated finance costs to completion.

DEVELOPMENT PROJECTS COMPLETED IN 2013	CUSTOMER	ASSET CLASS	OWNER-SHIP %	SPACE COMPLETED SQ M	LET SPACE SQ M	TOTAL ERV £M	ERV OF LET SPACE £M	TOTAL CAPITAL EXPENDITURE £M	COMPLETED
UK									
London Park Royal – Tudor Estate	Warmup/Spec	Smaller warehouses	100	3,231	920			4.0	Apr-13
London, Feltham – North Feltham Trading Estate	Williams & Hill Fowarding/ Toll Global Forwarding	Smaller warehouses	100	8,096	8,096			3.5	Oct-13
Slough Trading Estate – Montrose Avenue	Karl Storz/Spec	Smaller warehouses	100	4,105	2,323			4.0	Apr-13
				15,432	11,339	1.4	0.9	11.5	
Percentage let (at 31 December 2013)							64%		
CONTINENTAL EUROPE									
Germany, Dusseldorf – Krefeld	UPS	Larger Logistics	100	11,657	11,657			3.5	May-13
Germany – Alzenau	Sauerbrei/Spec	Larger Logistics	100	17,398	5,839			5.4	Jul-13
Poland – Gdansk	DB Schenker	Smaller warehouses	100	5,202	5,202			3.3	Feb-13
Poland – Strykow	Valeo/CAT/Geodis	Smaller warehouses	100	14,643	14,643			4.4	Jun-13
Poland – Strykow	Azymut	Smaller warehouses	100	4,844	4,844			1.2	May-13
Poland – Tychy	Dayco	Larger Logistics	100	18,474	18,474			5.7	May-13
Poland – Wroclaw	DPD	Smaller warehouses	100	6,890	6,890			3.0	Mar-13
Poland – Wroclaw	Specjal/Foundation Brakes	Smaller warehouses	100	6,653	6,653			1.8	Aug-13
Poland – Tychy	Zabka	Smaller warehouses	100	2,475	2,475			1.6	Sep-13
Poland – Poznan	Colquimica/ Good Food/Gefco	Smaller warehouses	100	9,137	9,137			2.6	Oct-13
Poland – Nadarzyn	Zabka	Larger Logistics	100	24,560	24,560			8.1	Oct-13
Czech Republic – Prague	IKEA	Smaller warehouses	100	6,637	6,637			2.2	Dec-13
				128,570	117,011	5.2	4.7	42.8	
Percentage let (at 31 December 2013)							90%		
TOTAL				144,002	128,350	6.6	5.6	54.3	
Total percentage let (at 31 December 2013)							85%		

STRATEGIC REPORT CHIEF EXECUTIVE'S REVIEW

This is translating into higher demand for pre-let space which has also given us confidence to increase the element of speculative development in 2014 (although we are highly selective and only do so when we are confident that local occupier demand is sufficiently strong and supply is likely to remain limited). We entered 2014 with a strong and growing development pipeline and also have a number of encouraging discussions on going about further projects.

The strong progress we have made with the development programme has encouraged us to add to our core land bank. In 2013, we acquired £27 million (74 hectares) of land in the strongest logistics markets in the UK, Poland and France.

DEVELOPMENT PROJECTS COMPLETED IN 2013

During the year, we completed 15 developments totalling 144,000 sq m, representing £6.6 million of new annualised income when fully let, an average profit on cost of 23 per cent and a yield on cost of 9.7 per cent. The projects were 73 per cent pre-let at commencement and were 85 per cent let at 31 December 2013.

In the UK, we completed 15,400 sq m of warehouse and logistics space, of which 11,400 sq m is now let. Within our Airport Property Partnership joint venture, we completed a 6,500 sq m UK headquarters building for Toll Global Forwarding in Feltham, in which Toll will consolidate and expand its Heathrow operations at a single site. On the Slough Trading Estate, Karl Storz Endoscopy doubled its research and development space in a new 2,300 sq m purpose-built facility.

In Germany, we completed 29,000 sq m of logistics space. We built an 11,700 sq m speculative project at Krefeld Logistics Park, near Dusseldorf, which was fully let to UPS two months before completion and which is used for the national and international distribution of online orders for Birkenstock. We also completed 17,400 sq m of logistics space in Alzenau, Frankfurt, of which 5,800 sq m was pre-let to textile company Sauerbrei.

In Central Europe, we completed 10 developments across our estates, totalling 99,500 sq m of space which is now fully let to a range of occupiers, including third party logistics operators such as DPD at Wroclaw and Geodis at Strykow, and an 18,500 sq m production facility for Dayco, a worldwide leader in the design and manufacture of engine components.

ACTIVE DEVELOPMENT PROJECTS

At 31 December 2013, we had 18 developments approved, contracted or under construction totalling 245,400 sq m, representing £16.9 million of annualised rental income (SEGRO share) when fully let and £89 million (SEGRO share) of future capital expenditure. The projects are 60 per cent pre-let.

In the UK, we have secured pre-lets equivalent to 34 per cent of prospective rental income from parcel delivery companies in Radlett, Reading and Slough (equating to 10,000 sq m), and from Premier Inn Hotels in Enfield (4,000 sq m).

All of the UK speculative projects are in locations where we are confident about levels of occupier demand, including 12,700 sq m on the Slough Trading Estate and 7,900 sq m of light industrial warehouse space adjacent to the hotel in Enfield. We are also building 8,600 sq m of industrial and logistics space at our Stockley Close estate less than two miles from Heathrow Airport.

Our largest development in Continental Europe is for a 74,000 sq m European distribution centre let to ASICS Europe BV, a leading international sportswear manufacturer, at Krefeld on the outskirts of Dusseldorf. The development is within the SELP joint venture and is our largest ever pre-let by space. Given the strength of occupier demand in this location, we will develop 18,000 sq m of 'big box' logistics space speculatively on a neighbouring site.

We are building 23,900 sq m of logistics space for Zabka in Gdansk, Poland in addition to the two sites completed for them in 2013 in Tychy and Warsaw.

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 24 to 27.

FUTURE DEVELOPMENT PROJECTS

At 31 December 2013, our land bank under management totalled 546 hectares (31 December 2012: 573 hectares). Of this, 341 hectares has been ear-marked for future development projects within the next five years, with the potential to generate £74 million of new annualised rental income. These sites include land in Park Royal, Rugby and at the Slough Trading Estate in the UK; land near Charles de Gaulle airport in France; in Dusseldorf, Germany; and key markets in Poland.

We sold 74 hectares of non-core land during the year, leaving 147 hectares where the potential for near-term development is less strong. We will seek either to dispose of this land or to identify development opportunities over the longer term.

Further detail on our completed and active development projects is presented in our 2013 Property Analysis Report, which is available to download at www.segro.com/investors.

3 REDUCING NET DEBT AND INTRODUCING THIRD PARTY CAPITAL

Group net debt fell by £631 million, or 30 per cent, during 2013 to £1,459 million at 31 December while 'look-through' net debt, incorporating our share of debt in joint ventures, was £499 million lower at £1,889 million.

JUSTIN READ
GROUP FINANCE DIRECTOR

"The creation of SELP represents an important milestone in our objective of using third party capital to finance growth and improve our risk-adjusted returns."

The reduction in net debt was achieved through net divestments (disposals less acquisitions and development expenditure) of £342 million, and through the creation of the SEGRO European Logistics Partnership ('SELP'). We provide more details of the creation of SELP on page 28.

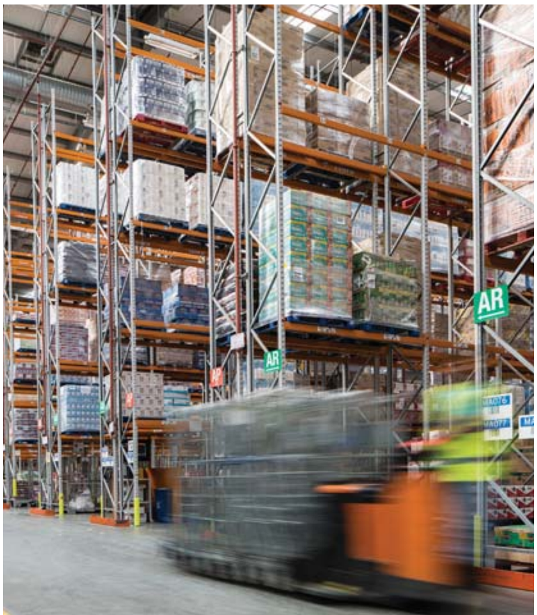
SELP represents an important milestone in our objective of restructuring our capital base by attracting third party capital. On completion of the joint venture, we received £429 million of net cash proceeds and deferred an additional £131 million for up to two years at an annual coupon of 7 per cent to mitigate part of the dilutive earnings impact from the creation of the joint venture.

The combination of the net divestment, the SELP transaction and the value uplift of our properties reduced our 'look-through' LTV ratio (including our share of joint ventures' net debt and the deferred consideration) to 42 per cent at 31 December 2013 from 51 per cent a year earlier.

The reduction of our LTV ratio to around 40 per cent remains our longer term target, because we continue to believe that REITs with lower leverage offer a lower-risk investment proposition for shareholders. We expect to achieve this through selling assets and from capital value uplifts from development and active management of standing assets.

We will balance our objective to reduce gearing at the right time in the cycle with the desire to take advantage of attractive growth opportunities that might arise. Where such opportunities arise before disposals, our LTV ratio may rise temporarily.

After the year-end, we exchanged contracts to acquire a €472 million portfolio of Continental European 'big box' logistics assets and land within SELP. SEGRO's 50 per cent share of the equity and debt will increase our 'look-through' LTV by around 2.5 percentage points. Funding an acquisition of this size ourselves would have been difficult to justify from a balance sheet perspective, so it is a good example of how we can partner with third party capital to build critical mass in our core markets without placing excessive strain on our capital structure.



SAINSBURYS, GREENFORD

4 DRIVING OUR OPERATIONAL PERFORMANCE

We have made good progress in several areas and we are well placed to benefit from improving occupier demand from economic recovery and a number of structural drivers. However, as anticipated at the start of the year, the loss of Neckermann as a tenant early in 2013, the loss of rent from properties sold during the year and the creation of SELP meant that some of our operational metrics for the year declined compared with 2012.

STRENGTHENING OCCUPIER MARKETS

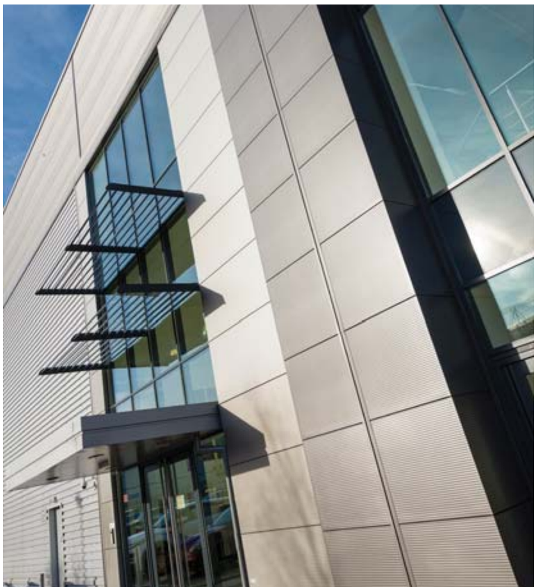
The UK and Continental European markets are slowly emerging from the malaise in the wake of the global financial crisis although the strength of occupier demand varies geographically.

The growth of online retailing is beginning to drive demand for more modern, efficient and often larger warehouses by retailers and third party logistics providers and for 'urban logistics' warehousing on the edge of towns and cities to facilitate the distribution of goods to their final destination ('last mile delivery') rapidly and cost-effectively.

Such warehouses, particularly Grade A stock, are often unavailable as speculative development was curtailed during the downturn and industrial uses compete with higher value uses, particularly residential, for available land. This has resulted in an improvement in occupier demand for less modern space and we are pleased to have made some progress in letting vacant space in some of our older estates, for example in Basingstoke and Heston.

There is also continued demand for data centre capacity, particularly in Slough due to its connectivity, proximity to London and power availability.

Trends in occupier demand are discussed further on pages 24 to 27, and we provide further detail on 'last mile delivery' solutions on page 30.



DB SCHENKER

ANDY GULLIFORD
CHIEF OPERATING OFFICER

"The rapid growth of internet retailing is driving demand for large, centrally located warehouses and for smaller edge of town 'urban logistics' facilities."

STRONG LEASING AND PRE-LETTING ACTIVITY

During 2013, we secured 196 new leases across the Group, totalling 300,500 sq m, which generated £26.8 million of new annualised rental income (2012: £35.3 million). The main difference compared to last year is in the level of take-up from completed developments which was £7.7 million in 2013 and £14.6 million in 2012. Take-back levels were in line with last year at £21.0 million (2012: £20.7 million) and were more than offset by new lettings.

Like-for-like net rental income fell 1.5 per cent due to £1.9 million of net take-backs of existing space and a bad debt expense related to Mory Ducros (discussed opposite).

The rent at risk from lease breaks or expiries in 2013 was £41.0 million and, during the year, we retained 69 per cent of these leases, slightly above the level achieved in the prior year of 65 per cent. The rent at risk in 2014 is lower than in 2013 at £28.2 million, albeit concentrated in the first half of the year.

Headline rental levels achieved on new leases and lease renewals were 5.2 per cent above the valuers' December 2012 estimated rental values ('ERVs') on average. The level of lease incentives given on new lettings during the year rose to 11.0 per cent on average, compared to 8.2 per cent in 2012. In part, this rise is due to regional office lettings early in 2013.

Information on leasing activity in our main markets is provided on pages 24 to 27.

VACANCY IMPACTED BY DISPOSAL PROGRAMME

The vacancy rate at 31 December 2013 increased to 8.5 per cent compared with 8.2 per cent a year ago and 9.5 per cent at 30 June 2013. If we remove space let on a short-term basis, the vacancy rate rises to 10.0 per cent, from 9.8 per cent a year ago.

Asset disposals (with an average vacancy rate of 7 per cent) and the creation of SELP (6 per cent average vacancy) were an important driver of the increase in vacancy. The properties transferred into SELP, as well as IQ Winnersh were within our core portfolio before disposal, so the core vacancy rate rose to 8.2 per cent from 7.6 per cent last year, whilst the non-core vacancy rate remained flat at 11.1 per cent.

The portfolio's weighted average lease length improved to 6.7 years to first break (8.9 years to expiry) at 31 December 2013, compared with 6.4 years (8.4 years to expiry) at 31 December 2012.

LOWER RENT AT RISK FROM INSOLVENCIES

SEGRO, and its joint ventures, service 1,250 customers across multiple sectors and actively monitor their credit-worthiness and any rent at risk from insolvency.

At 31 December 2013, we had £2.3 million (0.9 per cent) of annualised gross passing rent relating to customers in administration (31 December 2012: £13.3 million, £12.2 million of which related to Neckermann). £2.1 million of this related to Mory Ducros, the French third party logistics provider, which entered administration in November 2013. Rent lost from insolvency this year totalled £13.8 million, of which Neckermann was the largest single contributor, prior to the asset being sold in December 2013. Excluding Neckermann, rent lost to insolvency was £1.6 million.

Despite the generally improving economic environment, there are some Continental European economies where conditions remain challenging, and we remain vigilant to the risk of tenant insolvency. We seek to mitigate this risk through due diligence on the financial strength of potential customers as well as on-going discourse with existing customers throughout their lease.

GROWING PORTFOLIO VALUATION

European property market returns improved in 2013 as investor confidence grew that interest rates would remain at their historic lows for the medium term. Investors are being attracted into prime (and, increasingly, well-located secondary) logistics assets by the combination of economic recovery, the impacts of online retailing, supply shortages, a relatively attractive yield profile and relatively stable, low-risk, income-oriented returns. Investors' risk appetite also appears to be improving, although demand remains focused on the strongest European sub-markets.

The weight of money seeking exposure to the asset class, particularly in the UK, means that prime logistics yields have fallen and we have also seen strong institutional demand for multi-let, light industrial assets, especially in South East England. Although investor interest in Continental Europe is strong for the best assets, weakness in some occupier markets, particularly in France, is causing investor demand for anything other than prime assets to remain muted.

These trends are reflected in the valuation of our portfolio at 31 December 2013. The total value of the Group's property portfolio, comprising completed properties (including our share of joint venture assets), land and development increased by £133 million (2012: £309 million decline). This mainly reflects a 4.1 per cent increase on a like-for-like basis of our completed properties.

STRATEGIC REPORT CHIEF EXECUTIVE'S REVIEW

Our completed UK portfolio increased in value by 7.0 per cent on a like-for-like basis, out-performing the IPD UK Industrial Quarterly Index which increased by 5.7 per cent in 2013. The capital return on our UK portfolio was driven by a reduction in the true equivalent yield to 7.2 per cent (31 December 2012: 7.6 per cent), while valuers' estimated rental values (ERV) were flat overall. The strongest performer in the UK was our Greater London portfolio, which increased by 7.3 per cent, reflecting a decline in equivalent yield to 7.0 per cent (from 7.4 per cent a year earlier) and a 0.9 per cent increase in valuers' ERVs.

In Continental Europe, the completed portfolio value declined by £31.6 million, or 3.1 per cent, reflecting a poor performance from the non-core assets, which fell £25.8 million, or 8.6 per cent, compared to a £5.8 million decline, or 0.8 per cent, in the core portfolio.

Our Central Europe portfolio increased in value by 4.5 per cent, reflecting development gains and improving investor demand. By contrast, weakness in the French market was the driver of a 7.1 per cent decline in our Southern Europe portfolio. Our German portfolio fell in value by 0.3 per cent (reflecting a 4.2 per cent rise in the core assets, offset by a 6.0 per cent decline in non-core assets), but continued weakness in Belgium and the Netherlands meant that our Northern Europe portfolio posted a 3.1 per cent decline overall.

PHIL REDDING
CHIEF INVESTMENT OFFICER

"Our portfolio increased in value by 4.1 per cent on a like-for-like basis, reflecting growing investor interest for well-located warehouse assets."

SUMMARY OF PROPERTY PORTFOLIO ANALYSIS AS AT 31 DECEMBER 2013

		SEGRO SHARE							
BY GEOGRAPHY	LETTABLE AREA (100%) SQ M	COMPLETED £M	OWNER OCCUPIED £M	LAND & DEVELOP-MENT £M	COMBINED PROPERTY PORTFOLIO £M	NET INITIAL YIELD[2] %	NET TRUE EQUIVALENT YIELD[2] %	VALUATION MOVE-MENT[1,2] %	VACANCY BY ERV[2,3] %
UK									
Greater London	1,367,244	1,521.4	–	83.5	1,604.9	5.3	7.0	7.3	8.7
Thames Valley and National Logistics	1,128,068	1,281.1	2.7	52.9	1,336.7	6.2	7.4	6.5	8.1
UK TOTAL	2,495,312	2,802.5	2.7	136.4	2,941.6	5.7	7.2	7.0	8.4
CONTINENTAL EUROPE									
Germany	571,393	205.1	–	70.5	275.6	7.1	8.3	(0.3)	6.9
Belgium/Netherlands	349,613	157.7	1.4	28.7	187.8	10.1	9.8	(6.4)	16.3
France	888,643	329.9	–	10.4	340.3	7.5	8.4	(8.1)	6.1
Italy	126,745	65.2	–	36.9	102.1	10.0	9.5	(1.8)	12.7
Poland	784,220	216.6	–	42.7	259.3	7.0	8.4	4.2	7.4
Czech Republic/Hungary	75,949	19.7	–	22.3	42.0	6.9	8.8	8.0	0.9
CONTINENTAL EUROPE TOTAL	2,796,563	994.2	1.4	211.5	1,207.1	7.9	8.7	(3.1)	8.9
GROUP TOTAL	5,291,875	3,796.7	4.1	347.9	4,148.7	6.3	7.6	4.1	8.5
BY OWNERSHIP									
Wholly owned	2,739,419	2,744.3	4.1	308.0	3,056.4	6.4	7.6	4.1	8.3
Joint ventures	2,552,456	1,052.4	–	39.9	1,092.3	5.9	7.4	4.3	9.2
GROUP TOTAL	5,291,875	3,796.7	4.1	347.9	4,148.7	6.3	7.6	4.1	8.5

1 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.
2 In relation to the completed properties only.
3 Vacancy rate excluding short term lettings for the Group at 31 December 2013 is 10.0%.

ROYAL MAIL, BIRMINGHAM

OUTLOOK

Although the European macro-economic environment is starting to improve, challenges remain for many businesses and the improvement in general occupier demand is likely to be gradual. Nevertheless, the structural changes in retailing towards online sales and convenience shopping are providing a catalyst for a wave of demand for warehouse space from a range of occupiers. These trends along with the relatively high income yields still available, are also attracting the interest of real estate investors, causing values of both prime and, increasingly, secondary product to rise. These themes are still evolving and we expect that both occupational demand and investor appetite for such assets should be sustained in the medium term.

Operationally, we have delivered a good underlying performance in 2013 in what has been a challenging economic environment. As anticipated, SEGRO's headline earnings have been impacted by the execution of our strategy, some of which will continue to be felt in 2014. However, our focus has now turned more firmly towards exploiting opportunities which are accretive to earnings and capital values.

During the past two years we have substantially repositioned our business such that we now have a higher quality property portfolio, a more conservative financial structure, a more efficient cost base and a stronger platform from which to deliver attractive income-led total property returns and to achieve growth. Our portfolio is largely focused on the locations likely to benefit most from the improving demand outlook and the structural drivers referred to above. Furthermore, our well-located land bank also provides the opportunity to accelerate our highly profitable, largely de-risked (through pre-lettings) development programme in 2014 and beyond.

Whilst investment market conditions are likely to become increasingly competitive in the year ahead, we are confident in our ability to continue sourcing attractive acquisition opportunities over time to offset the loss of income associated with the disposal of the remaining non-core assets.

There is more work to be done, but we look to the future confident in our ability to become the best 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

STRATEGIC REPORT **OUR MARKETS**

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 achieving Operational Excellence in its local markets through its team's expertise in customer service, asset management, leasing and development.

The Business Units are supported by locally-based investment teams, responsible for Disciplined Capital Allocation by ensuring that we allocate our capital to the markets and assets likely to deliver the best risk-adjusted returns possible.

GREATER LONDON **HEATHROW, PARK ROYAL**

GROWING DEMAND FOR URBAN DISTRIBUTION SPACE

1.4 LETTABLE AREA, MILLION SQ M (100%)	£1,521M COMPLETED ASSETS (SEGRO SHARE)	+7.3% VALUATION MOVEMENT
7.0% NET TRUE EQUIVALENT YIELD	8.7% VACANCY BY ERV	£89.3M GROSS PASSING RENT (SEGRO SHARE)

The Greater London Business Unit includes our holdings around Heathrow Airport and in Park Royal. The occupier market has strengthened in 2013, reflecting the resilient London economy and demand for edge-of-town warehouse space.

We completed 83,700 sq m of new lettings, including 5,700 sq m to DHL in Premier Park, Park Royal to cater for increased demand for its parcel distribution services. Vacancy rose to 8.7 per cent from 8.0 per cent, reflecting the impact of disposals (particularly the Thales office campus which was fully let) and a reduction in short-term lets.

We completed development of 11,300 sq m of warehouse and logistics space, pre-letting 900 sq m to Warmup at Tudor Estate in Park Royal and thereby extending their presence on the estate, and 6,500 sq m to Toll Global Forwarding at Heathrow for their new UK headquarters. A letting to Williams & Hill Forwarding just prior to completion means that these developments are now 67 per cent let.

As at 31 December 2013, we are building 23,900 sq m of new space across three estates. At Radlett, we are building a 3,400 sq m cross-dock facility for Geopost/DPD and at Enfield, north London, we are undertaking 7,900 sq m of speculative development to create a 15 unit industrial estate suitable for businesses involved with urban distribution, trade counters, light industrial and storage facilities. The development will be anchored by a new hotel which we have pre-let to Premier Inn. We will also start an 8,600 sq m speculative development at Stockley Close, near Heathrow, suitable for urban logistics space.

Around 70 per cent of the Greater London development pipeline is speculative, reflecting our confidence in increasing levels of occupier demand for Grade A space which is in limited supply. We also shortly expect to start development, partly on a speculative basis, at Origin, a 22 acre cleared site in the heart of Park Royal with detailed planning consent for 14,700 sq m and outline consent for a further 28,200 sq m of warehouse space.

We generated £194 million from asset disposals, the two most significant being the Thales campus in Crawley (one of the original six large, non-strategic assets) and the West Cross Industrial Park in West London, both sold due to their relatively high office content. We recycled £45 million of these proceeds into two prime logistics assets, both purchased in off-market transactions. In Barking, East London, we bought a 25,500 sq m urban logistics warehouse let to a leading bonded warehousing and distribution company servicing the wines and spirits industry and, in Park Royal, we acquired an 8,750 sq m distribution warehouse in a prime position adjacent to London's inner ring-road and to our Premier Park estate.

THAMES VALLEY AND NATIONAL LOGISTICS

IMPROVING QUALITY AND BUILDING OPPORTUNITIES

1.1 LETTABLE AREA, MILLION SQ M (100%)	£1,281M COMPLETED ASSETS (SEGRO SHARE)	+6.5% VALUATION MOVEMENT
7.4% NET TRUE EQUIVALENT YIELD	8.1% VACANCY BY ERV	£82.8M GROSS PASSING RENT (SEGRO SHARE)

The Thames Valley and National Logistics Business Unit is dominated by the £1 billion Slough Trading Estate which houses 300 businesses in 575,000 sq m of floor space. The business unit also manages the £330 million Logistics Property Partnership portfolio in which we hold a 50 per cent stake. Occupier demand for smaller units on industrial estates and for larger logistics units has been steady but is still focused on high quality space in the best locations.

The Business Unit concluded leases during the year, totalling 41,000 sq m, the largest of which was to UK Mail for a 4,300 sq m parcel distribution centre on the Slough Trading Estate. The Slough Trading Estate has also continued to be the location of choice in the UK for data centre operators, given its close proximity to London, dual power supply and excellent network connections. We have secured lettings to Gyron and Paragon and have sold a ground lease to Equinix to allow them to build their third data centre (18,300 sq m) on the Estate.

Overall, the Business Unit's vacancy rate was reduced significantly to 8.1 per cent from 10.3 per cent during the year, reflecting positive net lettings and space taken back in Reading being added to our development pipeline to build a new 3,500 sq m cross-dock facility for Geopost/DSD.

We completed one development during the year, a 2,300 sq m warehouse pre-let to Karl Storz Endoscopy on the Slough Trading Estate. Our pipeline for 2014 completions has expanded and we have 19,300 sq m of new space approved or under construction, 36 per cent of which is pre-let.

Around 15,800 sq m is under development on the Slough Trading Estate alone, contributing to the ongoing rejuvenation of the Estate, around 20 per cent of which is pre-let, including 3,100 sq m to Fedex which is relocating from elsewhere on the Estate and more than doubling its space.

Occupier demand for modern 'big box' logistics space is growing, particularly for 20,000 sq m to 25,000 sq m warehouses on a build-to-suit basis, and is most focused on in Britain's logistics 'golden triangle' in the Midlands. We are well placed to capitalise on this demand, having established a joint venture with 'big box' logistics specialist Roxhill and purchased a 50 hectare site in Rugby which can accommodate up to 167,200 sq m of prime logistics assets in the heart of the 'golden triangle'.

We disposed of £273 million of assets and land during the year, dominated by the £245 million sale of IQ Winnersh in July at an 11 per cent premium to its December 2012 book value.

SOUTHERN EUROPE FRANCE, ITALY

PROGRESS IN TOUGH ECONOMIC CONDITIONS

1.0 LETTABLE AREA, MILLION SQ M (100%)	£395.1M COMPLETED ASSETS (SEGRO SHARE)	-7.1% VALUATION MOVEMENT
8.5% NET TRUE EQUIVALENT YIELD	7.6% VACANCY BY ERV	£35.6M GROSS PASSING RENT (SEGRO SHARE)

Our Southern Europe Business Unit manages our assets in France and Italy. Economic growth in France was fairly weak in 2013 and this has been reflected in the increase in the vacancy rate to 7.6 per cent (2012: 4.3 per cent) due mainly to take-backs of 116,100 sq m, being greater than the 53,600 sq m of new lettings of existing space. Of the new lettings, over 10,000 sq m was to parcel delivery companies, including a 5,100 sq m warehouse for La Poste in Garonor, Paris. Despite the quantum of take-backs, we retained 73 per cent of leases due to break or expire during the year.

The Business Unit has one development underway: at Vimercate, Italy one of the two remaining large, non-strategic assets. The development is a 34,000 sq m office complex fully let to Alcatel and is due to complete in the first quarter of 2014.

Although we do not have development activity underway in France, in 2013 we took the opportunity to acquire a 12 hectare plot of land close to Charles de Gaulle airport, well located to service both the 'big box' logistics market and occupiers requiring proximity to the airport. Since year-end we have also exchanged contracts to acquire a 112,075 sq m logistics unit in Marseille fully let to a leading furniture retailer, as part of the recently announced portfolio purchase within the SELP joint venture.

Whilst economic conditions in France remain weak, we remain confident about the quality of our assets and the long-term potential of the market to deliver attractive returns.

CENTRAL EUROPE POLAND, CZECH REPUBLIC

STRONG, DE-RISKED DEVELOPMENT PIPELINE

0.9 LETTABLE AREA, MILLION SQ M (100%)	£236.3M COMPLETED ASSETS (SEGRO SHARE)	+4.5% VALUATION MOVEMENT
8.5% NET TRUE EQUIVALENT YIELD	6.7% VACANCY BY ERV	£15.9M GROSS PASSING RENT (SEGRO SHARE)

The Central Europe Business Unit manages our assets in Poland and the Czech Republic. During the year, the team concluded leases for 44,300 sq m of space. The vacancy rate has risen to 6.7 per cent (2012: 4.9 per cent), although this is mainly a reflection of the transfer of assets into SELP during the year and 49,300 sq m of take-backs.

We completed 99,500 sq m of logistics and warehouse developments, primarily in Poland, all of which are now let. We completed an 18,500 sq m production facility for Dayco in Tychy, and distribution facilities for convenience food retailer Zabka (24,600 sq m) in Warsaw and for furniture retailer IKEA (6,600 sq m) in Prague. We have also seen improved demand from parcel delivery and third party logistics companies in Poland and have developed new space for DB Schenker in Gdansk, Geopost/DPD in Wroclaw and Geodis in Strykow.

Our pipeline comprises 34,200 sq m across three fully pre-let projects in Poland, including a 23,900 sq m distribution facility for Zabka in Gdansk. Since the year-end, we have also agreed to build a 32,000 sq m distribution centre for Volkswagen in Poznan.

The Business Unit, in the Czech Republic, sold one non-core asset for £9 million, and acquired 12 hectares of land at Ozarow for £7 million and Zeran Park in Warsaw for £37 million. Zeran Park is a modern, 49,900 sq m business park suitable for 'urban logistics' and light industrial occupiers.

Since the year-end, we have exchanged contracts to acquire three assets in Poland on the outskirts of Warsaw, Lodz and Poznan as part of the recently announced SELP portfolio acquisition. These are all markets with which we are familiar, being well established, core locations for 'big box' logistics occupiers.

NORTHERN EUROPE GERMANY, BELGIUM, THE NETHERLANDS

BUILDING CRITICAL MASS AND IMPROVING PORTFOLIO QUALITY

0.9 LETTABLE AREA, MILLION SQ M (100%)	£362.8M COMPLETED ASSETS (SEGRO SHARE)	-3.1% VALUATION MOVEMENT
8.9% NET TRUE EQUIVALENT YIELD	11.2% VACANCY BY ERV	£34.6M GROSS PASSING RENT (SEGRO SHARE)

The Northern Europe Business Unit manages our assets in Germany, Belgium and the Netherlands. Whilst occupier demand in Germany is improving, it is weaker in Belgium and the Netherlands but is stabilising.

We completed leases accounting for 77,800 sq m of existing space during the year, the largest of which was of a 25,500 sq m, speculatively-developed 'big box' warehouse to international logistics operator B+S Logistik in Alzenau, Frankfurt.

The vacancy rate increased to 11.2 per cent at 31 December 2013 from 10.7 per cent a year earlier, mainly reflecting the disposal of the fully-let MPM campus in Munich, one of the large non-strategic assets, in February 2013 and 79,000 of take-backs.

We completed two developments during the year, creating 29,000 sq m of new logistics space. In Frankfurt, we pre-let 5,800 sq m to Sauerbrei, the textile logistics company and we also let an 11,700 sq m speculatively-developed warehouse at Krefeld, Dusseldorf to international logistics company UPS shortly after completion.

We have a substantial committed development pipeline in Germany, with 134,000 sq m completing in 2014 and 2015, and we have pre-let 44 per cent of the pipeline by rent (our share). Around half of the space being developed (74,000 sq m), representing our largest ever pre-let, is for ASICS, the international sportswear manufacturer, at our Krefeld estate near Dusseldorf for its new European distribution centre. This development will be carried out within SELP.

We will develop 33,800 sq m of multi-let, light industrial estate space speculatively across three prime locations in Germany: 9,000 sq m near the new Brandenburg airport in Berlin and, in Dusseldorf, we will develop 24,700 sq m in Rhine Park and City Park. We will also develop 18,000 sq m of speculative 'big box' logistics space in Krefeld, adjacent to the new facility we are developing for ASICS.

During the year, we disposed of £108 million of non-core assets, including two of the six large, non-strategic assets: the MPM campus in Munich and the Neckermann campus in Frankfurt. However, £217 million of non-core assets remain in Germany and Belgium, including Pegasus Park, the large non-strategic asset in Brussels. Although we are working hard to dispose of these assets, the investment market remains challenging for more secondary properties.

Since year-end as part of a wider portfolio acquisition, we have exchanged contracts to acquire 10 prime logistics assets in Germany. These acquisitions, made within the SELP joint venture and all in established logistics hubs, will more than double the joint venture's exposure to German logistics assets and allow us to extract economies of scale from managing a larger portfolio.

STRATEGIC REPORT **OPERATIONAL REVIEW**

INTRODUCING THE SEGRO EUROPEAN LOGISTICS PARTNERSHIP

INTRODUCTION

In October 2013, SEGRO plc and Public Sector Pension Investment Board, one of Canada's largest pension investment managers, formed a 50-50 joint venture known as SEGRO European Logistics Partnership ('SELP'). SELP was seeded with 1.6 million sq m of SEGRO's Grade A logistics portfolio and 84 hectares of land, valued at approximately €1 billion.

TERMS OF THE TRANSACTION

SEGRO contributed substantially all of its core Continental European logistics assets into SELP for €974 million, in line with December 2012 valuations, reflecting a net initial yield on completed properties of 7.9 per cent.

In return, SEGRO received £429 million of net cash proceeds on completion (after costs) and deferred an additional £131 million for up to two years at an annual coupon of 7 per cent.

SEGRO acts as venture manager, property manager and development manager for SELP.

BUILDING SCALE IN AN ATTRACTIVE MARKET

There are attractive investment opportunities in the large, consolidating, but currently fragmented Continental European logistics market. There are also economies of scale to be captured from managing a wider asset base with our existing country teams. However, to build scale ourselves would require significant capital at a time when we want to reduce our financial leverage. SELP will allow both partners to take advantage of the opportunities whilst sharing the risks and the capital requirements.

PROGRESS AGAINST STRATEGIC OBJECTIVES

The transaction allowed us to make material progress against our strategic priority to reduce net debt and introduce third party capital. The £429 million of net proceeds were used to re-pay Group debt, reducing our 'look-through' loan to value (LTV) ratio by around 4 percentage points.

PORTFOLIO OVERVIEW

SELP was seeded with 1.6 million sq m of SEGRO's standing assets across 34 estates in France, Poland, Germany, Belgium, the Netherlands and the Czech Republic, and 84 hectares of development land in Poland, Germany and Belgium.

GROWTH DRIVERS – ACQUISITION AND DEVELOPMENT

The intention of the joint venture partners is to build a diversified portfolio of Grade A logistics property assets with a total target size of around €2 billion over three to five years, to be achieved through acquisition and development of the seed land bank. We are pleased to have made a rapid start in both these respects.

€472 million acquisition

Since year-end, SELP has exchanged contracts to acquire €472 million of almost fully-let (96 per cent occupancy) logistics assets and 51 hectares of development land in its core markets of Germany, Poland and France. Tenants include some of the major global logistics providers and existing SEGRO customers, such as DB Schenker, Geodis, Deutsche Post and Nagel Group.

Not only does the transaction represent a substantial step towards our objective of doubling the size of the portfolio, but it will also create a more equal balance of properties between the three core markets. The transaction is expected to complete in the second quarter of 2014.

22 hectares under development

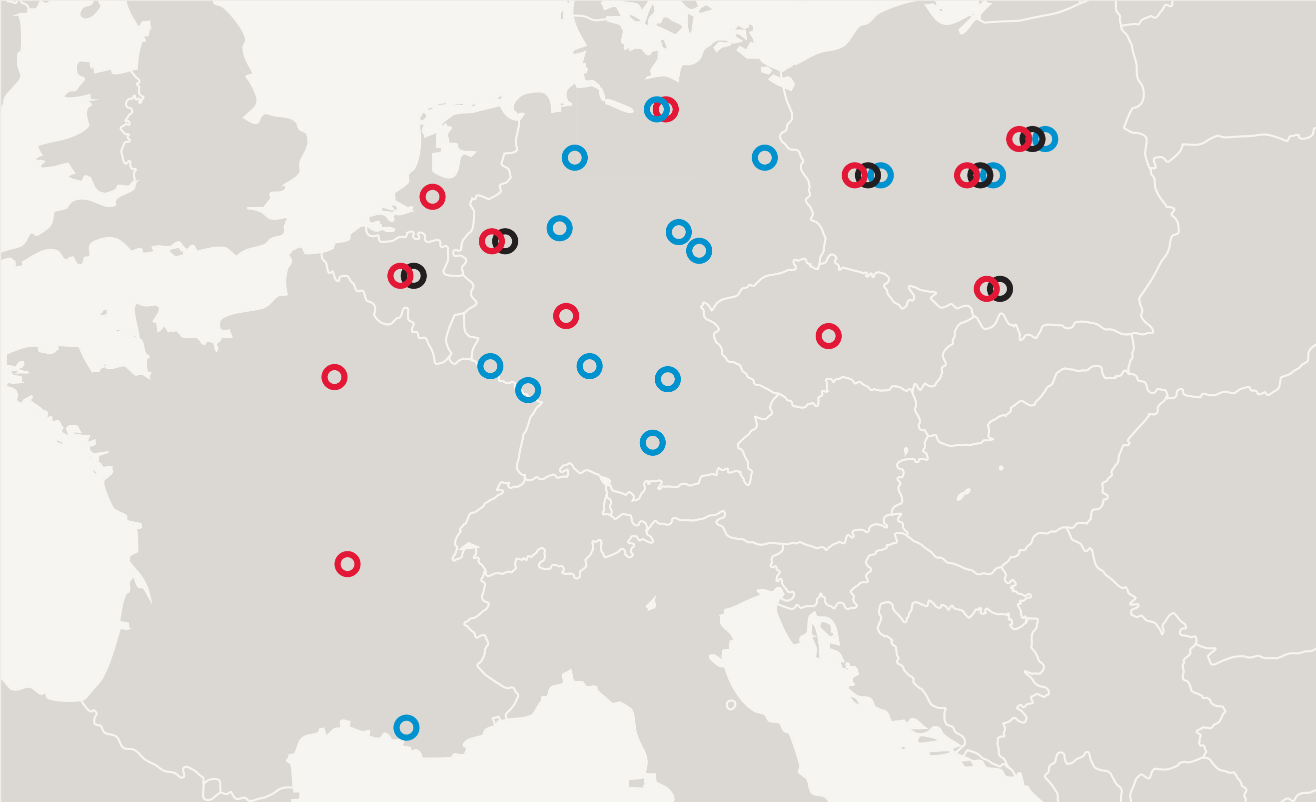
Since the formation of the joint venture, we have commenced development on 22 of the 84 hectares of seed land bank across three projects, which will add 104,300 sq m of logistics space to the portfolio.

The largest of these, and SEGRO's largest ever pre-let, was for a 74,000 sq m European distribution centre for ASICS Europe BV, one of the leading international sportswear manufacturers, at the SEGRO Logistics Park on the outskirts of Dusseldorf, Germany.

We have also agreed a pre-let with CWS-Boco, the international provider of washroom hygiene products, for a 5,700 sq m distribution facility at the SEGRO Business Park in Lodz, Poland.

KEY

- Land bank
- Standing assets
- Portfolio acquisition exchanged post year-end (incl. land)



SELP MAP

COMPANS

GREVENBROICH, KAPALLEN

DELIVERING 'LAST MILE' SOLUTIONS

CHANGING CONSUMER BEHAVIOUR IMPACTS RETAILERS' SUPPLY CHAINS

The extraordinary growth in online retailing, combined with convenience shopping, is forcing retailers to rethink the entire length of their supply chains (see diagram opposite). Previously, they needed to transport large quantities of merchandise from central warehouses to stores; now they must increasingly deliver individual packages, often ordered online, to consumers' homes, work-places and to local 'click-and-collect' sites.

Although the UK leads Europe in the penetration of online sales, other countries are catching up fast. At the same time as changing the means of purchasing, consumers are also becoming more demanding on the speed of delivery.

Therefore, not only must retailers and third party logistics providers adjust their supply chains to deliver to increasing numbers of destinations, they must also deliver more quickly and more cost-effectively. The most expensive and potentially inefficient aspect of a supply chain is the journey to the final destination – the 'last mile delivery'.

SEGRO's portfolio is well suited to meet this 'last mile delivery' requirement, which requires smaller 'urban logistics' warehouses (between 3,000 sq m and 10,000 sq m) in locations close to densely populated areas.

SEGRO IS WELL PLACED TO MEET 'LAST MILE DELIVERY' NEEDS

Warehouses below 10,000 sq m account for 39 per cent of our total portfolio by space. In the UK, around half of our portfolio (by space) comprises smaller warehouses and around 80 per cent of the overall portfolio is located in London and South East England.

Our Continental European portfolio contains a larger proportion of 'big box' logistics warehouses than the UK, but 20 per cent is in smaller warehouses which are predominantly clustered around major cities such as Paris, Amsterdam, Dusseldorf, Warsaw, and Lodz.

In 2013, we let approximately 36,600 sq m of space to parcel delivery companies in an average unit size of 4,600 sq m, including 5,700 sq m to DHL in Park Royal, a total of 14,600 sq m to La Poste in Wroclaw, Heathrow and Paris, and 11,700 sq m to UPS in Krefeld, Germany.

SEGRO LA COURNEUVE

CAPTURING GROWTH IN URBAN LOGISTICS

We have expanded our exposure to edge-of-town real estate through acquisition and development during 2013.

Growing our portfolio through acquisition

In April, we purchased Zeran Park, an urban distribution park which is home to a range of local and multi-national businesses, located just 10km from Warsaw city centre and, in September, we purchased a 25,500 sq m logistics warehouse in Barking, east London. The building, let to London City Bond Ltd, a distribution company servicing the wine and spirits industry, is ideally located for fast access to Central London.

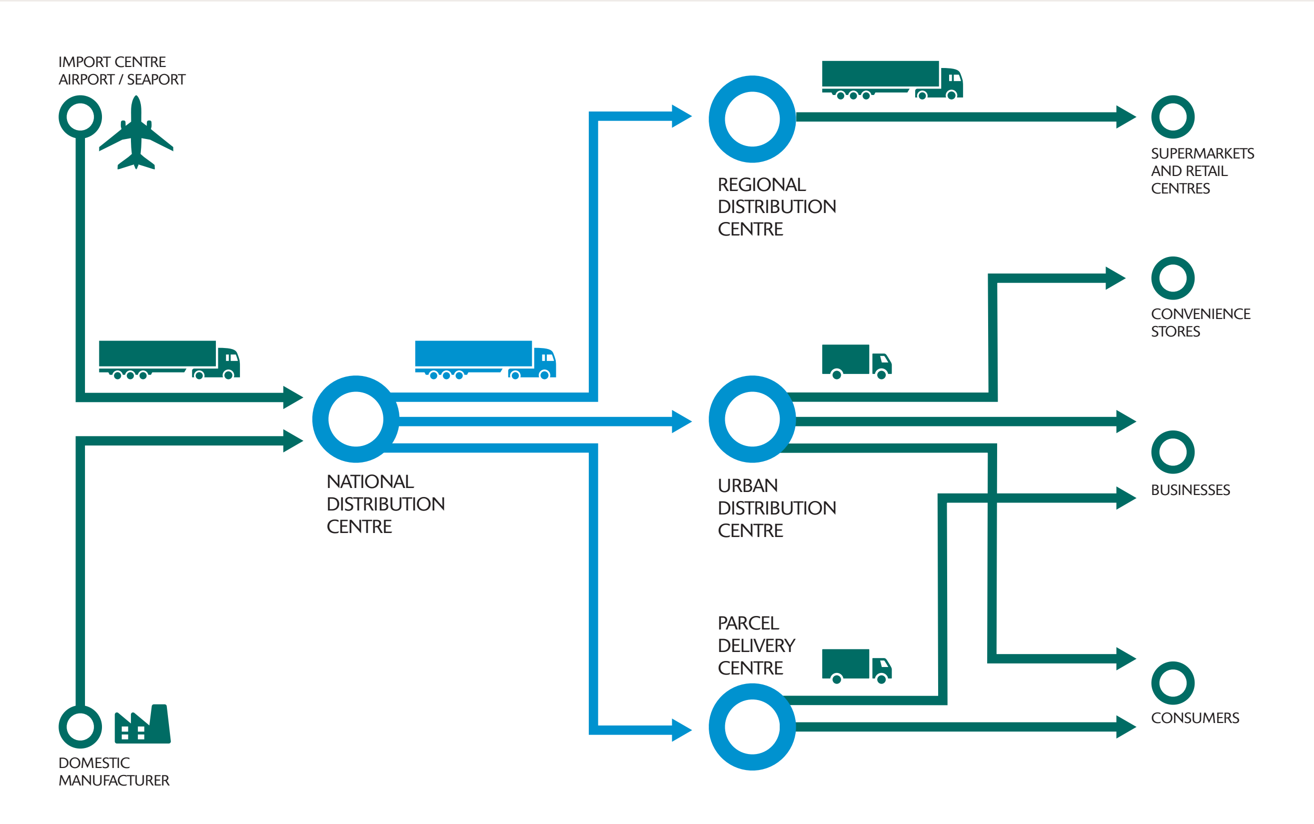
Developing the right product in the right location

Our development pipeline includes 18,300 sq m of space pre-let to major international parcel delivery companies in units close to major urban centres. In the UK, we are building 6,900 sq m of cross-dock facilities for GeoPost/DPD in Radlett and Reading. We have doubled the space leased to UK Mail on the Slough Trading Estate, where they now occupy a newly-refurbished 4,300 sq m unit.

In Continental Europe, we have developed new facilities for DPD in Wroclaw, Poland (6,900 sq m) and will complete an 8,200 sq m parcel delivery centre for Deutsche Post in SEGRO Park Dusseldorf-City, a site in the heart of the city and one of the most promising plots in our land bank.

SEGRO Park Dusseldorf-City is located in central Dusseldorf at the junction of the City's most important arterial roads and close to the airport and motorway, making it ideally located for occupiers needing rapid access to local homes and businesses. We have received encouraging interest from other potential occupiers so we will shortly commence a speculative development of an additional 11,100 sq m of urban logistics and light industrial space.

Our land bank offers significant potential to expand our urban logistics portfolio. In Park Royal, the Origin site is a 9 hectare plot of land with detailed planning consent for 14,700 sq m of warehousing and outline planning consent for up to another 28,200 sq m. We are seeing strong occupier demand for the space and we expect to begin speculative development in 2014.



MODERN LOGISTICS SUPPLY CHAIN

MANAGING RISK IS CENTRAL TO OUR SUCCESS

The Group recognises that its 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.

RISK APPETITE

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

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 objectives of delivering a low risk progressive dividend stream, supported by long-term growth in net asset value per share.

Risks are considered under the headings of property, financial and corporate risk.

PROPERTY RISK

We recognise that in seeking above average rental and capital growth from our portfolio, the Group must accept a balanced level of property risk.

Our target portfolio composition, principally of well specified and located modern assets, should deliver attractive low risk income returns with above average rental and capital growth when market conditions are positive and show relative resilience in a downturn. We aim to enhance these returns through development, whilst seeking to ensure that the income 'drag' associated with holding land for future development does not outweigh the potential benefits.

In line with our income focus, we have a low appetite for risks to income from customer defaults, and accordingly seek occupiers with strong covenants and avoid over-exposure to individual occupiers in inflexible, 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.

As an income-focused REIT we have a low appetite for risks which could impact growth in earnings and dividends over the long term. We are, however, prepared to tolerate a temporary reduction in dividend cover as a consequence of our strategic portfolio reshaping programme.

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 somewhat amplifies the impact of asset valuation movements.

CORPORATE RISK

We have a very low appetite for risks which could undermine how we are regarded by our investors, regulators, employees, customers, business partners, suppliers, lenders and by the wider communities and environments in which we operate.

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.

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.

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.

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. For example, during 2013, the Board regularly considered the market cycle and its impact on investment decisions of all types.

The Board also monitors internal risks and ensures that controls are in place to manage them. For example, during 2013, the Board reviewed the Group's health and safety policies and approved a more specific statement of the Group's risk appetite.

Risks are considered within each area of the business, taking into account both the unmitigated risk (assuming that no controls are in place) and residual risk (with mitigating controls operating normally). The most significant risks are detailed in the Group Risk Register. Each risk is owned by a member of the Executive Committee who then 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 any adverse effects on the Group's risk profile.

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 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.

Details of the principal risks facing the Group are set out overleaf.

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 may be unknown at present, and 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 2013 is indicated, along with an assessment of whether the risk is within our appetite, and 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. Consideration of the Group's current risk environment, as well as its strategic priorities, has resulted in four additional risks now being classified as principal risks: 'Counterparty default', 'Financial leverage', 'Interest rates' and 'Regulatory environment'. Furthermore, the 'Health & Safety' risk previously incorporated within 'Operational delivery' risk is now classified as principal.

Two risks have been de-classified as principal risks since last year: 'Pace of Strategic Change' and the 'Portfolio Valuation' risk of failing to anticipate valuation changes. In both cases the re-classification reflects both the substantial progress made to date in portfolio reshaping; and that the ongoing risks now faced are addressed within the 'Portfolio Strategy' risk.

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 2013	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 continuous risk with a moderate likelihood.			The Board, Executive Committee and Investment Committee monitor the property market cycle on a continual basis and adapt the Group's capital investment/divestment strategy in anticipation of changing market conditions. Independent sources of investment and occupier market intelligence are regularly collated and considered.	Yes	The market outlook is detailed in the Chief Executive's Review on page 23.
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 a lack of critical mass in existing markets. This is continuous risk with a moderate likelihood, reducing as the Group's portfolio reshaping programme progresses.			The Group's portfolio strategy is subject to an annual review by the Board to consider the desired shape of 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 14 to 23.
EXECUTION OF INVESTMENT PLANS Decisions to buy, hold, sell or develop assets could be flawed due to uncertainty in analysis and 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 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. A Capital Investment Policy is in place to govern evaluation, due diligence, approval and execution of investment activity. The Investment Committee meets frequently to exercise control and to make timely decisions on capital allocation. Investment hurdle rates are regularly reappraised based on consensus 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 14 to 23.

FINANCIAL RISKS

Risks to the 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 2013	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 very 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 biannually. 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 35 per cent from their 31 December 2013 values to reach the gearing covenant threshold of 160 per cent. Further details of Treasury Policy, funding headroom, financial covenant ratios and related headroom and sensitivities are provided in the Financial Review on pages 48 to 55.
EUROZONE ECONOMIC ENVIRONMENT The risk of a significant adverse impact to the Group's earnings, net asset value or financial covenants arising from a disorderly default and partial or full break-up of the Euro zone. This is a short to medium-term risk with a low and declining likelihood.			We remain alert to the potential financial and operational risks to the business arising from a deterioration in economic conditions in the Eurozone. 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.	Yes	France represents 8%, Germany 7%, Netherlands/Belgium 5% and Italy 2% of the Group's assets. Poland, which also involves exposure to the Euro, represents a further 6% of the Group's assets. Treasury policies are outlined in the Financial Review on page 52.
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. 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% in the longer term. 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 42% at 31 December, 2013; however, given where we are in the property cycle and given the scope for further disposals, it is prepared to flex LTV temporarily upwards to take advantage of attractive investment opportunities if necessary.	Yes	Gearing is discussed in the Financial Review on page 53.
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.		**New**	Fixed interest cover is maintained between 50% and 100% of net debt in order to balance the cost and certainty of interest cost. The position is formally reviewed quarterly by the Finance Committee.	Yes	Interest rate hedging is detailed in the Financial Review on page 54.

* Previously incorporated within Solvency and covenant breach

OVERVIEW
STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
FURTHER INFORMATION

KEY

DISCIPLINED CAPITAL ALLOCATION | OPERATIONAL EXCELLENCE | EFFICIENT CAPITAL AND CORPORATE STRUCTURE

FINANCIAL RISKS CONTINUED

RISK	IMPACT ON STRATEGY	CHANGE IN 2013	MITIGATIONS	RESIDUAL RISK WITHIN APPETITE?	FURTHER INFORMATION
COUNTERPARTY DEFAULT A bank or other 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. Although SEGRO has increased its liquidity in 2013, this is considered to be a long-term risk with a low likelihood.		**New**	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 for Group Treasury.	Yes	Treasury policies are outlined in the Financial Review on page 52.

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 2013	MITIGATIONS	RESIDUAL RISK WITHIN APPETITE?	FURTHER INFORMATION
OPERATIONAL DELIVERY 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. This is a continuous risk with a very low likelihood of causing significant distress 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.	Yes	During 2013 the Group increased its investment in key customer relationship management, and default risk management.
HEALTH AND SAFETY Health and safety management processes could fail, leading to a loss of life, litigation, fines and serious reputational damage to the Group. This is a continuous risk with a low likelihood of causing significant distress to the Group. The higher profile of this risk is due to the increased scale of the Group's development construction programme.		**	The Group manages an active health and safety management system, with a 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, staff and contractor training.	Yes	
REGULATORY ENVIRONMENT The Group could fail to anticipate legal or regulatory changes, leading to a significant un-forecasted financial or reputational impact. This is a medium to long term risk with a low likelihood of causing significant distress 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 assessed as being material enough to be classified as Principal Risks.	Yes	

** Previously incorporated within Operational delivery

WORKING RESPONSIBLY ACROSS OUR PORTFOLIO

We have continued to support and invest in local communities where we have a presence. In 2013, SEGRO donated £1.7 million to good causes through money, time, land and business space.

INTRODUCTION

At SEGRO, we take corporate social responsibility very seriously and it is fully integrated into all aspects of our operations. In 2013, we continued with our focus on sustainability and we have been able to demonstrate the progress we are making towards achieving the targets we set out in our 'SEGRO 2020' strategy (see page 41).

We have continued to support and invest in local communities where we have a presence. This support can take the form of either monetary donations to good causes, or our employees giving of their time and skills to local organisations or through the donation of business space. In 2013, SEGRO donated £1.7 million to good causes through money, time, land and business space. 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.

Other stakeholders, namely our employees, our investors, our customers and our suppliers, continue to be important to us and, during 2013, we undertook a range of activities to engage with these groups, to keep them informed about our business activities and to understand how we can meet their expectations of us.

AEROPARK GONESSE

MANDATORY GREENHOUSE GAS (GHG) EMISSIONS STATEMENT

This is the first year we are reporting our Greenhouse Gas Emissions in our Annual Report and Accounts. SEGRO has, however, been managing its energy intensity previously through its sustainability reporting which is available to view on 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 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 (see table on page 41). We have also included transport emissions from activities such as 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 below. 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 2013. Further details can be found on www.defra.gov.uk.

GLOBAL GHG EMISSIONS DATA FOR PERIOD: 1 JANUARY TO 31 DECEMBER 2013

EMISSIONS FROM:	TONNES OF CO_2e
Scope 1 emissions – combustion of fuel and operation of facilities	10,894
Scope 2 emissions – purchased electricity, heat, steam and cooling	26,645
Total Carbon Footprint (tonnes of CO_2e)	37,539
SEGRO'S CHOSEN INTENSITY MEASUREMENT:	
Emissions reported above normalised to per m^2 of responsible space	0.02 tonnes CO_2e/m^2

Further details on SEGRO's sustainability reporting, in accordance with EPRA guidelines, is available on www.segro.com/sustainability.

SEGRO 2020

In 2013, we introduced our new sustainability strategy, 'SEGRO 2020'. This strategy is aimed at realigning our sustainability goals for the Group in response to changing customer demand and increasing legislation across the UK and Continental Europe. Our 'SEGRO 2020' targets focus on building design, refurbishments, energy and water efficiency and obtaining building certifications that support our sustainable approach.

2013 was the first year of reporting against these new targets. The move to our new 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 improved the way in which we collect sustainability data as well as our metering coverage, and have developed Sustainability Toolkits for developments and refurbishments. We believe that this was our transitional year, setting the foundations for us to embed sustainability throughout all the relevant parts of our business, and we are confident we are now in a position to continue to make progress from 2014 onwards.

Overall as a Company, we have been continuing with our work to reshape our portfolio. This investment and divestment activity affects our sustainability performance in a number of ways as there is movement in the number of buildings, floor area, metering arrangements, and also the technical specifications of buildings within the portfolio, which inevitably has an effect on our sustainability KPIs.

The progress we have made in 2013 against our 'SEGRO 2020' performance is shown in the table opposite and a more detailed review of our performance is available to view on www.SEGRO.com/sustainability.

'SEGRO 2020' commits us to reusing or recycling 80 per cent of our construction and demolition waste and 60 per cent of our excavation waste. In 2013, we have reported figures for diverting excavation, construction and demolition waste from landfill. These figures show that we reused or recycled 68 per cent of construction waste across development projects, we reused or recycled 60 per cent of demolition waste and we reused or recycled 33 per cent of excavation waste. This information will inform our waste management programme throughout 2014, and will enable us to target effectively the areas that require the most attention.

'SEGRO 2020' also introduced two goals relating to building certifications which set minimum Energy Performance Certificates (EPC) and Building Research Establishment Environmental Assessment Methodology (BREEAM) standards, or country equivalents, for our new developments and major refurbishment projects. These were put in place to ensure the development and refurbishment pipeline would provide our portfolio with efficient, high quality buildings in view of increasing energy efficiency legislation and greater demands from customers for sustainable buildings. Our figures for these goals show that we have made a good start and, as we move into our first full year of using Sustainability Toolkits on every project, we expect 2014 to yield an improvement on our 2013 figures.

'SEGRO 2020' is our long-term vision of what sustainability means for SEGRO, and with our commitment to embed the strategy throughout our business we have set a good foundation in 2013 for improvement year on year, to 2020, and we are pleased with the results shown in this report.

2013 SUMMARY OF PERFORMANCE AGAINST SEGRO 2020

2020 TARGET	PERFORMANCE COMMENTARY	TARGET UPDATE IN 2013
OPERATIONAL PERFORMANCE		
By 2020, we will reuse or recycle 80 per cent of construction and demolition waste and 60 per cent of excavation waste (target restated to include excavation and demolition waste to reflect our findings in 2013).	We reused or recycled 68 per cent of construction waste across our development projects in 2013. Furthermore, we reused or recycled 60 per cent of demolition waste and 33 per cent of excavation waste.	On track
By 2020, we will reduce energy intensity for SEGRO responsible space by 40 per cent against our 2012 baseline. Baseline reset from 2011 to 2012 due to improved data quality for 2012.	For SEGRO responsible space where we have full year data available for both 2012 and 2013, our energy intensity was 73 kWh/m^2/year during 2012, and 81 kWh/m^2/year during 2013. This equates to a 10 per cent increase overall. However, energy intensity for space occupied by SEGRO personnel improved by 1 per cent.	Work to do
By 2020, we will reduce water intensity for SEGRO responsible space by 20 per cent against our 2012 baseline. Target restated and quantified following assessment during 2013.	For SEGRO responsible space where we have full year data available for both 2012 and 2013, our water intensity (m^3/m^2/year) decreased by 7 per cent overall, with an 18 per cent reduction seen at space occupied by SEGRO personnel.	On track
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.	In 2013, 16 out of the 20 completed new buildings across our portfolio installed water efficient technology, including dual flush toilets, rainwater harvesting and low flow/automatic sensored urinals. We will report our qualifying refurbishments against this target in 2014, through our Sustainability Toolkits.	On track
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.	In 2013, SEGRO's newly completed buildings were on average 30 per cent more energy efficient than the local base build standard in 2009. We will report our qualifying refurbishments against this target in 2014, through our Sustainability Toolkits.	On track
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). Target subject to local market commercial viability.	In 2013, four new buildings were certified to BREEAM: one 'Outstanding' (Unit 1, Tudor Gate), one 'Excellent' (Unit 2, Tudor Gate) and two units to 'Very Good' (at Southern Approach, Feltham). We achieved one Silver DGNB rating (at Alzenau, Germany), which is deemed equivalent to BREEAM 'Very Good'. We did not undertake any qualifying major refurbishments during 2013.	Work to do
By 2020, all new buildings will be EPC or equivalent 'B' rated, or 'C' rated for qualifying major refurbishments. Target subject to local market commercial viability.	55 per cent of new buildings completed in 2013 achieved an EPC rating of 'B' or above (or country equivalent). 76 per cent of qualifying refurbishments achieved an EPC of 'C' or above (or country equivalent).	On track
RENEWABLE ENERGY		
We will seek to increase our renewable energy capacity across the Group, subject to commercial viability.	During 2013, 97,602 kWh of renewable energy generation capability was added to the portfolio. As of 31 December 2013, the total renewable energy generation capability across the portfolio was 7,563 MWh.	On track

KEY:
On track – We have made progress with the goal in line with internal expectations
Work to do – Some/limited progress has been made to support this goal, and we will prioritise performance improvement from 2014

COMMUNITIES

Supporting communities in which we operate remains an integral part of our operations. In 2013, SEGRO invested a total of £1.7 million in good causes through money, time, land and business space.

We work closely with a range of stakeholders in the communities where we have a presence. This way we ensure that the local communities understand why we are undertaking or supporting a particular project and the benefits that it will bring to their neighbourhood. We equally listen to what they have to say about our plans and we seek to address any concerns they may have. In the UK, we now have active community engagement plans in place in Hounslow, Ealing, Hillingdon, Slough, Brent and Enfield.

As well as our employees giving their time and energy to charitable causes, we are proud to provide assistance in kind to a number of organisations in the UK in the form of either reduced rent or free accommodation.

Organisations we have supported in this way in 2013 include:

- SkillForce Development – a charity that works in partnership with schools, drawing upon the skills of predominantly ex-Forces personnel, to inspire young people to succeed.

- Berkshire East and South Bucks Women's Aid – this is a Queen's Award Slough-based charity which supports all victims of domestic abuse including children and young people.

- Ealing Mencap – this local branch of Mencap represents the interests of people with learning disabilities and their carers within the London Borough of Ealing.

In 2013, we significantly increased our support to and ties with LandAid, the charity of the UK property industry which works to improve the lives of children and young people who experience disadvantage due to their economic or social circumstances. SEGRO is a long-time supporter and a Foundation Partner. In 2013, our Chief Operating Officer, Andy Gulliford, joined the LandAid Fundraising Committee to help promote their work and increase support from amongst others in the industry.

We have recently committed to another Foundation Partner Project whereby, through pro bono work, manpower and donations of £40,000 a year for three years, we are extending the Slough YMCA Hostel at Britwell, which is located close to the Slough Trading Estate. The existing facility accommodates eight single person units and, when completed, the extension will provide accommodation for a further five young people.

SEGRO employees, along with our industry peers, have enthusiastically supported other LandAid fundraising initiatives raising just over £19,000 for the organisation. This included taking part in the summer run in Regent's Park, London, and the LandAid Fundraising Day in October, with a golf day, cake bakes, a sailing day and the Industrial Agents Cycle Challenge.

In Continental Europe, we have supported 'Na Ratunek', which is an organisation in Wroclaw, Poland supporting children who require a bone marrow transplant and we have continued to support the 'Gajusz Foundation' in Lodz, Poland which cares for children with chronic or incurable conditions. In Belgium, we continued to support youth football via Diegem Sport. In France, we supported 'Café Associative des Tilleuls' at Blanc Mesnil in Paris which is a volunteer-run community regeneration project.

SUMMER RUN

SLOUGH ASPIRE

Slough Aspire is one of the country's most innovative training and development projects, and which opened on the Slough Trading Estate in October 2013. It has been designed to be the first port of call for training and development needs for businesses and the local community. 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.

The project aims to help members of the local community develop the confidence and skills to take advantage of a rapidly-changing employment market and ensure that employers have access to a talented and productive local workforce.

The centre is open to companies, schools and local residents and it plays a vital role in enhancing and strengthening links between the community and local businesses. Slough Aspire offers a range of training programmes, events and career advice services which helps employers address their training and recruitment needs by connecting them with the local community and training providers.

SEGRO YOUNG ARTISTS

The SEGRO Young Artists programme is a series of partnerships between SEGRO, professional artists and selected schools to inspire young people, develop talent and celebrate art.

The end-of-programme exhibition at the Royal Society of Arts is the culmination of a four-month programme of activity and celebrates the work and the achievements of the schools taking part.

The 'World of Work' has been the consistent theme since 2008 and has provided the project with some very interesting pieces. For the first time, in 2013, SEGRO fund-matched sales of work made at the exhibition so that the students received a £500 bursary towards art college fees or for arts materials.

The 2013 programme involved 117 students, 11 art teachers and six visual artists.

Students told us that they now feel more empowered in understanding the world of work, what this entails and how to work in a more creative way.

STRATEGIC REPORT CORPORATE SOCIAL RESPONSIBILITY

STAKEHOLDERS

OUR CUSTOMERS

We take great pride in the strength of our customer relationships. At SEGRO, our aim is to put our customers first. It is vital to the continued success of our business that we ensure our customers are consistently satisfied with the product and service levels they receive from us, and it is our ambition to exceed their expectations. We see our customers as partners and we value the relationship we have with them by regularly monitoring this through our own annual Customer Satisfaction Survey to measure how we are performing.

We were very pleased with the results from the 2013 Customer Satisfaction Survey. Overall satisfaction as an occupier was 76 per cent, up from 72 per cent in 2012. 84 per cent of customers surveyed said they were likely to recommend SEGRO, up five per cent from 2012. 77 per cent of customers surveyed were satisfied with the performance of the property management team, an increase of just over two per cent compared to 2012. Feedback shows that customers value the premier locations of our properties and the high quality of our buildings. They also place value on the high standard of services they receive, which at 77 per cent in 2013 was up six per cent compared to 2012. This continues the upward trend of recent years.

In 2013, and as a result of feedback, we have changed the way in which we communicate with our customers. We have increased the number of times we visit them at their premises and we issue regular updates by email, which includes keeping them up to date with news from SEGRO and details of where further available warehouse space exists across our portfolio.

OUR SUPPLIERS

SEGRO spends approximately £330 million per annum on the purchase of products, services and works. The way in which we manage our supply chain is extremely important to us in terms of our reputation, alignment with our social responsibility objectives and ensuring that we are receiving best value. During 2013, considerable effort was given to procurement activities across the Group including categorisation of suppliers and application of country specific environmental, health and safety and commercial criteria for assessment. This process has resulted in a reduced base of 2,760 active suppliers from a starting point of 6,800 in 2012. The 60 per cent reduction to the supply base has enabled us to ensure that we work in partnership with companies which are following good industry practices and are compliant with relevant regulations and local country legislation.

Training has been provided to all teams on legislative requirements including anti-bribery and corruption. SEGRO terms and conditions for contracts have been updated to incorporate our policy objectives and all suppliers have been requested to provide a copy of their anti-bribery policy or sign up to SEGRO's code of practice.

Across the Company in 2013 we introduced a new purchase to pay system known as Basware. This has enabled us to have a consistent system and payment processes in place for paying our suppliers. In 2013, in the UK, for invoices processed in-house using Basware, suppliers were paid, on average, 32 days upon receipt of their invoice.

OUR INVESTORS

SEGRO places frequent and open communication with the investment community among the highest of its priorities. During 2013, we met with approximately 350 existing and potential institutional investors through a combination of one-to-one meetings, conferences, roadshows and asset tours in locations including the UK, US, The Netherlands, France, Germany and Poland.

DAVID SLEATH
CHIEF EXECUTIVE OFFICER

"We take great pride in the strength of our customer relationships."

We ensure that the Chairman and Senior Independent Director are available to our shareholders, should they have any concerns and where contact through our usual channels has failed to resolve or is otherwise inappropriate. All Directors are available for meetings with shareholders.

The Company's website, www.segro.com, provides all shareholders with comprehensive information on all the Group's recent business activities and financial developments. Shareholders can access this information through webcasts, press releases and video-recorded interviews with the Chief Executive.

OUR EMPLOYEES

Building on our foundations

2012 was the beginning of a period of intense change for our employees as we started work to restructure our portfolio. To support our employees with this change, we launched an internal communications programme known as 'One SEGRO' to ensure that everyone understood our strategic aims and ambitions. During 2013, this pattern of change continued but due to the work we had done in laying the foundations for 'One SEGRO', employees had a far greater understanding of the changes that were taking place and what was expected of them.

At the end of 2012, we commissioned an external all-employee survey to give us the objective feedback we needed to assess whether our efforts in communicating the strategy had been successful. The results of this survey exceeded our expectations and demonstrated that we had managed the change well – our employees understood the strategy and were committed to the future of SEGRO.

The survey told us that:

- 96 per cent understood the aims and objectives of SEGRO;
- 91 per cent cared about the future of SEGRO;
- 92 per cent understood how the work they did helped SEGRO to achieve its objectives;
- 93 per cent had the knowledge and skills to do their job; and
- 92 per cent were clear about what they were expected to achieve in their job.

There were, however, some areas where improvements needed to be made. In particular, some employees told us that they didn't always feel appropriately involved and consulted in change that personally affected them, nor did they always feel recognised for the work they did. To help understand these issues in more depth, workshops were held across the business with teams, led by our functional heads, to get more in-depth views on what and how we needed to change. As a result, all of our senior leaders made a number of personal commitments to do things differently, which we published in a special edition of our internal newsletter, 'In the Know'. Some of these included involving individuals more in the decision-making process on major projects, reducing our email traffic, and giving more thought to simply saying 'well done' more often.

LIZ REILLY
GROUP HR DIRECTOR

"Throughout the business, we are actively encouraging our employees to look at development opportunities."

In addition to the activity generated from the employee survey, we continued with our programme of internal communications to keep employees informed and updated about what was happening across the business. This included quarterly all-employee webinars to coincide with our external financial reporting cycle. These are an interactive way in which all employees can hear from members of the Executive Team about our financial performance. At a Business Unit level, Business Unit Directors host monthly briefings to provide an update on performance and there is a mix of news at both a local and Group level. The all-employee newsletter, 'In the Know', which was introduced in 2012, continued to be published. This contains business and social news as well as showcasing individual and team successes.

STRATEGIC REPORT CORPORATE SOCIAL RESPONSIBILITY

We ended 2013 with our all-employee conference. The first one in 2012 was such a success that we repeated the format for 2013. Learning from the feedback from the all employee survey, we took the opportunity to recognise even more people at the awards ceremony and said a big 'thank you' for the significant contribution individuals and teams had made to SEGRO during 2013 through a range of awards including 'Best Cross Functional Team Working', 'Best Customer Service Initiative' and 'Best Community Engagement Award'.

Growing/Nurturing our Talent

During 2013, the Senior Leadership Team has become more responsible for communicating and driving change throughout the business. This team is formed of 18 senior managers, including the Executive Committee, who meet four times a year on a formal basis. These meetings, led by the CEO and Group HR Director, provide an opportunity for discussions about a wide range of business issues. In between these meetings, the team is encouraged to network and communicate amongst themselves as much as possible. We have invested in developing their skills, as well as giving them stretching and challenging opportunities. We are confident that as our business grows, this group will successfully lead our employees through further change.

During 2013, we continued to prioritise internal promotions from within the organisation, reinforcing our belief in the quality of our talent pipeline. In a couple of key areas, we took the opportunity to bring in new external hires. At the end of 2013, we appointed Harry Stokes (previously Head of European Real Estate Equity Research at UBS) as Head of Investor Relations & Research and Nick Hughes (previously Global Head of Marketing and Communications at Knight Frank) as Director of Marketing and Communications. Both are members of the Senior Leadership Team.

Throughout the business, we are actively encouraging our employees to look at development opportunities. These include formal classroom events through to one to one coaching and cross border 'buddying' amongst our property teams to share best practice and customer intelligence.

In total in 2013, we invested more than 2,102 hours in training.

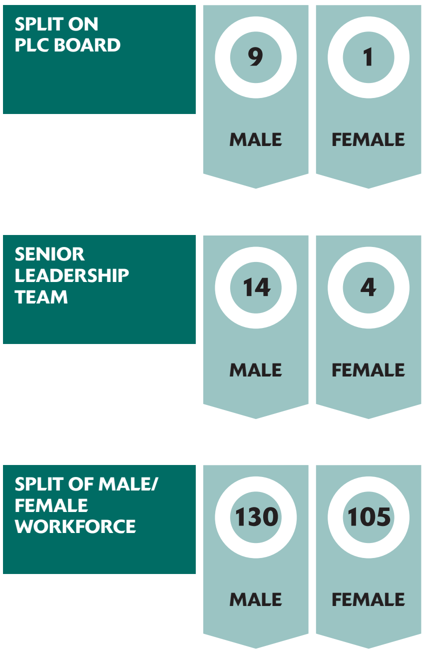
Human Rights

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 on our Senior Leadership Team.



HEALTH AND SAFETY

In 2013, we further developed our health and safety strategy and completed the recommendations from the internal audit we undertook in 2012. This included the launch of the revised Group health and safety policy which clearly describes the expectations, management and commitments made by SEGRO to its employees and all those that may be affected by its work activities.

To build on our revised approach to health and safety, a communications campaign was launched to improve the quality, level of detail and relevance to specific employee roles. For example, this ensured that more technical health and safety information is provided to project and development teams, whereas general workplace health and safety information is issued to employees in more office-based roles.

In 2013, work continued on improving the co-ordination and communication between employees on all health and safety-related activities. This focused on ensuring that each local SEGRO team was kept up to date on the progress and priorities as laid out in our health and safety strategy. It has also provided an opportunity for face-to-face training and for information to be shared between the different country teams. This process will continue to be deployed throughout 2014 to ensure that health and safety is understood as a responsibility for all employees, suppliers and consultants.

SEGRO continues to be extremely proud of its excellent health and safety record. In 2013, our Accident Frequency Rate for SEGRO employees was zero (2012 – zero). There were no health and safety prosecutions, enforcement actions or fatalities in 2013 and therefore we achieved our targets in this respect.

COMPLIANCE WITH EPRA SUSTAINABILITY BEST PRACTICE RECOMMENDATIONS

SEGRO is a member of the EPRA Sustainability Reporting Committee and has worked with the European publicly-listed real estate sector to lay out a set of recommendations for standardised reporting on key environmental impacts across the industry.

We continue to report against the EPRA Best Practice Recommendations. For the first time, our sustainability report in 2012 achieved an EPRA Gold Award, primarily due to the quality of our data disclosure around operational energy, water and waste performance. This was an improvement on the Bronze award we received in 2011 and recognises the progress we have made in the last 12 months. Alongside this success, we also received improved scores in our submissions to the Global Real Estate Sustainability Benchmark and the Carbon Disclosure Project, both of which are key metrics used for measuring a company's sustainability performance.

STRATEGIC REPORT **FINANCIAL REVIEW**

A STRONG FINANCIAL POSITION

The actions taken to re-shape and improve the quality of our property portfolio have resulted in a 7.5 per cent reduction in EPRA earnings for 2013. EPRA NAV per share improved by 6.1 per cent to 312 pence and the balance sheet has been considerably strengthened with net borrowings (including our share of joint ventures) lowered by nearly £500 million or 21 per cent compared with a year ago.

HIGHLIGHTS

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/(LOSS)[2]
£212.1M PROFIT/(LOSS) BEFORE TAX	£134.1M EPRA[1] PROFIT BEFORE TAX	28.4P PROFIT/(LOSS) PER SHARE	17.7P EPRA[1] EPS

31 DECEMBER 2012

(0.1)% TOTAL PROPERTY RETURN	302P NET ASSET VALUE (NAV) PER SHARE	294P EPRA[1] NAV PER SHARE	£(353.2)M REALISED AND UNREALISED PROPERTY GAIN/(LOSS)[2]
£(202.2)M PROFIT/(LOSS) BEFORE TAX	£144.9M EPRA[1] PROFIT BEFORE TAX	(26.6)P PROFIT/(LOSS) PER SHARE	19.3P EPRA[1] EPS

1 EPRA NAV, EPRA Profit Before Tax and EPRA EPS tax 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 £97.7 million for the wholly owned portfolio (see note 8 to the financial statements) and the realised and unrealised property gain of £47.9 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 in accordance with IPD.

Total property return for the year was 10.7 per cent, compared to a 0.1 per cent negative return for 2012. This reflects an income return of 6.4 per cent (2012: 6.5 per cent) and a capital return of 4.1 per cent (2012: 6.2 per cent negative). The capital return is driven by the UK assets, where a 7.6 per cent capital return is partially offset by a 2.9 per cent decline in Continental Europe. The income return is relatively consistent.

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 2013 was 312 pence, compared with 294 pence at 31 December 2012. As illustrated in the adjacent table, the increase is largely as a result of investment property valuation increases which are covered in more detail below. This is partially offset by the cost of early close-out of interest rate swaps which are covered in more detail in the Financial Position and Funding section below. EPRA profit after tax generated during the year more than covers the dividend payments made during the year.

REALISED AND UNREALISED PROPERTY GAIN/(LOSS)

A total realised and unrealised gain on property for the wholly owned portfolio of £97.7 million (2012: £340.8 million loss) has been recognised in 2013, which includes an unrealised valuation surplus on investment properties of £94.4 million (2012: £283.2 million deficit).

A profit of £13.0 million arose in 2013 on disposal of investment properties and a further profit of £6.1 million arose on disposal of trading properties (2012: £28.9 million loss and £1.8 million loss, respectively). Impairment provisions of £15.2 million (2012: £24.9 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 £47.9 million (2012: £12.4 million loss) and are further analysed in note 7 to the financial statements.

EPRA NAV

	£M	SHARES MILLION	PENCE PER SHARE
EPRA NET ASSETS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS AT 31 DECEMBER 2012	**2,176.0**	**740.9**	**294**
Realised and unrealised property gain	145.6		20
EPRA profit after tax	131.4		18
Dividends (2012 final and 2013 interim)	(109.7)		(15)
Early close-out of interest rate swaps	(27.2)		(4)
Exchange rate movement (net of hedging)	6.3		–
Other	(9.8)		(1)
EPRA NET ASSETS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS AT 31 DECEMBER 2013	**2,312.6**	**741.2**	**312**

The Group's trading property portfolio (including share of joint ventures) has an unrealised valuation surplus of £4.2 million at 31 December 2013 (2012: £7.9 million), which has not been recognised in the financial statements as it is recorded at the lower of cost or fair value.

EPS AND EPRA EPS

EPS is 28.4 pence for 2013, compared to (26.6) pence in 2012. The main driver behind this was the higher realised and unrealised property gains in 2013 compared to losses in 2012. EPRA EPS of 17.7 pence per share is 1.6 pence lower than the 2012 equivalent (19.3 pence per share) as a result of a reduced EPRA profit primarily due to disposals, which is further analysed in the EPRA Profit table 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 £10.8 million compared to 2012. This is due to a £31.4 million reduction in net rental income, largely due to disposals, partially offset by reductions in EPRA net finance costs and increased income from joint ventures. These items are covered in more detail below.

EPRA PROFIT

	2013 £M	2012 £M
Gross rental income	**273.8**	305.4
Property operating expenses	**(50.4)**	(50.6)
NET RENTAL INCOME	**223.4**	254.8
Joint venture management fee income	**7.1**	7.4
Administration expenses	**(26.1)**	(27.9)
Share of joint ventures' EPRA profit[1]	**26.3**	20.2
EPRA OPERATING PROFIT BEFORE INTEREST AND TAX	**230.7**	254.5
Net finance costs (including adjustments)	**(96.6)**	(109.6)
EPRA PROFIT BEFORE TAX	**134.1**	144.9
Tax on EPRA profit	**(2.7)**	(1.9)
EPRA PROFIT AFTER TAX	**131.4**	143.0

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

NET RENTAL INCOME

Following the significant disposal of assets into the SELP joint venture, like-for-like rental income has been analysed on a 'look-through' basis (with joint ventures included at share) to provide a more meaningful analysis. The 50 per cent of SELP assets owned throughout 2013 are included in the like-for-like calculation, with the balance shown as disposals.

Including our share of joint ventures, net rental income in total has decreased by £24.4 million compared to 2012. This primarily arises from the impact from disposals (£51.8 million), and partially offset by the impact of income from developments (£11.2 million) and acquisitions (£12.4 million).

Like-for-like net rents have decreased by £2.8 million (1.5 per cent), driven by increased vacancy, as takebacks have exceeded lettings on standing stock, and there has been an increase in bad debt expense. Excluding the bad debt expense relating to Mory Ducros (£1.0 million) the like-for-like rents would have decreased by £1.8 million (less than 1 per cent).

Lease surrenders include £4.5 million in respect of the surrender of a lease, part of which relates to a finance lease asset.

Following the insolvency of its principal tenant, the Neckermann campus contributed £0.3 million to net rental income in 2013 (2012: £11.6 million). The asset was sold in December 2013 and its net rental income contribution is included within 'Properties sold' in the table below. In January 2014 we received a one-off cash receipt from the Neckermann administrator in respect of a longstanding claim for unpaid rent. This £3.5 million receipt had not been anticipated with any degree of certainty at year-end 2013 and thus will be included within 2014 net rental income.

JOINT VENTURES

Joint venture management fee income is broadly in line with the prior year and includes a maiden £1.1 million contribution from SELP, which almost offsets a reduction in performance and development fees from APP. SEGRO's share of EPRA profit from joint ventures has increased by £6.1 million compared to 2012, primarily due to £4.8 million being recognised in relation to SEGRO's share of the SELP joint venture, which began trading in October 2013.

TOTAL COSTS

The Group is focused on carefully managing its cost base and regards the total cost ratio as a key measure 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 2013 was 24.2 per cent compared to 22.9 per cent in 2012. The increase in cost ratio is driven by a reduction in gross rental income, including joint ventures at share, of £23.1 million largely due to the net impact of capital recycling activities (gross rental income is the denominator in the calculation of this ratio).

On the cost side, costs included in the calculation of the cost ratio fell during the year by £1.2 million.

Vacant property costs have decreased by £1.1 million to £12.6 million (2012: £13.7 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 19.7 per cent for 2013 (2012: 18.6 per cent).

NET FINANCE COSTS

Net finance costs (which exclude the fair value gains and losses on interest rate swaps and currency derivatives and realised gains or losses on debt buy backs) decreased in 2013 by £13.0 million to £96.6 million. The decrease is mainly attributable to the impact of interest savings from disposal proceeds being used to reduce net debt, the repurchase of bonds in December 2012, interest income on deferred consideration due from the SELP transaction and lower euro short-term interest rates. These have offset the impact of higher interest costs resulting from both acquisitions and development activity, and the strengthening of the euro against sterling over the year.

A net fair value loss on interest rate swaps and other derivatives of £63.4 million has been recognised within IFRS net finance costs in 2013 (2012: £22.9 million gain), primarily as a result of the impact of the rise in medium-term sterling interest rates during the year on the fair value of the Group's pay floating, receive fixed sterling interest rate swap portfolio. The gains and losses discussed in this paragraph are not included in net finance costs (including adjustments), in accordance with EPRA Best Practices Recommendations.

LIKE-FOR-LIKE NET RENTAL INCOME

	2013 £M	2012 £M
Completed properties owned throughout 2013 and 2012 (like-for-like net rental income)	**179.2**	182.0
Development lettings	**15.7**	3.6
Properties taken back for development	**0.5**	1.4
LIKE-FOR-LIKE NET RENTAL INCOME PLUS DEVELOPMENTS	**195.4**	187.0
Properties acquired	**24.3**	11.9
Properties sold	**29.0**	80.8
NET RENTAL INCOME BEFORE SURRENDERS, DILAPIDATIONS AND EXCHANGE	**248.7**	279.7
Lease surrender premiums and dilapidation income	**9.1**	3.2
Rent lost from lease surrenders and other income	**6.1**	9.6
Impact of exchange rate difference between years	**–**	(4.2)
NET RENTAL INCOME PER FINANCIAL STATEMENTS[1]	**263.9**	288.3

1 Comprises Group net rental income of £223.4 million, and share of joint ventures of £40.5 million (2012: £254.8 million and £33.5 million respectively).

TAX

A tax charge of £2.9 million has been recognised in 2013 (2012: £4.9 million credit). This combines a £2.7 million charge attributable to EPRA profit (2012: £1.9 million charge) and a £0.2 million charge in relation to EPRA adjustments (2012: £6.8 million credit). The tax charge on EPRA profit reflects an effective tax rate of 2 per cent (2012: 1.3 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, SIIC status for the wholly owned assets in France and SPPICAV status for the French assets owned through SELP. 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/SPPICAV 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 profits from rental income. These distributions (PIDs) are subject to 20 per cent withholding tax unless the shareholder has tax exempt status. The distributions are then further taxed in the hands of the shareholder at their marginal rate of tax. SEGRO's profits in other countries remain taxable.

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 above.

Free cash flow generated from operations was £128.2 million in 2013, an increase of £21.1 million from 2012, primarily due to the decrease in net cash flows paid in respect of tax (where a large one-off payment was made to HMRC in 2012), higher dividends received particularly from joint ventures and lower finance costs, partially offset by slightly lower cash flows from operations owing mainly to the disposals in the year.

CASH FLOW/NET DEBT RECONCILIATION

	2013 £M	2012 £M
OPENING NET DEBT	**(2,090.3)**	(2,303.4)
Cash flow from operations	**204.0**	205.1
Finance costs (net)	**(97.5)**	(103.9)
Dividends received (net)	**24.1**	18.7
Tax paid (net)	**(2.4)**	(12.8)
FREE CASH FLOW	**128.2**	107.1
Dividends paid	**(109.7)**	(109.7)
Purchase and development of investment properties	**(211.1)**	(277.9)
Investment property sales (including joint ventures)	**559.9**	494.2
Repayment of finance lease receivable	**8.1**	–
Net costs to early close out of interest rate swaps	**(27.2)**	–
Net settlement of foreign exchange derivatives	**(47.9)**	56.0
Sale of SELP portfolio	**402.8**	–
Net investment in joint ventures	**(52.2)**	(51.8)
Other items	**(1.9)**	(15.2)
NET FUNDS FLOW	**649.0**	202.7
Non-cash movements	**(4.3)**	(5.3)
Exchange rate movements	**(13.5)**	15.7
CLOSING NET DEBT	**(1,459.1)**	(2,090.3)

Capital expenditure on acquisitions and development of investment properties totalling £211.1 million is slightly below that of 2012 (£277.9 million).

The cash flow from the sale of the SELP portfolio relates to the disposal of pan-European logistics assets into a joint venture in which the Group retains a 50 per cent interest. Gross proceeds of £583.6 million were partly due from PSP Investments, our equity partner, and part funded from debt that was raised by the joint venture itself (see Financial Position and Funding section). An element of the proceeds, €157.3 million (£133.3 million at average exchange rate – £1:€1.18, £131.1 million at closing exchange rate – £1: €1.20 (see note 30)), was deferred at SEGRO's option for up to two years. On completion of the transaction, certain SELP entities were disposed of with cash (totaling £27.1 million) in order to allow them to fund their development pipeline and other working capital requirements.

CAPITAL INVESTMENT/DIVESTMENT

	2013 £M	2012 £M
INVESTMENT		
Development expenditure on investment properties	**114.0**	130.3
Acquisitions of investment properties	**123.2**	153.0
Development expenditure on trading properties	**6.7**	12.9
Acquisitions of trading properties	**60.9**	–
TOTAL INVESTMENT[1]	**304.8**	296.2
DIVESTMENT		
Investment properties	**(1,250.7)**	(520.0)
Trading properties	**(107.6)**	(22.8)
Joint ventures	**(18.6)**	(3.9)
TOTAL DIVESTMENT[1]	**(1,376.9)**	(546.7)
Net investment in joint ventures[1]	**257.7**	65.7
NET CAPITAL DIVESTMENT	**(814.4)**	(184.8)

1 Values are stated on an accruals basis rather than a cash flow basis and exclude gains or losses on disposals and therefore can differ to the Cash Flow and Net Debt Reconciliation section above. Movements exclude the impact of tenant incentives.

STRATEGIC REPORT FINANCIAL REVIEW

The settlement of foreign exchange derivatives has led to an outflow of £47.9 million as the euro has strengthened in the year. Net debt has reduced in the year from £2,090.3 million to £1,459.1 million.

CAPITAL INVESTMENT/DIVESTMENT

As detailed more fully in the Chief Executive's Review, the Group has continued to make significant progress in its key strategic priority of reshaping the portfolio during the year. The disposal programme has successfully divested £1,376.9 million of assets in 2013 including £803.9 million of pan-European logistics assets to SELP (excluding movement in tenant incentives), in which the Group retains a 50 per cent interest (shown below within the £257.7 million investment in joint ventures). Other disposals include three large, non-strategic assets (the Thales, MPM and Neckermann campuses). The proceeds have been re-invested in the acquisition of assets more aligned with our strategy and into our largely pre-let development programme. The net divestment has also been used to reduce net borrowings as detailed in the Cash Flow and Net Debt Reconciliation section.

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 November 2013.

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 2013, the Group's net borrowings were £1,459.1 million (2012: £2,090.3 million) comprising gross borrowings of £1,692.9 million (2012: £2,106.9 million) and cash and cash equivalent balances of £233.8 million (2012: £16.6 million). Although it has similar economic characteristics to a cash equivalent, the deferred consideration of €157.3 million (£131.1 million) due from PSP Investments in connection with the SELP joint venture, has been classified as a debtor.

These 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, while PSP Investments is rated AAA.

As a result of the significant reduction in net borrowings of the Group during 2013, there was no requirement for any major on-balance sheet debt funding activity during the year.

FINANCIAL KPIs

GROUP ONLY	**31 DECEMBER 2013**	31 DECEMBER 2012
Net borrowings (£m)	**1,459**	2,090
Available Group cash and undrawn facilities (£m)	**982**	449
Gearing (%)	**62**	93
Weighted average cost of debt[1] (%)	**4.5**	4.6
Average duration of debt (years)	**8.7**	8.3
Interest cover[2] (£m)	**2.2**	2.3
INCLUDING JVs AT SHARE:		
Net borrowings (£m)	**1,889**	2,388
LTV ratio – including JVs at share[3] (%)	**42**	51
Weighted average cost of debt[1] (%)	**4.2**	4.4

1 Based on gross debt, excluding commitment fees and amortised costs
2 Net rental income / EPRA net finance costs (before capitalisation)
3 Includes £131 million of deferred consideration receivable

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 flexible borrowings that can be repaid and redrawn to support capital recycling activity.

At 31 December 2013, £1,691.9 million of the borrowings of the Group (i.e. excluding debt funding arrangements within joint ventures) were long-term bonds, representing 116.0 per cent of net borrowings and 99.9 per cent of gross borrowings. This debt mix reflects the relative cost and difficulty of prepaying bond debt prior to scheduled maturities. Net investment and forthcoming bond debt maturities (£208.3 million of bonds at face value mature in 2015) are likely to reduce the proportion of bond debt within the debt mix over time. We will continue to assess whether it is practical and cost effective to manage the debt mix more proactively.

The Group's debt portfolio (excluding debt funding arrangements within joint ventures) is predominantly unencumbered (secured borrowings at 31 December 2013 were £2.7 million, representing just 0.2 per cent of the Group's total gross borrowings), which provides additional flexibility to support the portfolio reshaping process within the wholly owned portfolio and supports the A- credit rating of the Group's unsecured bonds.

Group policy is that debt funding in joint ventures should be on a non-recourse basis to the Group. Given this requirement, and the size of joint ventures, secured funding is generally the most cost effective source of debt financing for joint ventures.

At 31 December 2013 the Group's share of the net borrowings in its joint ventures was £429.4 million. This amount includes 50 per cent of the €391.0 million (£325.8 million) of five to seven year bank term loans raised during 2013 in the SELP joint venture.

The key financing statistics of the Group are shown in the table opposite.

The market value of the gross borrowings of the Group (excluding debt funding arrangements within joint ventures) at 31 December 2013 was £1,951.4 million (2012: £2,409.9 million), £258.5 million

(2012: £303.0 million) higher than the balance sheet carrying value. The decrease in the differential between the book value and the market value of gross borrowings during the year relates mainly to a decrease in the market value of the Group's sterling bonds, driven predominately by the bonds being a year closer to maturity. This differential, which typically fluctuates on a daily basis, but usually reduces as the maturity date approaches, would be crystallised as an exceptional cost and a reduction in EPRA NAV if these borrowings were repaid prior to their maturity date.

The Group uses derivative instruments, principally interest rate swaps, forward foreign exchange contracts and currency swaps, to manage interest rate and currency risk. These instruments are held at fair value on the Group balance sheet within debtors and creditors, depending on whether the market value is an asset or a liability.

The net market value of the Group's portfolio of interest rate swaps (excluding derivatives associated with debt funding arrangements within joint ventures) at 31 December 2013 was an asset (mainly within debtors due in more than one year) of £67.9 million (2012: £103.3 million). The £35.4 million decrease in the net positive market value of interest rate swaps during 2013 was driven by:

i) An £81.6 million decrease in the value of sterling denominated instruments (that swap some of the Group's sterling bonds from fixed to floating interest rates) from an asset of £145.9 million at 31 December 2012 to an asset of £64.3 million at 31 December 2013, due to an increase in medium-term sterling interest rates during 2013, partially offset by;

ii) A £46.2 million increase in the value of euro denominated interest rate swaps from a liability of £42.6 million at 31 December 2012 to an asset of £3.6 million at 31 December 2013. This is mainly due to the close out in November 2013 of the Group's portfolio of €905.0 million (£754.2 million) euro interest rate swaps for a cash cost of €35.9 million (£29.9 million). €730.0 million (£608.3 million) of new euro interest rate swaps were put in place which, due to a slight increase in medium term euro interest rates in December 2013, had become (from £nil market value at inception) an asset of £3.6 million at 31 December 2013.

The net market value of the Group's forward foreign exchange and currency swap contracts at 31 December 2013 was an asset (mainly held within debtors due in less than one year) of £10.1 million (2012: a net liability of £13.8 million). These contracts are mainly short-dated (maturities of six months or less) instruments used to swap sterling liabilities into euros as part of the Group's currency translation hedging strategy (which is set out in further detail in the currency translation hedging section below). The slight weakening of the euro against sterling towards the end of 2013 resulted in an increase in the market value of these derivatives. This was, however, offset by a corresponding decrease in the sterling value of the euro denominated property assets that they are hedging.

GEARING AND FINANCIAL COVENANTS

The loan to value ratio of the Group at 31 December 2013 on a 'look-through' basis (i.e. including the borrowings and property assets of the Group's share of joint ventures) was 42 per cent (2012: 51 per cent).

On a wholly owned basis, the loan to value ratio of the Group was 43 per cent at 31 December 2013 (2012: 52 per cent).

In both cases, the loan to value ratio treats the deferred consideration of €157.3 million (£131.1 million) as a deduction from net borrowings, on the basis that it has similar economic characteristics to a cash equivalent asset. The deferred consideration can be called by SEGRO giving three months' notice.

The reduction in our LTV ratio to around 40 per cent remains our target for the longer term. However, if attractive growth opportunities arise before disposals, our LTV ratio may rise temporarily. In this respect, it should be noted that completion of a recently announced acquistion by SELP would increase SEGRO's 'look-through' LTV ratio by around 2.5 percentage points.

The gearing ratio of the Group at 31 December 2013, as defined within the principal debt funding arrangements of the Group (i.e. excluding debt funding arrangements within joint ventures), was 62 per cent (2012: 93 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 35 per cent (2012: 21 per cent) from their 31 December 2013 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 2013, the Group comfortably met this ratio at 2.2 times (2012: 2.3 times). On a 'look-through' basis, including joint ventures, this ratio was 2.3 times (2012: 2.3 times).

LIQUIDITY POSITION

Funds availability (excluding cash and undrawn facilities held in joint ventures) at 31 December 2013 totalled £982.1 million, comprising £233.8 million of cash and short-term investments and £748.3 million of undrawn bank facilities provided by the Group's relationship banks, of which only £15.0 million were uncommitted. This level of funds availability, in conjunction with the £131.1 million of deferred consideration which is payable on or before October 2015, provides substantial liquidity to fund upcoming debt maturities (£110.9 million of committed bank facilities mature before 31 December 2014 and a further £199.7 million of bank facilities and £208.3 million of bonds at face value mature during 2015), approved or committed development capital expenditure (£89.0 million at 31 December 2013), and the acquisition within the SELP joint venture (SEGRO planned equity share £118.0 million) announced since year-end, as well as providing additional liquidity headroom.

At 31 December 2013, the weighted average maturity of the gross borrowings of the Group (excluding borrowings within joint ventures) was 8.7 years (2012: 8.3 years). On a lookthough basis, including borrowings in joint ventures at share, the weighted average maturity of gross borrowings was 7.6 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 at the bottom of the page.

GOING CONCERN

The Group has realised substantial net proceeds during 2013 from capital recycling activity. As noted in the liquidity position section above, 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 as detailed on page 36, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

INTEREST RATE RISK EXPOSURE

The Group's interest rate risk policy is that between 50 and 100 per cent of net borrowings 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 2013, including the impact of derivative instruments, £1,102.2 million (2012: £1,231.1 million) of borrowings (excluding borrowings within joint ventures) were at fixed rates, representing 76 per cent (2012: 59 per cent) of the net borrowings of the Group. By currency, 68 per cent of the euro denominated net borrowings of the Group of £896.4 million and 88 per cent of the remaining net borrowings (predominantly sterling) of £562.7 million were at fixed rates.

During November 2013 the Group's portfolio of €905.0 million (£754.2 million) euro interest rate swaps (excluding the share of interest rate swaps within joint ventures), which had a weighted average fixed rate of 2.5 per cent and a weighted average maturity of 1.7 years, were closed out for a cash cost of €35.9 million (£29.9 million), of which €3.2 million (£2.7 million) related to accrued interest. Derivative instruments are held in the Group balance sheet at fair value. The euro interest rate swap close-outs were transacted at fair value and, therefore, the cash settlement of these instruments had no impact on the income statement of the Group.

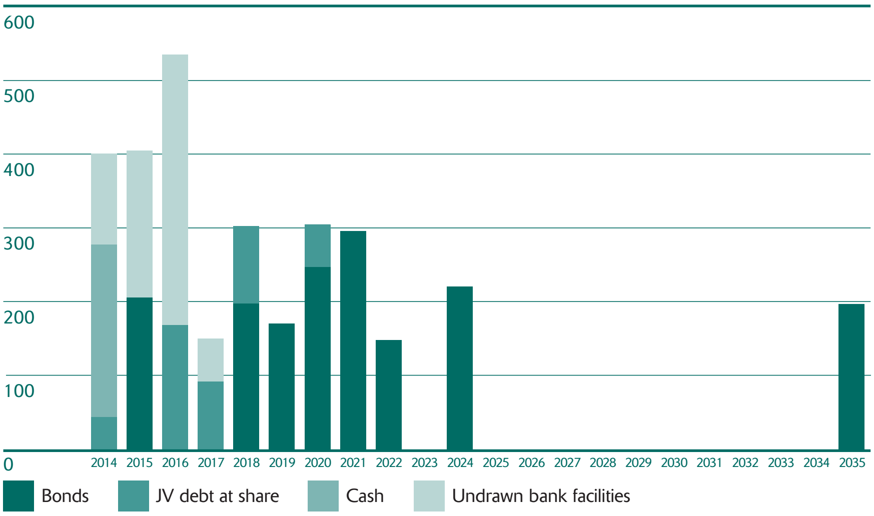
At the same time, €730.0 million (£608.3 million) of new euro interest rate swaps with an average fixed rate of 0.95 per cent and a weighted average maturity of five years were put in place.

The main reasons for the euro swap restructuring were: i) to lengthen the average maturity of the euro fixed interest cover of the Group; ii) to reduce the average interest cost of euro fixed interest cover from 2014 onwards; and iii) to reallocate swap transactions amongst banks to ensure, as far as possible, that swaps are held only with Group relationship banks.

The weighted average maturity of fixed rate cover of £1,102.2 million at 31 December 2013 was 9.9 years at an average fixed interest rate of 5.1 per cent. Including the impact of derivative financial instruments, floating rate gross borrowings at 31 December 2013 were £590.7 million, at an average interest rate (including margin) of 3.3 per cent, giving a weighted average interest rate for gross borrowings at that date, before commitment fees and amortised costs, of 4.5 per cent (2012: 4.6 per cent) or 4.9 per cent (2012: 4.9 per cent) after allowing for such items.

During 2013, the net proceeds from capital recycling activity were principally used to repay all of the borrowings under the unsecured committed bank facilities of the Group. These borrowings had a gross interest rate of around 2 per cent, significantly lower than the average interest rate of the Group, therefore increasing the average interest rate of gross borrowings during the year. However, this was more than offset by the positive impact of the restructuring of the Group's euro denominated interest rate swap portfolio in November 2013. Therefore, as noted above, the average interest rate of the Group (excluding borrowings within joint ventures and before amortised costs and commitment fees) at 31 December 2013 (4.5 per cent) was broadly unchanged from 31 December 2012 (4.6 per cent).

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 2013, before commitment fees and amortised costs, was 4.2 per cent (2012: 4.4 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 2013, the adjusted net finance cost of the Group would have increased by approximately £7 million, representing around 5 per cent of EPRA profit after tax.

At 31 December 2013, the Group held cash balances of £233.8 million (excluding cash held within joint ventures), with an average interest rate of less than 0.5 per cent. Therefore, the impact of any net divestment of property assets during 2014 on the net finance costs of the Group will not be significant, as any such proceeds would increase these cash balances. Similarly, any net investment in property assets would be funded initially by utilising the available cash balances, so again the increase in net finance costs would be relatively small. If the available cash had been fully utilised, further net investment would be funded by drawing on the Group's unsecured bank facilities, which currently have a marginal funding cost (net of commitment fees) of around 1.5 per cent.

The Group has decided not to elect 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 2013, the Group had gross foreign currency assets amounting to £1,273.5 million, which were 78 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments) of £995.8 million. Translation hedging has been maintained towards the upper end of the 50 to 90 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.

Excluding the impact of forward foreign exchange and currency swap contracts, a 5 per cent strengthening against sterling in the value of the other currencies in which the Group operates at 31 December 2013 would have increased reported net assets by approximately £16 million and reduced reported gearing by less than 1 per cent. Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, there would have been an increase in gearing of approximately 2 per cent.

A 5 per cent strengthening against sterling in the value of the other currencies in which the Group operates at 31 December 2013, including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, would have increased 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 2013 into sterling within the consolidated income statement of the Group was €1.18: £1. Based on the hedging position at 31 December 2013, and assuming that this position had applied throughout 2013, if the euro had been 5 per cent stronger than it was against sterling throughout the year (€1.12: £1), EPRA profit after tax for the year would have been approximately £2.0 million (1.5 per cent) higher than reported.

JUSTIN READ
GROUP FINANCE DIRECTOR

GOVERNANCE BOARD OF DIRECTORS

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 a 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.

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 the Bank of the Philippine Islands (Europe) Plc, Matheson & Co Ltd, Pacific Assets Trust plc and British Empire Securities and General Trust plc. He is a member of the Takeover Panel and a Fellow of the Institute of Chartered Accountants in England and Wales.

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 68.

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.

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 member of the management board of the European Public Real Estate Association, and a member of the Policy Committee of the British Property Federation. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

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 52.

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 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 52.

CHRISTOPHER FISHER

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 OCTOBER 2012

SKILLS AND EXPERIENCE: Christopher has spent his career in corporate finance and has 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 partner at Penfida Partners, a firm providing corporate finance advice to pension fund trustees, and the 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 also served as non-executive director at Yates Group, Kelda Group and Southern Cross Healthcare and, in the last case, as its Chairman in 2011, and as a trustee of the Imperial War Museum.

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

Aged 60.

BARONESS FORD

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.

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 and a Non-Executive Director of Taylor Wimpey plc. She is an Honorary Member of the Royal Institution of Chartered Surveyors.

PREVIOUS APPOINTMENTS: Previously, Baroness Ford was Non-Executive Chairman of May Gurney Integrated Services plc, 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 56.

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.

CURRENT APPOINTMENTS: Andy was appointed Chief Operating Officer at SEGRO in November 2011, having joined SEGRO in 2004, and is responsible for the Group's operational property teams both in the UK and Continental Europe. He is accountable for relationship management with the Group's entire customer base, leasing and asset management as well as the development programme. Andy was appointed as an Executive Director on 1 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. He is a member of the Royal Institution of Chartered Surveyors (MRICS).

Aged 51.

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.

CURRENT APPOINTMENTS: Phil was appointed Chief Investment Officer of SEGRO in November 2011, with responsibility for the Group's investment strategy and its implementation, involving capital allocation across the business and managing the investment acquisitions and disposals. He joined the Board as an Executive Director on 1 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. He joined SEGRO in 1995 and became Chief Investment Officer in 2011. Prior to this appointment, he was Business Unit Director for London Markets. He is a member of the Royal Institution of Chartered Surveyors (MRICS).

Aged 45.

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 Chief Executive Officer of Morgan Advanced Materials plc, a post he has held since August 2006, having joined the company in 2004 as Chief Financial Officer.

PREVIOUS APPOINTMENTS: He was previously Chief Financial Officer of Gartmore Investment Management plc. Prior to this, he 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 45.

DOUG WEBB

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 MAY 2010

SKILLS AND EXPERIENCE: Doug comes from a corporate financial management background and has seven 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 52.

THOM WERNINK

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 23 MAY 2005

SKILLS AND EXPERIENCE: Having held a number of senior positions over an extensive career focused on the Continental European real estate industry, Thom brings valuable knowledge of these markets to the Board.

CURRENT APPOINTMENTS: Thom was appointed as a Non-Executive Director in May 2005. He is a Non-Executive Director of a number of property and investment companies based in Europe and a Director of Green Reit Plc.

PREVIOUS APPOINTMENTS: He was previously Chairman of the European Public Real Estate Association and Chief Executive of Corio NV, a Netherlands-based property company with interests across Europe.

He is a member of the Audit Committee.

Aged 68.

CHAIRMAN'S INTRODUCTION

STRONG GOVERNANCE WILL PROMOTE OUR LONG-TERM SUCCESS

As a Board 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 that our Chief Executive, David Sleath, and his executive team are implementing to improve shareholder returns through Disciplined Capital Allocation and Operational Excellence.

In this report we explain how corporate governance works in SEGRO. Good corporate governance is vital to support the delivery of our strategic priorities and is central to all aspects of our business. It is embedded in the way we manage 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 2013, 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.

One of the new provisions of the Code is for the Directors to explain their responsibility for preparing the annual report and accounts, and confirm that they consider, taken as a whole, it 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 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.

Board composition is critical in ensuring effective and value-adding corporate governance. Appropriate succession plans are in place for the Board and key management roles. Thom Wernink will retire at the 2014 AGM, having served nine years with the Board and a process is under way to appoint his successor.

NIGEL RICH CBE
CHAIRMAN

LEADERSHIP

ROLE OF THE BOARD

The Board is responsible for creating and delivering sustainable shareholder value. Individually, 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, the impact of the business on the community as well as on the environment and on the interests of other stakeholders.

BOARD MEMBERSHIP

Details of the Directors and their full biographical details, including the skills and experience they each bring to the Board, are on pages 56 and 57. 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, two independent Non-Executive Directors retired and two Executive Directors were appointed. 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 66 to 68.

ROLES AND RESPONSIBILITIES OF THE DIRECTORS

The Board is collectively responsible for the success of the Group. The Executive Directors are directly responsible for business operations, while the Non-Executive Directors are responsible for bringing independent judgement and scrutiny to the decisions taken by the Board.

The division of responsibilities of the Chairman, Chief Executive and Senior Independent Director are set out in writing and approved by the Board. The Chairman is primarily responsible for the leadership and effective working of the Board. He ensures a constructive relationship exists between the Executive and the Non-Executive Directors. The Chief Executive is responsible for the leadership of the Group and operational and strategic performance. The Senior Independent Director acts as a sounding board to the Chairman and serves as an intermediary for other Directors when necessary.

ATTENDANCE

All Directors are expected to attend Board and Committee meetings of which they are a member. During 2013, there were seven scheduled Board meetings and four ad-hoc meetings.

Attendance at Board and Board Committee meetings during 2013 is set out in the table below. From time to time, Directors cannot attend a meeting because of prior business commitments. In such circumstances they are provided with the papers in advance of the meeting and given an opportunity to discuss them with the Chairman.

TABLE OF ATTENDANCE

	Nigel Rich	Christopher Fisher	Margaret Ford	Andy Gulliford[1]	Justin Read	Phil Redding[1]	Mark Robertshaw	David Sleath	Doug Webb	Thom Wernink
BOARD	11 Meetings out of a possible 11	11 Meetings out of a possible 11	11 Meetings out of a possible 11	5 Meetings out of a possible 5	11 Meetings out of a possible 11	5 Meetings out of a possible 5	11 Meetings out of a possible 11	11 Meetings out of a possible 11	10 Meetings out of a possible 11	10 Meetings out of a possible 11
AUDIT COMMITTEE	N/A	4 Meetings out of a possible 4	4 Meetings out of a possible 4	N/A	N/A	N/A	N/A	N/A	4 Meetings out of a possible 4	3 Meetings out of a possible 4
NOMINATION COMMITTEE	4 Meetings out of a possible 4	4 Meetings out of a possible 4	3 Meetings out of a possible 4	N/A	N/A	N/A	4 Meetings out of a possible 4	4 Meetings out of a possible 4	N/A	N/A
REMUNERATION COMMITTEE	N/A	5 Meetings out of a possible 5	5 Meetings out of a possible 5	N/A	N/A	N/A	5 Meetings out of a possible 5	N/A	N/A	N/A

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.

1 Appointed to the Board 1 May 2013.

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 55. 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 2013

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

- annual strategy review (Strategic Report);
- approval of the Medium-Term Financial Plan and setting of medium-term objectives;
- a review of medium-term funding strategy; (Financial Review);
- review of independent valuation reports, in particular, early in the year, the 2012 H2 reduction in the valuation of the Group's non-core and larger strategic assets and its South East UK suburban offices; (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 (Strategic Report);
- review of risks identified and resulting action plans, consideration of risk as it relates to strategy and risk appetite (Principal Risks);
- review of asset plans for holdings in Vimercate and Brussels (Strategic Report);
- approval of the creation of SELP, the sale of €974 million assets to SELP, entry into a shareholders agreement with a joint venture partner (Strategic Report and case study on page 62);
- approval of the investments in Zeran Park II, Mitry-Mory, the Duke, Olympus and purchase of 50 per cent share JV from KBC, and the Swalink swap with L&G (Strategic Report);
- approval of a number of non-core disposals including Neckermann, Thales, IQ Winnersh, West Cross Industrial Park (Strategic Report);
- a review of the Schedule of Matters Reserved for Decision by the Board, including the parameters and limits for the approval of investment and development recommendations;
- consideration of the Group's approach to community engagement and charitable giving (CSR report);
- a review of the results of the Group-wide customer employee satisfaction surveys (CSR report);
- a review of the Group's sustainability strategy and progress with targets (CSR report);
- consideration of the health and safety strategy and significant matters that have arisen during the year (CSR report);
- the re-appointment of KPMG LLP as the Company's internal auditor (Audit Committee Report);
- the appointment of two Executive Directors and a Non-Executive Director (Nomination Committee Report);
- approval of dividend strategy;
- an annual review of Treasury policies (Financial Review); and
- an update on corporate regulatory changes and reporting requirements.

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 in the 'Investors' section. 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. The Committee oversees the processes for identifying and managing risk. 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 Group Finance Director, the Chief Operating Officer, the Chief Investment Officer and the Group HR Director are also members of the Executive Committee. 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.

BOARD AND COMMITTEE STRUCTURE, MEMBERSHIP AND ROLES

BOARD

NIGEL RICH (CHAIRMAN)

Four Executive Directors
Five Independent Non-Executive Directors
Creating and delivering sustainable shareholder value

BOARD COMMITTEE OVERSIGHT

AUDIT COMMITTEE

Four independent Non-Executive Directors

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

Chairman, Chief Executive and three independent Non-Executive Directors

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

Three independent Non-Executive Directors

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

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

Five members

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

Four Executive Committee members

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

One Executive Committee member, five Business Unit Directors and Director of Finance

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

Two Executive Committee members and four senior managers

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

FINANCE COMMITTEE

Two Executive Committee members and three senior managers

To monitor compliance with the Group's Treasury Policies and the Group solvency position

ACCOUNTABILITY

RISK MANAGEMENT

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 32 to 37. See case study on page 63.

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. See case study on page 68. Ongoing training is provided to all Directors either during Board or Committee meetings or by one-to-one meetings with senior managers. During 2013, senior manager presentations included briefings on the investment and asset disposal programme, asset plans and treasury matters. The Company's advisers, including corporate brokers, real estate specialists, legal advisers and economic commentators, attended Board meetings or dinners during the year to present on particular matters or to provide market updates.

Most Board meetings take place in London but during the year meetings were also held at Heathrow Airport and in Warsaw. The Board met with management teams in these locations and had tours of the Group's property portfolios in Heathrow, Warsaw and Lodz.

CREATION OF SEGRO EUROPEAN LOGISTICS PARTNERSHIP (SELP)

This case study explains how the SELP transaction was discussed and approved at various levels within the Company's governance structure. The creation of SELP is an important milestone in our strategic progression. Understandably, a project of this size and complexity was a matter of significance for the Directors and it was discussed extensively at both Board and Committee meetings over an 18 month period.

During this time, the Board received presentations from the Executive Directors and senior operational and financial managers, along with external advisers Morgan Stanley & Co. Limited, Merrill Lynch International, UBS Limited and Clifford Chance LLP. For the Board it was important to understand not just the impact and risks associated with creating the venture, but also to appreciate the impact on the rest of the Group and its stakeholders.

Set out below is a summary of the different aspects of the project which were considered at Board meetings which illustrates the Board's approach to major transactions.

Spring/Summer 2012

- Transaction rationale
- Financial impact on the Group
- Appointment of advisers and approval of fees
- Key execution and strategic risks
- Feedback on pre-marketing investor soundings
- Discussion of likely capital markets reaction

Autumn/Winter 2012

- Feedback from potential venture investors and lenders
- Review of competing logistics funds
- Consideration of proposed organisation and management structure for the venture
- Business plan for the fund
- Update on transaction rationale and key strategic risks
- Brokers' views on likely equity market reaction

Spring/Summer 2013

- Review of the background and selection criteria for potential investors and comparison of indicative offers
- Consideration of the transaction structuring options (legal, tax and funding)
- Consideration of loan facilities and the level of gearing
- Update on transaction rationale and key execution risks
- Presentation of strategic/financial impact of the venture on the Group within the context of the Group's Medium Term Plan
- Summary of key legal documentation

The Risk Management Committee discussed the risks of setting up and running the joint venture, including those risks associated with managing assets partly on behalf of a third-party.

The Finance Committee considered the impact on the capital structure of the Group, including changes to funding requirements and the currency and interest rate hedging approach related to a substantial repayment of Group debt and an increase in debt held within joint ventures. It also considered the terms of the loan facilities.

The Audit Committee assessed the impact on financial reporting, internal controls and risk management associated with managing the joint venture.

In addition, the Executive, Investment and Operations Committees discussed the transaction in terms of pricing, impact on earnings, capital structure and HR resourcing.

To enhance his understanding of the day-to-day issues facing the Group, the Chairman has regular lunches at different office locations with employees across the Group, varying in seniority, from a cross-section of the business.

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.

During the year, the Chairman met with the Non-Executive Directors, individually and collectively, 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.

RE-ELECTION OF DIRECTORS

In accordance with the Code, each of the Directors, save for Thom Wernink who is retiring, will submit themselves for election or re-election at the 2014 AGM. The Nomination Committee Report on pages 66 to 68 provides more information about the Directors' appraisal process, while their skills and expertise are set out in the Directors' biographies on pages 56 and 57.

RISK

In 2012 we reported that the Group had reviewed the effectiveness of its risk management framework and practices and had identified certain areas for improvement in 2013. Progress was made during the year in implementing the Group's new approach to risk management, which included:

- approval of a new statement of risk appetite by the Board
- a comprehensive review of the Group's Risk Register
- regular reviews of existing and emerging risks by the relevant Committees
- interviews with individual risk managers to review and update the risk(s) for which they were responsible
- enhancement of reporting materials
- significant progress in addressing business continuity risks including a business impact assessment, an incident management plan and updated business continuity plans for the Company's principal offices

ACCOUNTABILITY

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 and 2011. In 2013, the Chairman, with the assistance of the Company Secretary, led an internal review process. Questionnaires for the Board and the three Board Committees were prepared that encouraged the Directors to provide written comments on a number of themes rather than simply tick boxes.

The Directors were unanimous in their view that the Board was operating effectively. There was agreement that the Board was the right size and had the appropriate range of skills and experience. The quality of Board discussion was good and there was a climate of trust and transparency. The Executive Directors were seen as being open and engaged, while the Non-Executive Directors brought a range of skills and experience, and ensured constructive debate. See table opposite.

The performance of the three Board Committees was also reviewed and it was noted that each was performing effectively.

As part of the appraisal process, the Senior Independent Director meets annually with the Non-Executive Directors to discuss the performance of the Chairman. The Chairman, with the Non-Executive Directors, also conducted a performance evaluation of the Chief Executive and concluded that he continued to perform effectively and had made significant progress with the execution of the agreed strategy.

BOARD EVALUATION

The Board evaluation questionnaire covered nine key themes and set out below are some direct quotes from the responses which were received.

THEME	SELECTED QUOTES FROM THE QUESTIONNAIRES
Composition of the Board	'The Board composition seems to fulfil the objectives of not being too big and unwieldy, but also allowing for a good range of skills, capabilities and experience to be present around the table'
Balance of powers within the Board and across its Committees	'The Non-Executive Directors ask appropriate and searching questions and challenge hard' 'The relationship between the Chairman and CEO is a strong and healthy one with adequate challenge (both ways) but achieves a co-operative and constructive outcome' 'Delegation limits to the executive team seem to work well as the quantity of transactions coming to Board feels about right to have a view of the risks the business is taking without micro managing'
Knowledge of the business	'The property tours to see property and meet the local management are important' 'Access to senior people is always willingly facilitated'
Role of the Chairman	'The Chairman provides effective leadership….and encourages debate from all participants' 'I feel that I can constructively challenge decisions and that these views will be listened to in a respectful manner'
Strategy and direction	'There is clarity of direction and a healthy debate on implementation' 'The Board agenda could, on occasion, be more focused on assessing the success of the strategy, its delivery and evolution rather than justifying the largely agreed plan'
Relationship with shareholders	'The relationship with shareholders is taken extremely seriously within the business'
Board administration	'The reduction in the frequency of meetings means that agendas are longer and the meetings cover more ground – I view this as advantageous.' 'Agendas are well balanced to spread Board business throughout the annual schedule'
Risk management	'Our risk management approach is undergoing a review and the Board has had ample opportunity to become involved in the process' 'The Chairman ensures that on major decisions the risks are clearly identified and discussed prior to a decision being made'
Effectiveness	'The atmosphere is constructive and engaging – but I never sense there is a desire to avoid constructive challenge which is generally received in the right spirit' 'The management team are tested and stretched but also trusted and supported'

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. Examples of these events during 2013 were: the full- and half-year results announcements; the AGM; and the interim management statements. The Chief Executive and Group Finance Director also attend investor conferences to present, meet investors and participate in panel discussions; they attended such conferences in the UK, USA and the Netherlands during the year.

The one-to-one and group meetings provide additional context around the Group's business strategy and financial performance. During 2013, around 169 meetings took place with 353 existing and potential institutional investors. Of these meetings, the Chief Executive attended 92 meetings, and the Group Finance Director 146 meetings. Additionally, around 80 finance professionals frequently join the conference calls which are arranged following the quarterly financial announcements.

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 2013, the Chairman contacted 11 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 via the Company's corporate brokers.

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.

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.

GOVERNANCE 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 to deliver our strategy.

COMMITTEE CHAIRMAN'S INTRODUCTION

The Nomination Committee is responsible for recommending new appointments to the Board and ensuring that the process is formal, rigorous and transparent.

Membership of this Committee changed during the year with the resignations of Andrew Palmer and Chris Peacock at the 2013 AGM and the appointment of Margaret Ford. I chair the Committee and the other members are Margaret Ford, Christopher Fisher, Mark Robertshaw and David Sleath. During 2013, the main focus of the Committee was the appointment of two Executive Directors and succession planning.

NIGEL RICH CBE
CHAIRMAN OF THE
NOMINATION COMMITTEE

ACTIVITIES

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

- the appointments of Andy Gulliford and Phil Redding as Executive Directors;
- matters relating to succession planning, in particular the appointment of a successor to Thom Wernink who will be retiring as a Non-Executive Director at the 2014 AGM, including the size and composition of the Board and the role profile for the new Non-Executive Director;
- the appointment of an executive search firm;
- the Company's diversity policy;
- the results of the internal Committee evaluation; and
- proposal for the re-appointment of Directors at the 2014 AGM.

SUCCESSION PLANNING AND APPOINTMENT OF DIRECTORS

In early 2013, the Committee considered the appointment of Andy Gulliford, Chief Operating Officer, and Phil Redding, Chief Investment Officer, as Executive Directors. They had both worked for the Company for a number of years and had been promoted to these newly created management roles in November 2011, following the announcement of the Company's new strategy. They had worked closely with the Board since accepting these new roles and had regularly attended Board meetings and given presentations on their areas of responsibility. The Committee believed that working at Board level was commensurate with the nature of their responsibilities and that they brought additional property knowledge and experience to the Board. Details about their induction are set out on page 68.

In September 2013, the Committee met to consider the process to appoint a successor to Thom Wernink who will be retiring as a Non-Executive Director at the 2014 AGM, when he will have served approximately nine years on the Board.

The Committee discussed the size of the Board and the balance of Executive and Non-Executive Directors. It concluded that, notwithstanding the appointment of two additional Executive Directors earlier in the year, there were sufficient independent Non-Executive Directors to ensure there was appropriate challenge at meetings. The balance also met the requirements on Board composition as set out in the Code. Accordingly, it recommended that the Board balance be retained and an independent Non-Executive Director should be appointed to succeed Thom Wernink.

The Committee reviewed the current skills and experience of the Non-Executive Directors and assessed the specific skills, attributes and experience that would be required of the successor. 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 such as a retailer or logistics operator. Individuals from a property agency background would also be considered and it would be a benefit for the candidate to have international property experience.

In preparing the role profile, the Committee considered the benefits that increased gender diversity can bring. Specifically, it noted that as the current Non-Executive Directors were all experienced at working with listed companies, it would consider candidates who had little plc Board-level experience, providing they had the appropriate skills and experience. This was expected to widen the pool of female candidates who might be suitable for the role.

The Committee undertook a review of executive search firms and appointed Zygos Partnership to conduct the search. The remit to Zygos Partnership is to review candidates from a wide range of backgrounds to ensure the best candidates, with the most appropriate skills, are selected. Zygos Partnership do not have any other connection with the Company.

DIVERSITY

The Committee annually 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 current intention to increase the size of the Board solely to enable further women to be appointed; however, when vacancies arise, the remit to the search consultants will be to put forward candidates from a wide range of backgrounds to ensure that the most appropriate candidates are selected.

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 candidates. The Board has a fundamental obligation to ensure that the most suitable candidates are appointed to promote the success of the Company as well as to comply with regulation on equal opportunities.

At SEGRO we have had a good record of promoting and appointing women to senior roles, with women holding four out of the 18 positions on our Senior Leadership Team. We offer flexible training and mentoring programmes to ensure that all our employees achieve their potential, taking account of their diverse development needs. We continue to be an equal opportunities employer and will maintain our merit based approach to recruitment.

Details of the gender diversity of the Board and across the Company are set out on page 46.

APPRAISAL PROCESS AND RE-APPOINTMENT OF DIRECTORS

Save for Thom Wernink, each of the Directors will be proposed for election or re-election at the 2014 AGM.

Following an appraisal process, the Committee concluded that each of the Directors seeking election or re-election continues to make an effective contribution to the Board. 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.

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

Annually, the Senior Leadership Team assesses talent at all levels across the Group, to ensure that we have 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 Non-Executive Directors meet with the Chief Executive and the Group HR Director annually to consider the talent management and succession planning for the Executive Directors and senior executives below Board level.

INDUCTION

Induction programmes were arranged for the three Directors who were appointed during the year with the intention of giving each of them a rounded view of the Group's activities and governance. Margaret Ford joined the Board in January and had meetings with the Chairman and Directors along with the Company Secretary and Group HR Director to understand the running of the Board and its Committees. She had meetings with the Business Unit Directors and visited sites in the UK and in Continental Europe to gain an understanding of the business. Finally, meetings were arranged with the Group's principal external advisers.

Andy Gulliford and Phil Redding were appointed as Directors in May. As serving senior executives they did not need any induction into the business, but for each of them, this was their first appointment to a plc Board and accordingly their induction was focused on their duties and responsibilities as Directors. They had briefings from the Chairman and Company Secretary on corporate governance and the role of the Board of a listed company and its Committees. They received training from the Company's lawyers on directors' duties and briefings from the corporate brokers and auditors on their respective roles. Before their appointment as Directors, they were invited to attend a number of Board meetings which was an effective way of introducing them to the workings of the Board.

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, together with the financial reporting itself.

COMMITTEE CHAIRMAN INTRODUCTION

On behalf of the Board, the Committee monitors the integrity of the Group's financial statements, reviews the appointment, performance and independence of the external auditor and the role and effectiveness of the internal audit function. During the year a tender for the role of internal auditor was conducted and, following this tender, the Committee recommended to the Board the re-appointment of KPMG as internal auditor. Further detail on the tender process is provided later in this report.

I chair the Committee and throughout the year the other members were Christopher Fisher and Thom Wernink. Margaret Ford became a member on her appointment to the Board in January 2013 and brings significant property sector experience to the Committee. Andrew Palmer served on the Committee until he stepped down from the Board at the 2013 AGM. As the Chief Financial Officer of Meggitt plc and as a Fellow of the ICAEW, I bring recent and relevant financial experience to the Committee. More information on the Committee members can be found on pages 56 and 57.

An additional requirement under the Code for this year is that the Board is required to state whether, in its opinion, the Annual Report and Accounts is fair, balanced and understandable. To provide additional support to the Board in making this statement, the Committee approved and monitored an enhanced review and verification process of the Annual Report and Accounts undertaken by management and provided confirmation to the Board that this process was both followed and effective. Further details on this process are provided in the Chairman's introduction to the Governance Report on page 58.

Thom Wernink will step down from the Board and the Committee at this year's AGM and, on behalf of the Committee, I would like to thank him for his valued contribution to the Committee's work over the past nine years.

DOUG WEBB
CHAIRMAN OF THE AUDIT COMMITTEE

GOVERNANCE AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

By invitation, there were a number of regular attendees at each of the Committee's meetings, including the Group Finance Director and the Head of Reporting, as well as the internal and external auditors. The Chairman of the Company and the Chief Executive also attended by invitation. Throughout the year, the Committee met regularly with each of the internal and external auditors in the absence of management. The February and July meetings of the Committee are scheduled to precede the issue of full- and half-year financial reports. Over the course of the year, the Committee Chairman had a number of separate meetings with both the lead external audit partner at Deloitte LLP and the lead internal audit partner at KPMG LLP.

Prior to the publication of the 2013 Annual Report and Accounts, the Committee met, without management present, with CBRE Limited, the valuer of the Group's wholly-owned portfolio and certain of the Group's joint-venture assets, to challenge the valuation process and to review the independence of the valuer.

In 2013, presentations were given to the Committee by the Head of Corporate Finance, 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.

2013 PRINCIPAL ACTIVITIES

- Reviewing the integrity, consistency and key accounting judgements, including going concern, in the Company's half- and full-year financial statements;
- Monitoring the independence and effectiveness of the internal and external auditors, and also the remuneration of the external auditor;
- Assessing the independence of the valuers of the Group'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;
- Oversight and challenge of the risk management process;
- Internal control oversight and challenge of the internal control processes and the control environment; and
- Oversight of matters relating to tax and any potential impact such matters may have on the integrity of the financial statements.

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

CHART 1: 2013 SIGNIFICANT MATTERS

SIGNIFICANT MATTER	THE ACTION TAKEN
Valuation is central to the business and is a significant area of judgement. The Committee is responsible for the assurance of the valuation process and for assessing the independence of the valuers.	The Board, with the Committee members present, met with the valuers of the wholly-owned and joint-venture assets to review the valuation process, understand any particular issues encountered in the valuation and challenge the processes of the valuers. On the basis of the above, the Committee concluded that the valuations were suitable for inclusion in the financial statements.
Accounting for the creation and ongoing activities of SELP at half and full year.	The Committee reviewed reports from management and agreed the treatment of the deferred consideration. It agreed the accounting judgement that the transaction should be treated as a disposal of assets rather than of a business. It also considered and agreed management's proposed treatment of the gain on sale and the tax effect of the disposal. At half year, given the degree of conditionality attaching to completion of the transaction, assets expected to be ceded to the joint venture were shown as held for sale. For the full year, the transaction having completed, the Committee concurred with management's view that SELP should be treated as a joint venture and the Committee satisfied itself that the net results for SELP were appropriately recognised. See pages 28 and 29 for further details on SELP.
Accounting for other significant acquisitions, disposals and investments.	The Committee considered the accounting treatment of various transactions including the Zeran Park II acquisition, the IQ Winnersh and the Neckermann Campus disposals. These disposals were noted in the half-year financial statements as being held for sale as completion had not taken place. Both disposals completed prior to the year end.
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 in respect of these areas. The Committee also agreed management's treatment of the 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 valuation of complex financial instruments.	At year end, financial instruments had a total net fair value of £78 million (excluding joint ventures). A change in accounting standards potentially required adjustments in valuation of these instruments in respect of the Company's credit risk. Management's assessment was that this did not have a significant impact on values. Following challenge of this assessment, the Committee satisfied itself that the proposed approach was appropriate. See pages 52 and 53 of the Finance Review.
Going concern.	Management submitted a report to the Committee which, amongst other matters, set out the Group's liquidity position, covenant headroom, cash flow forecasts, and sensitivity analyses. Following review, the Committee regards the current risks associated with going concern as low. See page 36 Principal Risks and page 53 of the Finance Review.

GOVERNANCE AUDIT COMMITTEE REPORT

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 aspects of the project to put SELP in place. The Committee considered the tax risks associated with this transaction, including those of the asset restructuring and the transfer of certain subsidiary companies into the joint venture. PwC LLP was engaged by the Company to provide tax advice on the project. The Head of Tax and Corporate Finance Manager reported to the Committee and confirmed that the proposals in respect of the asset restructuring and subsidiary company transfer were in line with the Company's low-risk tax strategy. The Committee also received a report on the potential financial reporting impact of tax and regulatory changes being proposed in certain countries in which the Group operates. Having considered management's views, the Committee concurred with its planned response.

The 2013 results were the first to be reported using the newly implemented Group-wide accounting and management information system, MRI. In addition to management's own project controls, the Committee retained oversight of this project and both KPMG and Deloitte monitored and reported on the system implementation.

The Committee also reviewed the cyber risks facing the Group and National Computing Centre was engaged to conduct a vulnerability review of the Group's information systems. A number of minor improvements were noted and the Committee approved a plan to address these points.

During the year, the Committee amended and approved the external auditor's proposal on the materiality threshold for the purposes of the audit, together with the threshold applying to audit testing procedures.

INTERNAL CONTROL FRAMEWORK

The Committee, on behalf of the Board, is responsible for reviewing the internal control framework. This review is consistent with the Code and covers all material areas of the Group, including risk management (see pages 32 and 33 Principal Risks) and compliance with controls. The Committee also monitors the effectiveness of the framework through reports from the Group Finance Director and the internal and external auditors on progress with internal control activities. The Committee maintains 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 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 is made to each meeting of the Committee and any matters reported under the policy are promptly and fully investigated, with external support where necessary.

EXTERNAL AUDIT EFFECTIVENESS

The Committee assesses the effectiveness of the external audit on an annual basis. During the year, the Committee engaged an independent firm, Audit Review, to conduct a review of the audit process. The findings were that the 2012 audit was appropriately scoped and was well planned and executed. A number of actions were agreed with Deloitte, including increasing efficiency of the audit, by improving co-ordination with both the internal auditor and finance managers across the Group's various jurisdictions, and also reviewing the impact of the new accounting system being introduced in 2013 on future audits.

The review of the 2013 external audit was conducted internally. A framework was established to assess the effectiveness of the audit process and the Committee considered the rigour and level of scrutiny applied during the audit and also the interaction of the external auditor with both the Committee and management. Following this review, the Committee was 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.

EXTERNAL AUDITOR REMUNERATION AND INDEPENDENCE

Annually, the Committee considers the remuneration and independence of the external auditor. The Committee recommends the remuneration of the external auditor to the Board and keeps under 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.

In 2013, fees for audit and related assurance services, excluding joint ventures, amounted to £646,000 and the non-audit fees amounted to £628,000. £170,000 of the non-audit fees were attributable to work undertaken by Deloitte for vendor due diligence corporate finance work in respect of the set-up of the SELP joint venture, leveraging its deep knowledge of the Group's European business. £344,250 of the non-audit fees were earned by Deloitte Real Estate, £249,500 of which was an introduction fee in respect of the acquisition of an asset in Barking, with the remainder largely comprising planning advice in advance of real estate development activity. 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 to the financial statements. The three-year average of the non-audit fees as a percentage of the audit fees to the year ended 2013, is 57 per cent. Chart 2 below sets out the ratio of audit to non-audit fees for each of the past three years.

It is anticipated that in 2014, the ratio of non-audit to audit fees will fall from that of 2013. Given the one-off nature of the 2013 due diligence and acquisition related non-audit fees, the Committee does not consider that they adversely impact on the independence of Deloitte as an auditor. Deloitte has provided written confirmation of its independence to the Committee.

The Committee is satisfied that Deloitte continues to provide appropriate levels of scepticism and challenge and remains independent.

EXTERNAL AUDITOR TENDER AND RE-ELECTION

Deloitte LLP was appointed as the external auditor following a tender in 2007, and the most recent lead audit partner rotation took place in advance of the 2012 year-end audit. There are no contractual obligations that restrict the Committee's choice of external auditor or which put in place a minimum period for the tenure of the external auditor. Under the Code and the Financial Reporting Council's transitional arrangements for audit tenders, the Company is required to re-tender, at the latest, in advance of the 2022 year-end audit, with the potential of the mandatory rotation of the auditors under EU legislation in 2026. It is the current intention of the Committee to re-tender well within the Financial Reporting Council's timeframe.

Having satisfied itself as to the effectiveness and independence of Deloitte LLP, the Committee has recommended to the Board that Deloitte LLP be proposed for re-election at the 2014 AGM.

CHART 2: THREE-YEAR AUDIT AND NON-AUDIT FEES

	2013	2012	2011
Audit fees including related assurance services £m	**0.65**	0.68	0.8
Non-audit fees £m	**0.63**	0.2	0.4
Ratio of non-audit fees to audit fees (per cent)	**97**	29	50

The above table excludes fees paid to Deloitte in respect of joint ventures. If these were included, the 2013 ratio of non-audit to audit fees would have been 82 per cent.

GOVERNANCE AUDIT COMMITTEE REPORT

INTERNAL AUDIT

As in previous years, assurance of the risk management process, testing of internal controls and setting the internal audit programme continued to be key priorities for the Committee. The internal audit programme, which is developed by reference to the Group Risk Register and key business processes, provides the Committee with a further means of monitoring processes and actions to manage and mitigate those risks identified as posing the greatest threat to the Company.

During the year, internal audits were carried out in respect of business continuity and disaster recovery, leasing processes, VAT compliance, accounts payable, accounts receivable and cash collection, sales and invoicing compliance, management of the Group's captive insurance company, and property data collection. The outcome of these audits was that these areas were appropriately controlled. A number of enhancements were identified which were entered into the schedule which lists all outstanding control points (see Internal Control Framework above).

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 and 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 audits themselves.

In 2014, the Committee will continue to follow a risk-based approach to internal audit. Items scheduled for future internal audit reviews include: general IT controls; fraud vulnerability; joint venture governance; taxation; property valuations; insurance; a review of processes in smaller/non-core countries; and sustainability.

TENDER FOR THE ROLE OF INTERNAL AUDITOR

Following a competitive tender process, KPMG was appointed as internal auditor in 2008. The Committee decided that it would be appropriate to re-tender this role in 2013, as KPMG would have held it for five years by that point. A selection panel which included the Chairman of the Committee and the Group Finance Director was put in place, selection criteria were established and a number of firms were invited to tender. As the external auditor, Deloitte did not participate. Following the tender process, the Committee recommended to the Board that KPMG should be re-appointed as internal auditor. KPMG has therefore been re-appointed for a three-year period of engagement, although the Company is not bound to this term.

GOVERNANCE REMUNERATION COMMITTEE REPORT

The Committee's key role is to determine the reward strategy for the Executive Directors. Following the resignation of Chris Peacock in April 2013, I was appointed Chairman of the Committee and during the course of the year, my fellow Committee members were Christopher Fisher and Mark Robertshaw.

COMMITTEE CHAIRMAN INTRODUCTION

The Committee determines the remuneration structure for Executive Directors and is responsible for ensuring that it balances appropriate reward with the success of the business and the creation of long-term shareholder value. Whereas the principles of our remuneration policy have not changed, this is the first report produced under the new requirements of the Enterprise and Regulatory Reform Act 2013. This report follows these regulations by splitting the information into a Remuneration Policy and an Annual Remuneration Report providing information on pay and benefits to the Directors during the year. Our aim has been to present the information in a simple and transparent way and I hope that shareholders will find the new format informative. The Remuneration Policy is centred around total property return and total shareholder return, with long and short-term performance targets being focused on the drivers of these two measures.

As explained in the Strategic Review, during 2013 the Company made further significant progress with its strategic priorities delivering tangible results for shareholders: the portfolio has been reshaped in line with strategy; net debt has been significantly reduced; the dividend has been maintained notwithstanding the impact of disposals; and the share price has increased 32.5 per cent over the course of the year. Against this backdrop, the Bonus payments to the Directors will be between 73 and 83 per cent of their maximum award. However, the shares under the 2011 LTIP will not vest as the fall in EPS associated with the disposal programme and the write down of non-core assets over the past three years means that neither the EPS nor the TPR performance conditions were met.

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

- setting the remuneration packages for Andy Gulliford and Phil Redding on their appointment as Executive Directors; and
- the approval of changes to structure of the Executive Directors' Bonus. For 2014, the personal performance element of the Bonus has been replaced with a rent roll growth component which the Committee believes is a more objective and measurable target that will ensure that the calculation of the Bonus will be more transparent to shareholders. The Committee chose rent roll growth as it felt that with the shift in focus from portfolio reshaping and business restructuring towards growth, a rent roll growth measure in the Bonus scheme was an appropriate target for the next phase in the delivery of our strategy.

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 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 advisors, 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.

Subject to approval by shareholders at the 2014 AGM, this policy will be effective from 30 April 2014.

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 focusses 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 for 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.

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

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
Mark Robertshaw	1 June 2010	3 months
Doug Webb	1 May 2010	3 months
Thom Wernink	23 May 2005	3 months

1 Appointed as Chief Executive on 28 April 2011.

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	–

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.

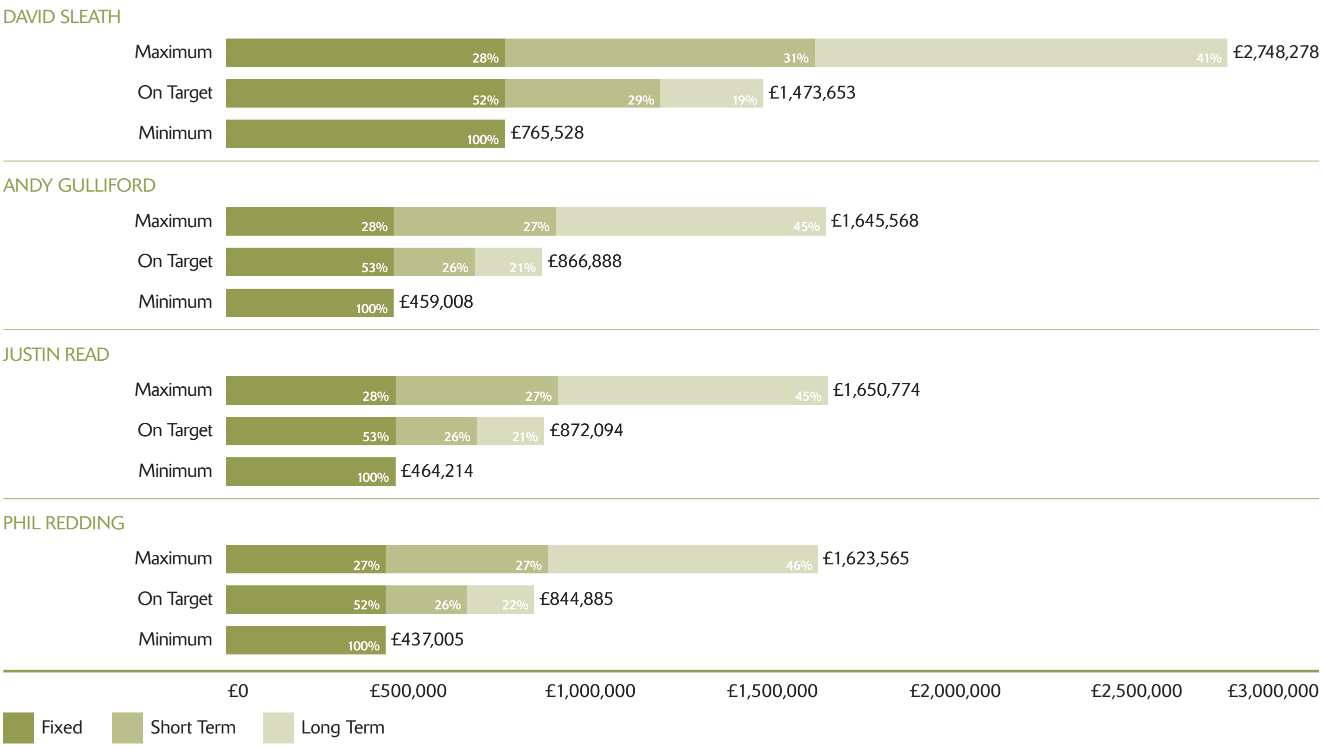
POLICY ON EXECUTIVE DIRECTORS' EXTERNAL APPOINTMENTS

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.

PERFORMANCE SCENARIOS

Chart 5 below sets out an indication of the level of remuneration that would be received by each Executive Director in accordance with the incentive opportunities outlined in the Remuneration Policy for 2014 on the basis of the latest salary information.

CHART 5: INDICATION OF POTENTIAL REMUNERATION IN THE FIRST YEAR OF POLICY APPLICATION



The minimum remuneration payable comprises salary (as at 1 April 2014), benefits and Company pension contributions or cash in lieu of pension contributions as applicable. The maximum payable assumes full pay-out under the Bonus and full vesting of the LTIP. On target remuneration assumes a pay-out of 50 per cent of the maximum Bonus and a 25 per cent vesting of the LTIP. The value of the LTIP vesting is based on an award of 200 per cent of salary. Share price movement has not been taken into account.

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.

The Committee reviews feedback from all shareholders, especially around the time of the AGM. The votes for the Remuneration Report at the 2013 AGM are provided on page 91.

After the 2013 AGM, the Committee reviewed feedback from shareholders in the context of changes made to Directors' Remuneration Policy during 2012/13 and against the general pattern of voting during the 2013 AGM season on Executive Directors' pay. Key themes of the feedback on Directors' remuneration were:

- although there was a range of comments on the proposed changes to the remuneration structure, there was overall support from shareholders; and
- there was particular support for the increase in the Bonus deferral, which reduced the cash payable to the Directors and increased the proportion of remuneration based on longer-term shareholding.

The Committee reflected on the feedback and each shareholder who had written to the Chairman with comments received a reply.

2013 ANNUAL REMUNERATION REPORT

The following section provides details of how the Company's Remuneration Policy was applied during the financial year ending 31 December 2013 and how it will be applied in 2014.

DIRECTOR REMUNERATION
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 2013, save for an increase in fees for Margaret Ford, following her appointment as Senior Independent Director and Chairman of the Remuneration Committee in April 2013 (see Chart 6 below).

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 6 shows the total remuneration received by each of the Non-Executive Directors during the year.

CHART 6: INDEPENDENT NON-EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION FOR 2013

		TOTAL FEES	
		2013 £000	2012 £000
Nigel Rich	Chairman	250	250
Christopher Fisher[1]		53	13
Margaret Ford[2]	Senior Independent Director (from 23 April 2013) Chairman of the Remuneration Committee (from 23 April 2013)	68	–
Andrew Palmer[3]	Senior Independent Director (to 23 April 2013)	21	65
Chris Peacock[3]	Chairman of the Remuneration Committee (to 23 April 2013)	20	61
Mark Robertshaw		53	53
Doug Webb	Chairman of the Audit Committee	63	61
Thom Wernink		53	53

1 Christopher Fisher was appointed a Director on 1 October 2012.
2 Margaret Ford was appointed a Director 1 January 2013. She received an annual fee of £53,000 per year until the 2013 AGM, when her fee was increased to £75,000 per year to reflect her additional duties as Senior Independent Director and Chairman of the Remuneration Committee.
3 Andrew Palmer and Chris Peacock retired as Directors on 23 April 2013.

EXECUTIVE DIRECTORS' SINGLE FIGURE (AUDITED)
CHART 7: EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION FOR 2013

	SALARY		TAXABLE BENEFITS[2]		PENSION BENEFIT[3]		SINGLE YEAR VARIABLE – BONUS CASH INCLUDING DSBP[4]		MULTIPLE YEAR VARIABLE – LTIP[5]		OTHER[6]		TOTAL	
	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000	2013 £000	2012 £000
David Sleath	550	520	29	29	165	156	688	354	0	131	4	4	1,436	1,194
Andy Gulliford[1]	240	–	13	–	27	–	211	–	0	–	4	–	495	–
Justin Read	360	340	19	19	72	68	317	193	–	–	4	3	772	623
Phil Redding[1]	240	–	13	–	9	–	240	–	0	–	4	–	506	–
TOTAL	1,390	860	74	48	273	224	1,456	547	0	131	16	7	3,209	1,817

1 Figures have been pro-rated since appointment to 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, company car or 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 page 89. 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 date of award. In accordance with the Remuneration Policy, 50 per cent of any Bonus earned in 2013 will be deferred into shares under the DSBP. In prior years, 25 per cent was deferred.
5 The 2012 value has been recalculated utilising the share price at date of vesting. As the performance conditions for the 2011 LTIP were not met, this award will lapse and there will be no LTIP vesting in 2013.
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

Salary: during 2013, the Chief Executive's salary was £550,000 and the Group Finance Director's salary was £360,000. On their appointment as Directors on 1 May 2013, the salaries of the Chief Investment Officer and the Chief Operating Officer were both £360,000. With effect from 1 April 2014, each of the Executive Directors will receive an increase to base salary of three per cent.

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.

BONUS PAYMENT 2013

For the Executive Directors, the 2013 Bonus comprised three equally weighted components: EPRA PBT; relative TPR; and individual performance.

- Profit – EPRA PBT against budget
  For this element, a Bonus is earned for EPRA PBT performance against budget. 25 per cent is earned on achieving the threshold target, rising on a straight-line basis to 100 per cent for achieving the maximum target. In 2013, on the basis of reported EPRA PBT of £134.1 million, 100 per cent of this element was achieved. Targets under this performance condition have not been disclosed as the Committee considers them to be commercially sensitive.
- TPR – Relative TPR against the IPD Benchmark
  For this element, 25 per cent is earned when the Company's TPR equals the relevant IPD benchmark. 100 per cent is earned when the Company's TPR exceeds the IPD benchmark by 1.5 per cent. Payments are made on a straight-line basis between these points. For 2013, the pan-European IPD data was not available at the date of this report. Accordingly, the Committee has estimated that 50 per cent of the TPR element will be achieved based on the UK market data which was available.
- Individual performance – The Directors' personal objectives centre on the delivery of the key strategic priorities of:
  Reshaping the existing portfolio by divesting non-core assets which do not meet our strategic and financial criteria;
  Delivering profitable growth and reinvesting in core markets and asset types by taking advantage of the attractive development and acquisition opportunities;
  Reducing net debt and financial leverage over time and introducing further third party capital where appropriate; and
  Driving our operational performance across the business through greater customer focus, knowledge sharing, efficiency improvements and cost reductions.
  Progress against these priorities is set out in the Chief Executive's Strategic Report on pages 14 to 23.
  50 per cent of the maximum amount available under this component is paid for on-target performance, 70 per cent is payable if objectives are exceeded and 100 per cent is payable for exceptional performance. For the 2013 Bonus, in respect of individual performance, David Sleath received 100 per cent, Andy Gulliford received 70 per cent, Justin Read received 70 per cent and Phil Redding received 100 per cent.

The profit and individual performance elements of the 2013 Bonus will be paid in April 2014, less a 50 per cent deduction for the DSBP. Payment of the TPR element will be deferred until Summer 2014, when the pan-European IPD data becomes available. Accordingly, the actual payment made under the TPR element of the 2013 Bonus, together with the deferral under the DSBP, may differ from the amounts disclosed in this Report. The DSBP award will be made once the final Bonus figures can be calculated. The vesting of the 2013 DSBP will be in April 2017, the third anniversary of the payment of the profit and individual elements of the 2013 Bonus.

Any payments under the 2014 Bonus and the DSBP will be made in accordance with the Remuneration Policy.

CHART 8: PROPORTION OF BONUS ELEMENTS ACHIEVED

	EPRA PBT PERCENTAGE OF PERFORMANCE TARGET ACHIEVED (%)	TPR PERCENTAGE OF PERFORMANCE TARGET ACHIEVED[2] (%)	PERSONAL RATING PERCENTAGE OF PERFORMANCE TARGET ACHIEVED (%)	TOTAL (%)
David Sleath	33.3 / 33.3	16.7 / 33.3	33.3 / 33.3	83.3 / 100.0
Andy Gulliford[1]	33.3 / 33.3	16.7 / 33.3	23.3 / 33.3	73.3 / 100.0
Justin Read	33.3 / 33.3	16.7 / 33.3	23.3 / 33.3	73.3 / 100.0
Phil Redding[1]	33.3 / 33.3	16.7 / 33.3	33.3 / 33.3	83.3 / 100.0

Inclusive of DSBP
1 The figures for Andy Gulliford and Phil Redding are in respect of the period from the date of appointment to the Board, 1 May 2013, to year end.
2 For 2013, the Committee has estimated that 50 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 explained in next year's Annual Report and Accounts.

GOVERNANCE REMUNERATION COMMITTEE REPORT

CHIEF EXECUTIVE SINGLE FIGURE
CHART 9: FIVE 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 %
2013	David Sleath	1,436	83.3	0.0
2012	David Sleath	1,194	56.7	21.6
2011[1]	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 On 28 April 2011, Ian Coull retired as Chief Executive and David Sleath was appointed into this role. The values shown above have been pro-rated accordingly.

CHART 10: PERCENTAGE INCREASE IN CHIEF EXECUTIVE REMUNERATION COMPARED TO THE AVERAGE PER EMPLOYEE

	CHIEF EXECUTIVE			AVERAGE PER EMPLOYEE		
	2013 £000	2012 £000	INCREASE %	**2013 £000**	2012 £000	INCREASE %
Salary received during year	**550**	520	6[1]	**63**	62	2
Taxable benefits received during year	**29**	29	0	**4**	4	0
Annual variable pay received during year (Bonus and DSBP)	**688**	354	94[2]	**20**	17	18
Total	**1,267**	903	40	**87**	83	5

1 David Sleath was promoted from Group Finance Director to Chief Executive Officer in April 2011. The Committee decided to conduct a first review of his salary in December 2012 (after 21 months in the role) and communicated with major shareholders during this time.
2 In respect of the 2013 Bonus, the maximum opportunity for the Chief Executive increased from 120 per cent to 150 per cent of salary. In conjunction with this increase in maximum opportunity, the amount of any Bonus earned subject to deferral under the DSBP was increased from 25 to 50 per cent.

CHART 11: RELATIVE IMPORTANCE OF SPEND ON PAY

YEAR	TOTAL DIVIDEND PAID (£M)	TOTAL EMPLOYEE EXPENDITURE (£M)
2013 (2012 final and 2013 interim)	109.7	23.4
2012 (2011 final and 2012 interim)	109.7	24.5
Percentage change	0.0	(4.5)

CHART 12: FIVE YEAR TOTAL SHAREHOLDER RETURN CHART

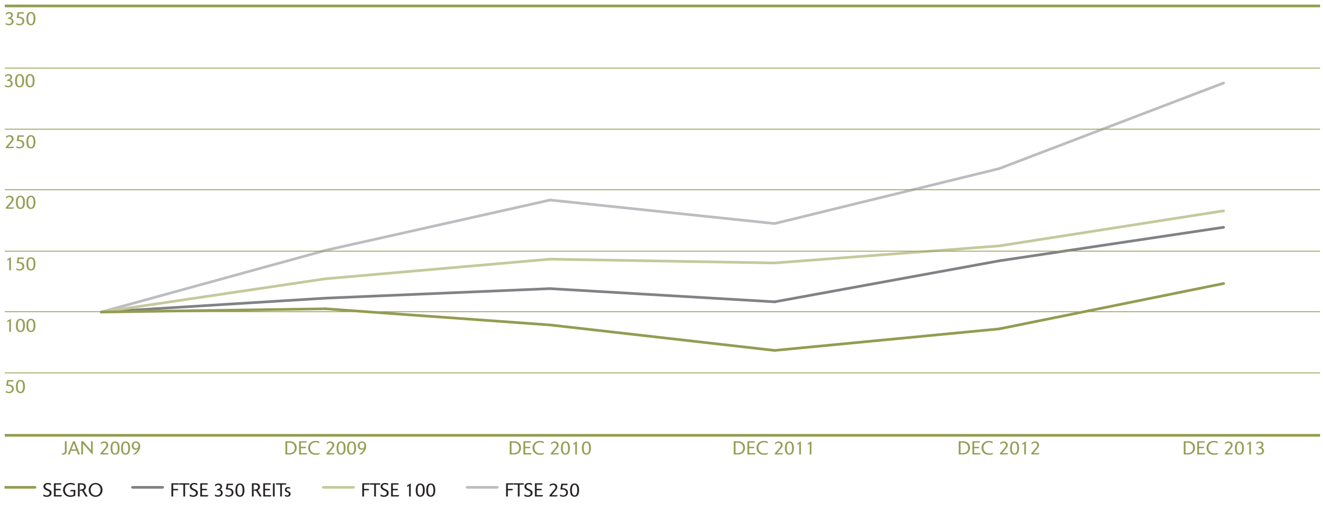


Chart 12 above shows TSR for the Company over the last five financial years compared with the FTSE 350 Real Estate Investment Trusts, FTSE 100 Index, and the FTSE 250 Index. The Committee has determined that these indices provide useful comparators as the Company, or its peers, are constituents of them.

DIRECTOR SHAREHOLDINGS (AUDITED)

The interests of the Directors and their immediate families in the ordinary shares of the Company at 1 January 2013 and 31 December 2013 were as below.

CHART 13: DIRECTORS' BENEFICIAL INTERESTS IN SHARES

	BENEFICIAL INTERESTS[1]	
	31.12.2013 ORDINARY 10P SHARES	01.01.2013 ORDINARY 10P SHARES
Nigel Rich[2]	135,181	123,902
Andy Gulliford[3]	66,299	n/a
Christopher Fisher	10,155	10,000
Margaret Ford	7,500	0
Andrew Palmer[4]	n/a	8,458
Chris Peacock[4]	n/a	11,946
Justin Read	26,008	20,449
Phil Redding[3]	68,949	n/a
Mark Robertshaw	8,000	8,000
David Sleath	249,840	198,657
Doug Webb	19,500	19,500
Thom Wernink	20,000	20,000

1 Beneficial interests in Chart 13 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 2013 and 25 February 2014 there were no changes in respect of the Directors' shareholdings. As at 31 December 2013, 547,795 shares (2012: 852,633 shares) were held by the Trustees of the 1994 SEGRO plc Employees' Benefit Trust. As at 25 February 2014, 545,480 shares were held by this Trust. The Trustees of the SIP held non-beneficial interest in 425,996 and 329,179 shares as at 31 December 2013 and 1 January 2013 respectively. 424,752 shares were held as at 25 February 2014. 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 Andy Gulliford and Phil Redding were appointed to the Board on 1 May 2013.
4 Andrew Palmer and Chris Peacock retired from the Board on 23 April 2013.

CHART 14: 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 31.12.13
David Sleath	249,840	127,339	1,313,998	8,598	1,699,775
Andy Gulliford	66,299	60,166	551,149	4,781	682,395
Justin Read	26,008	27,755	866,662	4,781	925,206
Phil Redding	68,949	43,225	529,011	4,781	645,966

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 15: EXECUTIVE DIRECTORS' SHAREHOLDING AND SHAREHOLDING REQUIREMENTS

	NUMBER OF SHARES HELD AS AT 31.12.13[1]	VALUE OF SHARES HELD AS AT 31.12.13[2]	SHAREHOLDING AS A PERCENTAGE OF SALARY AS AT 31.12.13	DATE BY WHICH MINIMUM HOLDING SHOULD BE ACHIEVED UNDER SHAREHOLDING POLICY
David Sleath	377,179	£1,142,212	208	Minimum holding achieved
Andy Gulliford	126,465	£354,903	99	1 May 2018
Justin Read	53,763	£126,830	35	30 August 2016
Phil Redding	112,174	£354,987	99	1 May 2018

1 Comprised of 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 Senior Leadership Team. For the 2010, 2011 and 2012 Bonus, 25 per cent of any payment was deferred into shares. For the Executive Directors' 2013 Bonus payment, the deferral percentage has been increased to 50 per cent. The shares held under the DSBP are shown in Chart 16 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 16: DSBP

	DATE OF GRANT	NO. OF SHARES UNDER AWARD 01.01.13	SHARE PRICE OF SHARES ON GRANT (PENCE)	NO. OF SHARES UNDER AWARD 31.12.13	END OF HOLDING PERIOD
DAVID SLEATH					
2010 DSBP	01.04.11	32,531	321.5	32,531	31.03.14
2011 DSBP	02.04.12	66,439	234.8	66,439	01.04.15
2012 DSBP	06.08.13	–	311.6	28,369	05.08.16
TOTAL	–	98,970	–	127,339	
ANDY GULLIFORD					
2010 DSBP	01.04.11	15,532	321.5	15,532	31.03.14
2011 DSBP	02.04.12	29,177	234.8	29,177	01.04.15
2012 DSBP	06.08.13	–	311.6	15,457	05.08.16
TOTAL	–	44,709	–	60,166	
JUSTIN READ					
2011 DSBP	02.04.12	12,298	234.8	12,298	01.04.15
2012 DSBP	06.08.13	–	311.6	15,457	05.08.16
TOTAL	–	12,298	–	27,755	
PHIL REDDING					
2010 DSBP	01.04.11	10,223	321.5	10,223	31.03.14
2011 DSBP	02.04.12	18,454	234.8	18,454	01.04.15
2012 DSBP	06.08.13	–	311.6	14,548	05.08.16
TOTAL	–	28,677	–	43,225	

LTIP

The three-year performance period for the 2010 LTIP award ended on 31 December 2012. Having achieved 19.3 pence EPS, 36 per cent of the shares subject to this performance condition vested. The Company failed to meet its TPR targets, accordingly all shares in respect of this performance condition lapsed. For more information, see Chart 17.

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 will vest.

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.

LTIP PERFORMANCE CONDITIONS

The performance conditions for the 2012 and 2013 LTIP awards were 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 vesting if the benchmark is exceeded by 5 per cent per year.

TPR – for the 2013 LTIP award the IPD benchmark based on 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.

GOVERNANCE REMUNERATION COMMITTEE REPORT

Details of the LTIP awards granted to the Executive Directors are set out in Chart 17 below.

Any awards made under the LTIP in 2014 will be made in accordance with the Remuneration Policy.

CHART 17: LTIP AWARDS OUTSTANDING

	NO. OF SHARES UNDER AWARD 01.01.13	NO. OF SHARES LAPSED/NOT RELEASED	NO. OF SHARES OVER WHICH AWARDS GRANTED	SHARE PRICE OF SHARES ON GRANT (PENCE)	NO. OF SHARES RELEASED	MARKET VALUE ON DATE OF RELEASE (PENCE)	NO. OF SHARES UNDER AWARD 31.12.13	END OF PERFORMANCE PERIOD OVER WHICH PERFORMANCE CONDITIONS HAVE TO BE MET
DAVID SLEATH								
28.04.10 LTIP[1]	191,293	149,974	–	314.70	41,319	317.40	–	31.12.12
29.03.11 LTIP[1]	274,675	–	–	331.30	–	–	274,675	31.12.13
01.05.12 LTIP (3-year Transitionary award)[2]	352,781	–	–	221.10	–	–	352,781	31.12.14
01.05.12 (4-year award)[2]	352,781	–	–	221.10	–	–	352,781	31.12.15
06.08.13	–	–	333,761	311.60	–	–	333,761	31.12.16
TOTAL	1,171,530	–	–	–	–	–	1,313,998	
ANDY GULLIFORD								
28.04.10 LTIP[1]	88,973	69,755	–	314.70	19,218	317.40	–	31.12.12
31.08.11 LTIP[1]	75,460	–	–	331.30	–	–	75,460	31.12.13
01.05.12 LTIP (3-year Transitionary award)[2]	161,465	–	–	221.10	–	–	161,465	31.12.14
01.05.12 (4-year award)[2]	161,465	–	–	221.10	–	–	161,465	31.12.15
06.08.13	–	–	152,759	311.60	–	–	152,759	31.12.16
TOTAL	487,363	–	–	–	–	–	551,149	
JUSTIN READ								
31.08.11 LTIP[1]	187,106	–	–	254.40	–	–	187,106	31.12.13
01.05.12 LTIP (3-year Transitionary award)[2]	230,664	–	–	221.10	–	–	230,664	31.12.14
01.05.12 (4-year award)[2]	230,664	–	–	221.10	–	–	230,664	31.12.15
06.08.13	–	–	218,228	311.60	–	–	218,228	31.12.16
TOTAL	648,434	–	–	–	–	–	866,662	
PHIL REDDING								
28.04.10 LTIP[1]	82,330	64,524	–	314.70	17,776	317.40	–	31.12.12
31.08.11 LTIP[1]	81,303	–	–	331.30	–	–	81,303	31.12.13
01.05.12 LTIP (3-year Transitionary award)[2]	151,967	–	–	221.10	–	–	151,967	31.12.14
01.05.12 (4-year award)[2]	151,967	–	–	221.10	–	–	151,967	31.12.15
06.08.13	–	–	143,774	311.60	–	–	143,774	31.12.16
TOTAL	467,567	–	–	–	–	–	529,011	

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. For the TPR element 25 per cent of the award vests for performance equalling that of the IPD Index, rising on a straight-line basis to full vesting for outperformance of the IPD Index 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 or 2011 LTIP.

2 For 2012, the Committee made two reduced LTIP awards; the 2012 LTIP award and an LTIP transitionary 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 transitionary 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.

SHARESAVE
CHART 18: SHARESAVE OPTIONS OUTSTANDING

	NO. OF SHARES UNDER OPTION 01.01.13	OPTIONS GRANTED DURING THE YEAR	DATE OF GRANT	OPTION PRICE (PENCE)	OPTIONS EXERCISED DURING THE YEAR	OPTIONS LAPSED DURING THE YEAR	NO. OF SHARES UNDER OPTION AT 31.12.13[1]	PERIOD IN WHICH OPTIONS CAN BE EXERCISED
David Sleath	8,598	–	19.05.09	182.0	–	–	8,598	01.06.14 – 30.11.14
Andy Gulliford	4,781	–	30.04.12	188.24	–	–	4,781	01.06.15 – 30.11.15
Justin Read	4,781	–	30.04.12	188.24	–	–	4,781	01.06.15 – 30.11.15
Phil Redding	4,781	–	30.04.12	188.24	–	–	4,781	01.06.15 – 30.11.15

1 Between 31 December 2013 and 25 February 2014 there were no changes in these holdings.

SIP
CHART 19: SIP SHARES HELD IN TRUST

	NO. OF SHARES IN TRUST 01.01.13	SHARES AWARDED DURING THE YEAR	NO. OF SHARES IN TRUST 31.12.13
David Sleath	3,497	1,058	4,555
Andy Gulliford	4,314	1,058	5,372
Justin Read	1,379	1,058	2,437
Phil Redding	3,450	1,058	4,508

Further information about the share schemes can be found in note 23 to the financial statements on pages 133 to 136.

EXECUTIVE DIRECTOR PENSION ARRANGEMENTS AND OTHER FEES
CHART 20: DEFINED BENEFIT SCHEME

	PENSION INPUT AMOUNT, NET OF DIRECTORS' CONTRIBUTIONS, IN THE YEAR ENDING 31.12.13	DEFINED BENEFIT PENSION ACCRUED AT 31.12.13[3]
David Sleath[1]	n/a	77,432
Andy Gulliford	26,992	34,226
Justin Read[2]	n/a	n/a
Phil Redding	9,191	48,981

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 the 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 at Bunzl plc and during the year he received a fee of £76,000 for this role.

EXIT PAYMENTS

No exit payments were made to Directors during the year.

FORMER DIRECTORS (AUDITED)

Ex gratia payments totalling £56,470 (2011: £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.

REMUNERATION COMMITTEE ADVISERS

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

It is responsible for appointing its external advisors 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 2013 were £47,750 on the basis of time and materials.

The Committee evaluates the support provided by its advisers annually and is comfortable that Kepler Associates provides 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 21 below shows the results of the advisory vote on the 2012 Remuneration Report at the Company's AGM on 23 April 2013.

CHART 21: SHAREHOLDER VOTING AT THE 2013 AGM

	VOTES FOR (INCLUDING DISCRETIONARY)	% FOR	VOTES AGAINST	% AGAINST	TOTAL VOTES CAST	VOTES WITHHELD[1]
To approve the remuneration report for the year ended 31 December 2012	511,175,638	93.4	36,393,381	6.6	547,569,019	7,612,809

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 25 February 2014 and signed on its behalf by

MARGARET FORD
CHAIRMAN OF THE REMUNERATION COMMITTEE

25 February 2014

DIRECTORS' REPORT

SHARE CAPITAL

The issued share capital for the year is set out on page 133.

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 9.9 pence per share will be paid (2012: 9.9 pence) bringing the total dividend for 2013 to 14.8 pence (2012: 14.8 pence). The final dividend will be paid as a Property Income Distribution. The Company operates a Dividend Reinvestment Plan (DRIP), further information on which is provided on page 147.

The ex-dividend date for the final dividend will be 26 March 2014, the record date will be 28 March 2014 and the payment date will be 9 May 2014.

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 alteration 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 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.

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 re-appoint 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

25 February 2014

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 21 February 2014 the following major interests (three per cent or more) 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	–	58,674,930	58,674,930	7.91%
APG Algemene Pensioen Groupe NV and its subsidiaries	51,964,841	–	51,964,841	7.00%
The Capital Group Companies, Inc.	–	24,845,309	24,845,309	3.35%
Legal & General Group Plc and its subsidiaries	20,064,258	4,621,259	24,685,517	3.33%
AXA S.A. and its subsidiaries	–	24,382,265	24,382,265	3.29%
Third Avenue Management LLC	–	22,464,933	22,464,933	3.03%

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 United Kingdom 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

CHIEF EXECUTIVE

DAVID SLEATH
25 February 2014

GROUP FINANCE DIRECTOR

JUSTIN READ
25 February 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEGRO PLC

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 2013 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 32. 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 93 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 related to events or conditions 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 valuation of the portfolio is underpinned by a number of judgements and assumptions. 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 remaining risk.	We assessed management's process for reviewing and challenging the work of the external valuers. We met with the external valuers of the portfolio to 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 assessed the competence, independence and integrity of the external valuer; and We performed audit procedures to assess the integrity of information provided to the independent relating to rental income, purchasers' costs and occupancy. Please see note 15 of the Financial Statements.
Accounting for the creation of the SEGRO European Logistics Partnership 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.	We audited the calculation of the gain on disposal of the portfolio into the SEGRO European Logistics Partnership, focusing on and challenging the fair value assessment of the deferred consideration. We have reviewed the shareholders' agreement for the SEGRO European Logistics Partnership to verify the underlying accounting treatment as a joint venture, including decision making agreements and deadlock. Please see note 7 of the Financial Statements.
Revenue recognition, focusing on the accounting treatment for unusual or more complex items including lease incentives.	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; Please see note 4 of the Financial Statements.
Accounting for significant financing transactions and complex financial instruments, in particular the valuation of complex financial instruments.	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. Please see note 21 of the Financial Statements.
SEGRO plc has undertaken a number of material acquisitions and disposals in the year, in particular the disposals of IQ Winnersh, Equinix and Neckermann.	We confirmed key transaction terms to sale and purchase agreements for all significant acquisitions and disposals to verify that key terms were appropriately reflected in any calculation of profit or loss on disposal. We considered the date at which the transaction completes based on the acquisition or disposal agreements. We checked that the transactions are properly reflected and disclosed in the accounts.

The Audit Committee's consideration of these risks is set out on page 71.

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 million which is 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 £7 million based on 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, 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 5 significant components, including significant Joint Ventures, located within each of the SEGRO plc reportable segments. These components together comprise circa 97% of total group net assets and 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 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.

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. Under the Listing Rules we are required to review certain elements of the Directors' Remuneration Report. We have nothing to report arising from these matters or our review.

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 nine 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEGRO PLC

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.

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
25 February 2014

FINANCIAL STATEMENTS

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 £m	2012 £m
REVENUE	4	339.8	371.0
Gross rental income	4	273.8	305.4
Property operating expenses	5	(50.4)	(50.6)
NET RENTAL INCOME		223.4	254.8
Joint venture management fee income	4	7.1	7.4
Administration expenses	6	(26.1)	(27.9)
Share of profit from joint ventures after tax	7	70.6	2.7
Realised and unrealised property gain/(loss)	8	97.7	(340.0)
Gain on sale of investment in joint ventures		–	0.2
Other investment (loss)/income	9	(0.4)	2.4
Amounts written off on acquisitions	10	(0.2)	(0.6)
OPERATING PROFIT/(LOSS)		372.1	(101.0)
Finance income	11	54.2	66.1
Finance costs	11	(214.2)	(167.3)
PROFIT/(LOSS) BEFORE TAX		212.1	(202.2)
Tax	12	(2.9)	4.9
PROFIT/(LOSS) AFTER TAX		209.2	(197.3)
Attributable to equity shareholders		210.6	(197.3)
Attributable to non-controlling interests		(1.4)	–
		209.2	(197.3)
EARNINGS PER SHARE			
Basic and diluted earnings/(loss) per share	14	28.4	(26.6)

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 £m	2012 £m
Profit/(loss) for the year		209.2	(197.3)
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Valuation deficit on owner occupied properties	8	–	(0.8)
Actuarial loss on defined benefit pension schemes	22	(1.2)	(4.9)
		(1.2)	(5.7)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Foreign exchange movement arising on translation of international operations		4.4	(12.2)
Decrease in value of available-for-sale investments	17	(1.5)	–
Fair value movements on derivatives in effective hedge relationships		5.7	4.0
		8.6	(8.2)
Tax on components of other comprehensive income		–	–
OTHER COMPREHENSIVE PROFIT/(LOSS) BEFORE TRANSFERS		7.4	(13.9)
Transfer to income statement on sale of available-for-sale investments	9	0.3	(1.0)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		216.9	(212.2)
Attributable to equity shareholders		218.3	(212.2)
Attributable to non-controlling interests		(1.4)	–
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		216.9	(212.2)

FINANCIAL STATEMENTS

BALANCE SHEETS

AS AT 31 DECEMBER 2013

	NOTES	GROUP 2013 £m	GROUP 2012 £m	COMPANY 2013 £m	COMPANY 2012 £m
ASSETS					
NON-CURRENT ASSETS					
Goodwill and other intangibles		3.5	4.0	–	–
Investment properties	15	2,910.0	3,795.7	–	–
Owner occupied properties		4.1	4.3	–	–
Plant and equipment		4.7	2.9	1.3	1.4
Investments in subsidiaries	7	–	–	4,554.3	4,909.2
Investments in joint ventures	7	635.7	342.6	–	–
Finance lease receivables	16	–	8.1	–	–
Available-for-sale investments	17	12.1	15.5	–	–
Trade and other receivables	18	65.6	146.2	65.2	145.9
		3,635.7	4,319.3	4,620.8	5,056.5
CURRENT ASSETS					
Trading properties	15	138.7	193.3	–	–
Trade and other receivables	18	243.3	118.2	30.5	6.6
Cash and cash equivalents	20	233.8	16.6	220.0	5.0
		615.8	328.1	250.5	11.6
TOTAL ASSETS		4,251.5	4,647.4	4,871.3	5,068.1
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	20	1,690.3	2,052.1	1,702.9	2,028.7
Deferred tax liabilities	12	11.4	23.3	–	–
Provisions		8.8	11.3	8.0	8.5
Trade and other payables	19	15.6	45.6	1,131.2	974.0
		1,726.1	2,132.3	2,842.1	3,011.2
CURRENT LIABILITIES					
Trade and other payables	19	175.0	219.0	34.8	48.2
Borrowings	20	2.6	54.8	–	52.1
Tax liabilities		2.9	4.7	1.7	3.6
		180.5	278.5	36.5	103.9
TOTAL LIABILITIES		1,906.6	2,410.8	2,878.6	3,115.1
NET ASSETS		2,344.9	2,236.6	1,992.7	1,953.0
EQUITY					
Share capital	23	74.2	74.2	74.2	74.2
Share premium	24	1,069.9	1,069.9	1,069.9	1,069.9
Capital redemption reserve		113.9	113.9	113.9	113.9
Own shares held	25	(5.3)	(7.3)	(5.3)	(7.3)
Revaluation reserve		(3.2)	(2.6)	–	–
Other reserves		182.5	173.3	218.1	218.2
Retained earnings		912.7	813.6	521.9	484.1
TOTAL SHAREHOLDERS' EQUITY		2,344.7	2,235.0	1,992.7	1,953.0
Non-controlling interests		0.2	1.6	–	–
TOTAL EQUITY		2,344.9	2,236.6	1,992.7	1,953.0
NET ASSETS PER ORDINARY SHARE					
Basic and diluted	14	316p	302p		

The financial statements of SEGRO plc (registered number 167591) on pages 97 to 140 were approved by the Board of Directors and authorised for issue on 25 February 2013 and signed on its behalf by:

DJR Sleath **JR Read**
Directors

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY

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

FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP	BALANCE 1 JANUARY 2012 £m	EXCHANGE MOVEMENT £m	RETAINED LOSS £m	ITEMS TAKEN DIRECTLY TO RESERVES £m	SHARES ISSUED £m	OTHER £m	DIVIDENDS £m	TRANSFERS £m	BALANCE 31 DECEMBER 2012 £m
Ordinary share capital	74.2	–	–	–	–	–	–	–	74.2
Share premium	1,069.5	–	–	–	0.4	–	–	–	1,069.9
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(10.2)	–	–	–	–	(0.7)	–	3.6	(7.3)
Revaluation reserve	(0.6)	–	–	(0.8)	–	–	–	(1.2)	(2.6)
Other reserves:									
Share based payments reserve	4.4	–	–	–	–	1.7	–	(1.0)	5.1
Fair value reserve for AFS[1]	5.5	–	–	–	–	(1.0)	–	–	4.5
Translation and other reserves	10.2	(12.2)	–	4.0	–	–	–	(7.4)	(5.4)
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	189.2	(12.2)	–	4.0	–	0.7	–	(8.4)	173.3
Retained earnings	1,119.5	–	(197.3)	(4.9)	–	–	(109.7)	6.0	813.6
Total equity attributable to equity shareholders	2,555.5	(12.2)	(197.3)	(1.7)	0.4	–	(109.7)	–	2,235.0
Non-controlling interests	2.2	–	–	–	–	(0.6)	–	–	1.6
TOTAL EQUITY	2,557.7	(12.2)	(197.3)	(1.7)	0.4	(0.6)	(109.7)	–	2,236.6

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

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY CONTINUED

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

FOR THE YEAR ENDED 31 DECEMBER 2012

COMPANY	BALANCE 1 JANUARY 2012 £m	RETAINED LOSS £m	ITEMS TAKEN DIRECTLY TO RESERVES £m	SHARES ISSUED £m	OTHER £m	DIVIDENDS £m	TRANSFERS £m	BALANCE 31 DECEMBER 2012 £m
Ordinary share capital	74.2	–	–	–	–	–	–	74.2
Share premium	1,069.5	–	–	0.4	–	–	–	1,069.9
Capital redemption reserve	113.9	–	–	–	–	–	–	113.9
Own shares held	(10.2)	–	–	–	(0.7)	–	3.6	(7.3)
Other reserves:								
Share based payments reserve	2.0	–	–	–	0.6	–	(0.9)	1.7
Translation and other reserves	47.4	–	–	–	–	–	–	47.4
Merger reserve	169.1	–	–	–	–	–	–	169.1
Total other reserves	218.5	–	–	–	0.6	–	(0.9)	218.2
Retained earnings	717.9	(116.6)	(4.8)	–	–	(109.7)	(2.7)	484.1
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS	2,183.8	(116.6)	(4.8)	0.4	(0.1)	(109.7)	–	1,953.0

FINANCIAL STATEMENTS

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

		GROUP		COMPANY	
	NOTES	2013 £m	2012 £m	2013 £m	2012 £m
CASH FLOWS FROM OPERATING ACTIVITIES	30	204.0	205.1	(30.0)	(0.9)
Interest received		58.6	49.3	174.3	152.4
Dividends received		24.1	18.7	70.7	144.2
Interest paid		(156.1)	(153.2)	(162.3)	(113.7)
Tax paid		(2.4)	(12.8)	–	(0.6)
NET CASH RECEIVED FROM OPERATING ACTIVITIES		128.2	107.1	52.7	181.4
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase and development of investment properties		(211.1)	(277.9)	–	–
Sale of investment properties		559.9	490.1	–	–
Repayment of finance lease receivables		8.1	–	–	–
Purchase of plant and equipment and intangibles		(3.2)	(3.0)	(0.1)	(0.7)
Sale of available-for-sale investments		1.8	3.5	–	–
Additional net investment in subsidiary undertakings		–	–	(165.0)	(152.7)
Loan advances repaid by subsidiary undertakings		–	–	901.7	216.2
Sale of investment in joint ventures		–	4.1	–	–
Sale of SELP portfolio		402.8	–	–	–
Investment in joint ventures		(45.4)	(50.6)	–	–
Net increase in loans to joint ventures		(6.8)	(1.2)	–	–
Purchase of non-controlling interests		–	(0.6)	–	–
NET CASH RECEIVED FROM INVESTING ACTIVITIES		706.1	164.4	736.6	62.8
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to ordinary shareholders		(109.7)	(109.7)	(109.7)	(109.7)
Repayment of bonds		–	(112.6)	–	(112.6)
Net decrease in other borrowings		(431.0)	(90.4)	(390.7)	(58.7)
Net costs to close out debt		–	(14.8)	–	(14.8)
Early close out of interest rate swaps		(27.2)	–	(25.5)	–
Net settlement of foreign exchange derivatives		(47.9)	56.0	(47.9)	56.0
Proceeds from the issue of ordinary shares		–	0.4	–	0.4
Purchase of ordinary shares		(0.5)	(0.7)	(0.5)	(0.7)
NET CASH USED IN FROM FINANCING ACTIVITIES		(616.3)	(271.8)	(574.3)	(240.1)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		218.0	(0.3)	215.0	4.1
Cash and cash equivalents at the beginning of the year		15.4	16.0	5.0	0.9
Effect of foreign exchange rate changes		0.4	(0.3)	–	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		233.8	15.4	220.0	5.0
Cash and cash equivalents per balance sheet		233.8	16.6	220.0	5.0
Bank overdrafts		–	(1.2)	–	–
CASH AND CASH EQUIVALENTS PER CASH FLOW		233.8	15.4	220.0	5.0

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 54.

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.

In the current financial year the Group has adopted the amendments to IAS 1 'Presentation of Items of Other Comprehensive Income', IAS 19 (revised) 'Employment Benefits' and IFRS13 'Fair Value Measurement'.

The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will never be reclassified as well as their associated income tax. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income has been re-grouped to reflect the change.

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit scheme, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined liability. For the current period the profit was £0.6 million lower and other comprehensive income was £0.6 million higher than it would have been prior to the adoption of IAS 19. As the Group has always recognised actuarial gains/losses immediately, there has been no effect on the prior year defined benefit obligation. The comparative period has not been restated as the impact of adopting IAS 19 (revised 2011) is not considered material.

IFRS 13 has impacted the measurement criteria of fair value for certain assets and liabilities and also introduced new disclosures as set out in Note 15.

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 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IAS 27 Separate Financial Statements;
- IAS 28 Investments in Associates and Joint Ventures;
- IFRIC 21 Levies;
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities;
- Amendments to IAS 19 (Nov 2013) Defined Benefit Plans: Employee Contributions;
- Amendments to IAS 32 (Dec 2011) Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets; and
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting.

The Directors do not expect that the adoption of the Standards listed above will have a significant impact on the financial statements of the Group in future periods, other than IFRS 9 which will likely impact both the measurement and disclosures of financial instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these new and amended 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 2013 are:
Balance sheet: £1 = €1.20 (31 December 2012: £1 = €1.23)
Income statement: £1 = €1.18 (2012: £1 = €1.23)

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 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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2013

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

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 22.

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 including the creation of the SELP joint venture, revenue recognition and the valuation of financial instruments. Other less significant judgements and sources of estimation uncertainty relate to provisioning, the actuarial assumptions used in calculating the Group's retirement benefit obligations and compliance with the REIT and SIIC regimes. These are described in more detail in the accounting policy notes above, or the applicable note to the financial statements.

FINANCIAL STATEMENTS

2. EPRA PROFIT

	2013 £m	2012 £m
Gross rental income	273.8	305.4
Property operating expenses	(50.4)	(50.6)
NET RENTAL INCOME	223.4	254.8
Joint venture management fee income	7.1	7.4
Administration expenses	(26.1)	(27.9)
Share of joint ventures' EPRA profit after tax	26.3	20.2
EPRA OPERATING PROFIT BEFORE INTEREST AND TAX	230.7	254.5
Net finance costs (including adjustments)	(96.6)	(109.6)
EPRA PROFIT BEFORE TAX	134.1	144.9
ADJUSTMENTS:		
Adjustments to the share of profit/(loss) from joint ventures after tax[1]	44.3	(17.5)
Profit/(loss) on sale of investment properties	13.0	(28.9)
Valuation surplus/(deficit) on investment and owner occupied properties	93.8	(284.4)
Profit/(loss) on sale of trading properties	6.1	(1.8)
Increase in provision for impairment of trading properties	(15.2)	(24.9)
Gain on sale of investment in joint ventures	–	0.2
Other investment (loss)/income	(0.4)	2.4
Amounts written off on acquisitions	(0.2)	(0.6)
Loss on early close out of bonds	–	(16.8)
Gain on early close out of bank debt	–	2.3
Net fair value (loss)/gain on interest rate swaps and other derivatives	(63.4)	22.9
TOTAL ADJUSTMENTS	78.0	(347.1)
PROFIT/(LOSS) BEFORE TAX	212.1	(202.2)
TAX		
On EPRA profits	(2.7)	(1.9)
In respect of adjustments	(0.2)	6.8
	(2.9)	4.9
PROFIT/(LOSS) AFTER TAX		
EPRA profit after tax	131.4	143.0
Adjustments	77.8	(340.3)
PROFIT/(LOSS) AFTER TAX	209.2	(197.3)

1 A detailed breakdown of the adjustments to the share of profit from joint ventures is included in note 7.

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.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2013

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 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 £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

31 DECEMBER 2012	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 £m
Greater London	77.7	66.8	14.7	88.3	1,159.5	261.3	7.1
Thames Valley and National Logistics	110.1	95.2	4.8	100.1	1,305.0	62.8	40.5
Northern Europe	53.5	43.3	0.7	41.9	564.5	18.5	30.3
Southern Europe	40.5	35.9	–	34.5	574.2	–	170.4
Central Europe	23.6	20.7	–	19.8	390.1	–	47.9
Other[1]	–	(7.1)	–	(30.1)	–	–	3.3
Total	305.4	254.8	20.2	254.5	3,993.3	342.6	299.5

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.

Revenues from the most significant countries within the Group were UK £184.2 million (2012: £212.1 million), France £49.9 million (2012: £45.1 million), Germany £34.1 million (2012: £54.3 million) and Poland £30.1 million (2012: £27.8 million).

4. REVENUE

	2013 £m	2012 £m
Rental income from investment properties	242.8	280.9
Rental income from trading properties	13.0	13.8
Rent averaging	10.2	8.8
Surrender premiums	7.4	1.4
Interest received on finance lease assets	0.4	0.5
GROSS RENTAL INCOME	273.8	305.4
Joint venture management fee income – property management fees	5.4	4.1
– performance and other fees	1.7	3.3
Service charge income	40.2	37.2
Proceeds from sale of trading properties	18.7	21.0
TOTAL REVENUE	339.8	371.0

5. PROPERTY OPERATING EXPENSES

	2013 £m	2012 £m
Vacant property costs	12.6	13.7
Letting, marketing, legal and professional fees	8.5	8.9
Bad debt expense	2.8	1.7
Other expenses, net of service charge income	11.0	11.2
PROPERTY MANAGEMENT EXPENSES	34.9	35.5
Property administration expenses[1]	17.6	17.7
Costs capitalised[2]	(2.1)	(2.6)
TOTAL PROPERTY OPERATING EXPENSES	50.4	50.6

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

	2013 £m	2012 £m
Directors' remuneration	3.2	2.6
Depreciation	2.1	3.0
Other administration expenses	20.8	22.3
TOTAL ADMINISTRATION EXPENSES	26.1	27.9

The full 2013 depreciation charge, including amounts charged under other headings, is £2.2 million (2012: £3.2 million), and relates to assets owned by the Group. Other administration expenses include the cost of services of the Group's auditor, as described below.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2013

6. ADMINISTRATION EXPENSES CONTINUED

6(ii) – Fees in relation to services provided by the Group's auditor

	2013 £m	2012 £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	0.1
AUDIT AND AUDITED RELATED ASSURANCE SERVICES	0.7	0.7
OTHER FEES:		
Taxation – compliance services	0.1	0.1
Other[1]	0.5	0.1
TOTAL OTHER FEES	0.6	0.2
TOTAL FEES IN RELATION TO AUDIT AND OTHER SERVICES	1.3	0.9

1 Other services principally relate to those earned by Drivers Jonas Deloitte (now Deloitte Real Estate); the largest individual component (£249,500) related to the introduction of SEGRO as a potential investor in a logistics site purchased in Barking. In addition, £170,000 relates to vendor due diligence work on the SELP transaction.

In addition to the above, an audit fee of £45,000 (2012: £45,000), together with other fees totalling £85,000 (2012: £41,000) was due to the Group's auditor in respect of the Airport Property Partnership (APP) joint venture for the year ended 31 December 2013. Also, an audit fee of £25,000 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 2013 (2012: £25,000) and £41,000 (2012: £36,000) was due to the Group's auditor in respect of the audit of the Logistics Property Partnership joint venture for the year ended 31 December 2013. Further, an audit fee of £128,000 was due to the Group's auditor in respect of the SEGRO European Logistics Partnership (SELP) for the year ended 31 December 2013 (2012: £nil) and £9,000 other fees (2012: £nil).

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.

	2013 £m	2012 £m
Wages and salaries	20.7	20.9
Social security costs	3.7	3.7
Pension costs	1.8	1.9
Share scheme costs	0.9	1.7
Termination benefits	0.7	1.1
TOTAL	27.8	29.3
Average number of Group employees	238	252

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 75 to 91 in the Remuneration Report and form part of these financial statements.

7. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

7(i) – Share of profit from joint ventures after tax

In October 2013, the Group completed the disposal of a portfolio of European logistics assets into the SEGRO European Logistics Partnership in which the Group retained a 50 per cent interest.

The table below presents a summary income statement of the Group's largest joint ventures.

	SEGRO EUROPEAN LOGISTICS PARTNERSHIP £m	LOGISTICS PROPERTY PARTNERSHIP £m	AIRPORT PROPERTY PARTNERSHIP £m	HEATHROW BIG BOX INDUSTRIAL AND DISTRIBUTION FUND £m	OTHER £m	2013 £m	2012 £m
Gross rental income	7.2	10.3	22.7	7.1	1.2	48.5	40.0
Property operating expenses:							
– underlying property operating expenses	(0.3)	(0.3)	(0.8)	(0.1)	(0.1)	(1.6)	(0.8)
– vacant property costs	(0.1)	(0.3)	(1.4)	–	–	(1.8)	(1.1)
– property management fees	(0.6)	(0.5)	(2.2)	(0.2)	–	(3.5)	(2.9)
– performance and other fees	–	–	(1.1)	–	–	(1.1)	(1.7)
NET RENTAL INCOME	6.2	9.2	17.2	6.8	1.1	40.5	33.5
Administration expenses	(0.3)	–	–	–	(0.1)	(0.4)	–
Net finance costs (including adjustments)	(1.2)	(3.8)	(6.9)	(1.5)	(0.5)	(13.9)	(13.3)
EPRA PROFIT BEFORE TAX	4.7	5.4	10.3	5.3	0.5	26.2	20.2
Tax on EPRA profits	0.1	–	–	–	–	0.1	–
EPRA PROFIT AFTER TAX	4.8	5.4	10.3	5.3	0.5	26.3	20.2
ADJUSTMENTS:							
Loss on sale of investment properties	–	–	–	–	–	–	(0.1)
Valuation surplus/(deficit) on investment properties	14.1	9.5	17.4	8.4	–	49.4	(11.8)
Profit on sale of trading properties	–	–	–	–	–	–	1.5
Increase in provision for impairment of trading properties	–	–	–	–	(1.5)	(1.5)	(2.0)
Net fair value gain/(loss) on interest rate swaps and other derivatives	–	0.7	(0.1)	0.3	–	0.9	(0.8)
Amounts written off on acquisitions	(0.2)	–	–	–	–	(0.2)	(3.4)
Tax in respect of adjustments	(4.3)	–	–	–	–	(4.3)	(0.9)
TOTAL ADJUSTMENTS	9.6	10.2	17.3	8.7	(1.5)	44.3	(17.5)
PROFIT/(LOSS) AFTER TAX	14.4	15.6	27.6	14.0	(1.0)	70.6	2.7

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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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 £1.5 million (2012: £2.0 million). Based on the fair value at 31 December 2013, the Group's share of joint ventures' trading property portfolio has an unrecognised surplus of £nil (2012: £3.7 million).

7(ii) – Summarised balance sheet information in respect of the Group's share of joint ventures

	SEGRO EUROPEAN LOGISTICS PARTNERSHIP £m	LOGISTICS PROPERTY PARTNERSHIP £m	AIRPORT PROPERTY PARTNERSHIP £m	HEATHROW BIG BOX INDUSTRIAL AND DISTRIBUTION FUND £m	OTHER £m	2013 £m	2012 £m
Investment properties	416.6	165.0	388.6	109.4	–	1,079.6	621.5
Other assets	0.1	–	8.2	–	–	8.3	9.3
TOTAL NON-CURRENT ASSETS	416.7	165.0	396.8	109.4	–	1,087.9	630.8
Trading properties	–	–	–	–	12.8	12.8	29.1
Other receivables	9.7	0.4	2.9	0.3	1.4	14.7	10.3
Cash	23.7	3.6	5.9	2.8	0.4	36.4	19.7
TOTAL CURRENT ASSETS	33.4	4.0	8.8	3.1	14.6	63.9	59.1
TOTAL ASSETS	450.1	169.0	405.6	112.5	14.6	1,151.8	689.9
Borrowings	(159.7)	(92.4)	(168.3)	–	(0.4)	(420.8)	(306.0)
Deferred tax	(12.3)	–	–	–	–	(12.3)	(1.3)
Other liabilities	(0.1)	–	–	–	–	(0.1)	(7.7)
TOTAL NON-CURRENT LIABILITIES	(172.1)	(92.4)	(168.3)	–	(0.4)	(433.2)	(315.0)
Borrowings	–	–	–	(45.0)	–	(45.0)	(11.0)
Other liabilities	(17.2)	(4.0)	(13.2)	(2.6)	(0.9)	(37.9)	(21.3)
TOTAL CURRENT LIABILITIES	(17.2)	(4.0)	(13.2)	(47.6)	(0.9)	(82.9)	(32.3)
TOTAL LIABILITIES	(189.3)	(96.4)	(181.5)	(47.6)	(1.3)	(516.1)	(347.3)
GROUP SHARE OF NET ASSETS	260.8	72.6	224.1	64.9	13.3	635.7	342.6

At 31 December 2013 the fair value of £465.8 million of borrowings was £469.4 million (2012: no difference).

7(iii) – Investments by the Group

	2013 £m	2012 £m
COST OR VALUATION AT 1 JANUARY	342.6	298.8
Exchange movement	(3.2)	(0.6)
Acquisition	257.7	65.7
Disposals	(18.6)	(3.9)
Loan advances	6.9	1.2
Dividends received	(24.1)	(18.7)
Share of profit after tax	70.6	2.7
Items taken directly to reserves	3.8	(2.6)
COST OR VALUATION AT 31 DECEMBER	635.7	342.6

The amount of loans advanced by the Group to joint ventures is £260.7 million (2012: £172.1 million).

7. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES CONTINUED

7(iv) – Investments by the Company

	2013 £m	2012 £m
COST OR VALUATION OF SUBSIDIARIES AT 1 JANUARY	4,909.2	5,251.2
Exchange movement	46.6	(22.1)
Additions	165.0	152.7
Net loan movement	(718.1)	(185.6)
Decrease/(increase) in provision for investments and loans in the income statement	151.6	(287.0)
COST OR VALUATION OF SUBSIDIARIES AT 31 DECEMBER	4,554.3	4,909.2

Principal entities are detailed in note 31.

8. REALISED AND UNREALISED PROPERTY GAIN/(LOSS)

	2013 £m	2012 £m
Profit/(loss) on sale of investment properties	13.0	(28.9)
Valuation surplus/(deficit) on investment properties	94.4	(283.2)
Valuation deficit on owner occupied properties	(0.6)	(1.2)
Profit/(loss) on sale of trading properties	6.1	(1.8)
Increase in provision for impairment of trading properties	(15.2)	(24.9)
Total realised and unrealised property gain/(loss) – income statement	97.7	(340.0)
Valuation deficit on owner occupied properties – other comprehensive income	–	(0.8)
TOTAL REALISED AND UNREALISED PROPERTY GAIN/(LOSS)	97.7	(340.8)

9. OTHER INVESTMENT (LOSS)/INCOME

	2013 £m	2012 £m
Net (loss)/profit on available-for-sale investments	(0.1)	1.4
Transfer of fair value (deficit)/surplus realised on sale of available-for-sale investments	(0.3)	1.0
TOTAL OTHER INVESTMENT (LOSS)/INCOME	(0.4)	2.4

10. AMOUNTS WRITTEN-OFF ON ACQUISITIONS

	2013 £m	2012 £m
Acquisition of LPP	–	0.4
Amortisation of intangibles	0.2	0.2
TOTAL AMOUNTS WRITTEN OFF ON ACQUISITIONS	0.2	0.6

11. NET FINANCE COSTS

FINANCE INCOME	2013 £m	2012 £m
Interest received on bank deposits and related derivatives	34.3	29.6
Gain on early close out of bank debt	–	2.3
Fair value gain on interest rate swaps and other derivatives	19.0	33.8
Net interest income on defined benefit obligation	–	0.3
Exchange differences	0.9	0.1
TOTAL FINANCE INCOME	54.2	66.1

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2013

11. NET FINANCE COSTS CONTINUED

FINANCE COSTS	2013 £m	2012 £m
Interest on overdrafts, loans and related derivatives	(129.7)	(137.4)
Loss on early close out of bonds	–	(16.8)
Net interest expense on defined benefit obligation	(0.3)	–
Amortisation of issue costs	(4.3)	(5.6)
Total borrowing costs	(134.3)	(159.8)
Less amounts capitalised on the development of properties	2.5	3.4
NET BORROWING COSTS	(131.8)	(156.4)
Fair value loss on interest rate swaps and other derivatives	(82.4)	(10.9)
TOTAL FINANCE COSTS	(214.2)	(167.3)
NET FINANCE COSTS	(160.0)	(101.2)

The interest capitalisation rates for 2013 ranged from 4.3 per cent to 6.1 per cent (2012: 4.7 per cent to 6.2 per cent). Interest is capitalised gross of tax relief.

12. TAX
12(i) – Tax on profit

	2013 £m	2012 £m
TAX ON:		
EPRA profits	(2.7)	(1.9)
Adjustments	(0.2)	6.8
TOTAL TAX (CHARGE)/CREDIT	(2.9)	4.9
CURRENT TAX		
UNITED KINGDOM		
Adjustments in respect of earlier years	–	0.2
	–	0.2
OVERSEAS		
Current tax charge	(2.3)	(1.5)
Adjustments in respect of earlier years	1.8	4.7
	(0.5)	3.2
TOTAL CURRENT TAX (CHARGE)/CREDIT	(0.5)	3.4
DEFERRED TAX		
Origination and reversal of temporary differences	1.1	(6.3)
On valuation movements	(2.1)	8.5
Total deferred tax in respect of investment properties	(1.0)	2.2
Other deferred tax	(1.4)	(0.7)
TOTAL DEFERRED TAX (CHARGE)/CREDIT	(2.4)	1.5
TOTAL TAX (CHARGE)/CREDIT ON LOSS ON ORDINARY ACTIVITIES	(2.9)	4.9

12. TAX CONTINUED

12(ii) – Factors affecting tax (charge)/credit for the year

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

	2013 £m	2012 £m
Profit/(loss) on ordinary activities before tax	212.1	(202.2)
Add back valuation (surplus)/deficit in respect of UK properties not taxable	(112.1)	100.0
	100.0	(102.2)
Multiplied by standard rate of UK corporation tax of 23.25 per cent (2012: 24.5 per cent)	(23.2)	25.0
EFFECTS OF:		
Exempt SIIC & REIT gains	18.4	14.5
Permanent differences	(0.1)	(2.9)
Profit on joint ventures already taxed	5.2	(0.3)
Higher tax rates on international earnings	1.4	5.2
Adjustments in respect of earlier years and assets not recognised	(4.6)	(36.6)
TOTAL TAX (CHARGE)/CREDIT ON LOSS ON ORDINARY ACTIVITIES	(2.9)	4.9

12(iii) – Deferred tax liabilities

Movement in deferred tax was as follows:

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 £11.6 million (2012: £19.1 million) available for offset against future profits. Further unrecognised tax losses of £586.9 million also exist at 31 December 2013 (2012: £470.4 million) of which £29.8 million (2012: £44.2 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.

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2013

13. DIVIDENDS

	2013 £m	2012 £m
ORDINARY DIVIDENDS PAID		
Interim dividend for 2013@4.9 pence per share	36.3	–
Final dividend for 2012@9.9 pence per share	73.4	–
Interim dividend for 2012@4.9 pence per share	–	36.4
Final dividend for 2011@9.9 pence per share	–	73.3
TOTAL DIVIDENDS	109.7	109.7

The Board recommends a final dividend for 2013 of 9.9 pence which will result in a distribution of £73.4 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2013 is 14.8 pence (2012: 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 (2012: 1.2 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 1.0 million shares (2012: 1.2 million) being the actual number of shares held on trust for employee share schemes at year end.

14(i) – Earnings per ordinary share (EPS)

	2013			2012		
	EARNINGS £m	SHARES MILLION	PENCE PER SHARE	EARNINGS £m	SHARES MILLION	PENCE PER SHARE
BASIC EPS	210.6	741.0	28.4	(197.3)	740.7	(26.6)
Dilution adjustments:						
Share options and save as you earn schemes	–	0.1	–	–	–	–
DILUTED EPS	210.6	741.1	28.4	(197.3)	740.7	(26.6)
Adjustments to profit before tax[1]	(78.0)		(10.6)	347.1		46.8
Tax adjustments:						
– deferred tax on investment property which does not crystallise unless sold	1.0		–	(2.2)		(0.3)
– other tax	(0.8)		–	(4.6)		(0.6)
Non-controlling interest on adjustments	(1.4)	–	(0.1)	–	–	–
EPRA EPS	131.4	741.0	17.7	143.0	740.7	19.3

1 Details of adjustments are included in note 2.

14. EARNINGS AND NET ASSETS PER SHARE CONTINUED

14(ii) – Net assets per share (NAV)

	2013			2012		
	EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS £m	SHARES MILLION	PENCE PER SHARE	EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS £m	SHARES MILLION	PENCE PER SHARE
BASIC NAV	2,344.7	741.2	316	2,235.0	740.9	302
Dilution adjustments:						
Share options and save as you earn schemes	–	0.1	–	–	–	–
DILUTED NAV	2,344.7	741.3	316	2,235.0	740.9	302
Fair value adjustment in respect of debt – Group	(258.5)		(35)	(303.0)		(41)
Fair value adjustment in respect of debt – Joint ventures	(3.6)		–	–		–
Fair value adjustment in respect of trading properties – Group	4.2		1	4.2		1
Fair value adjustment in respect of trading properties – Joint ventures	–		–	3.7		–
EPRA TRIPLE NET NAV (NNNAV)	2,086.8	741.2	282	1,939.9	740.9	262
Fair value adjustment in respect of debt – Group	258.5		35	303.0		41
Fair value adjustment in respect of debt – Joint ventures	3.6		–	–		–
Fair value adjustment in respect of interest rate swap derivatives – Group	(67.9)		(9)	(103.3)		(14)
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	2.8		–	7.5		1
Deferred tax in respect of depreciation and valuation surpluses – Group	14.9		2	28.9		4
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	13.9		2	–		–
EPRA NAV	2,312.6	741.2	312	2,176.0	740.9	294

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15. PROPERTIES
15(i) – Investment properties

	COMPLETED £m	DEVELOPMENT £m	TOTAL £m
AT 1 JANUARY 2012	3,898.2	334.0	4,232.2
Exchange movement	(26.9)	(4.4)	(31.3)
Property acquisitions	149.8	3.2	153.0
Additions to existing investment properties	28.2	102.1	130.3
Disposals	(501.6)	(18.4)	(520.0)
Transfers on completion of development	153.3	(153.3)	–
Transfers from trading properties	19.3	8.1	27.4
Revaluation deficit during the year	(265.8)	(17.4)	(283.2)
AT 31 DECEMBER 2012	3,454.5	253.9	3,708.4
Add tenant lease incentives, letting fees and rental guarantees	87.3	–	87.3
TOTAL INVESTMENT PROPERTIES	3,541.8	253.9	3,795.7

	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

Investment properties are stated at fair value as at 31 December 2013 based on external valuations performed by professionally qualified valuers. The Group's wholly owned property portfolio is valued at 31 December 2013 by CBRE Ltd. Valuations for the joint venture properties within the UK were performed by Jones Lang LaSalle (APP and LPP) and CBRE Ltd (Big Box). Valuations for the joint venture properties in Continental Europe were performed by CBRE Ltd. 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 and Jones Lang LaSalle 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. Both 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, £4.8 million (2012: £27.4 million) of trading properties were transferred to investment properties in line with the accounting policy set out in note 1.

All properties are freehold. In the prior year long-term leasehold values within investment properties amounted to £9.2 million.

Prepaid operating lease incentives at 31 December 2013 were £44.9 million (2012: £56.5 million).

15. PROPERTIES CONTINUED

15(ii) – Trading properties

	COMPLETED £m	DEVELOPMENT £m	TOTAL £m
AT 1 JANUARY 2012	193.7	67.2	260.9
Exchange movement	(4.3)	(1.6)	(5.9)
Additions	1.9	11.0	12.9
Disposals	(21.6)	(1.2)	(22.8)
Transfers on completion of development	5.5	(5.5)	–
Transfers to investment properties	(19.3)	(8.1)	(27.4)
Increase in provision for impairment during the year	(16.3)	(8.6)	(24.9)
AT 31 DECEMBER 2012	139.6	53.2	192.8
Add tenant lease incentives, letting fees and rental guarantees	0.5	–	0.5
TOTAL TRADING PROPERTIES	140.1	53.2	193.3

	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

Trading properties were externally valued, as detailed in note 15(i), resulting in an increase in the provision for impairment of £15.2 million (2012: £24.9 million). Based on the fair value at 31 December 2013, the portfolio has an unrecognised surplus of £4.2 million (2012: £4.2 million).

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15. PROPERTIES CONTINUED
15(iii) – 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 2013 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 a 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, the fair value is usually calculated by estimating the fair value of the completed property (using the above mentioned methodology) less estimated costs to completion.

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, for example, an increase in rent may be offset by an increase in yield.

	VALUATION				INPUTS			
BY ASSET TYPE	COMPLETED £m	OWNER OCCUPIED £m	LAND & DEVELOPMENT[2] £m	COMBINED PROPERTY PORTFOLIO £m	ERV £ per sq m[3]	ERV RANGE £ per sq m[3]	NET TRUE EQUIVALENT YIELD[1] %	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.

15. PROPERTIES CONTINUED

BY GEOGRAPHY	VALUATION				INPUTS			
	COMPLETED £m	OWNER OCCUPIED £m	LAND & DEVELOPMENT[2] £m	COMBINED PROPERTY PORTFOLIO £m	ERV £ per sq m[3]	ERV RANGE £ sq m[3]	NET TRUE EQUIVALENT YIELD[1] %	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.

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16. FINANCE LEASE RECEIVABLES
The Group has leased out investment properties under a finance lease. This was presented as finance lease receivables rather than investment property. A reconciliation between finance lease receivables and the present value of the minimum lease payments receivable at the balance sheet date is as follows:

	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	2013 £m	2012 £m	2013 £m	2012 £m
AMOUNTS RECEIVABLE UNDER FINANCE LEASES:				
Within one year	–	0.6	–	–
In the second to fifth years inclusive	–	2.5	–	0.3
Later than five years	–	19.7	–	7.8
	–	22.8	–	8.1
Less unearned finance income	–	(14.7)	–	n/a
PRESENT VALUE OF MINIMUM LEASE PAYMENTS RECEIVABLE	–	8.1	–	8.1
ANALYSED AS:				
Non-current finance lease receivables	–	22.2	–	8.1
Current finance lease receivables	–	0.6	–	–
TOTAL FINANCE LEASE RECEIVABLES	–	22.8	–	8.1

The Group received an early repayment of its finance lease receivable during the year. The fair value at 31 December 2012 was £8.1 million and the unguaranteed residual value of assets leased under finance leases was £1.4 million.

The interest rate inherent in the lease was fixed at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at 31 December 2012 was 6.7 per cent.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2013 £m	2012 £m
VALUATION AT 1 JANUARY	15.5	18.3
Exchange movement	(0.1)	(0.7)
Fair value movement – other comprehensive income	(1.5)	–
Disposals and return of capital	(1.8)	(2.1)
VALUATION AT 31 DECEMBER	12.1	15.5

Available-for-sale investments comprise holdings in private equity funds investing in the UK, Continental Europe and USA.

18. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
CURRENT				
Trade receivables	21.1	41.4	–	–
Other receivables	187.3	63.2	1.1	0.5
Prepayments and accrued income	6.5	9.4	4.9	5.7
Fair value of interest rate swaps – non hedge	13.8	–	13.8	
Fair value of forward foreign exchange and currency swap contracts – non hedge	6.6	0.4	6.6	0.4
Fair value of forward foreign exchange and currency swap contracts – hedge	4.1	–	4.1	–
Amounts due from related parties	3.9	3.8	–	–
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	243.3	118.2	30.5	6.6
NON-CURRENT				
Other receivables	0.4	0.3	–	–
Fair value of interest rate swaps – non hedge	65.2	145.9	65.2	145.9
TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES	65.6	146.2	65.2	145.9

Included in Group other receivables (current) is £131.1 million (2012: £nil) in respect of deferred consideration due from PSP Investments in connection with the creation of the SELP joint venture.

Group other receivables (current) also include tax recoverable of £0.1 million (2012: £0.1 million).

Group trade receivables are net of provisions for doubtful debts of £7.7 million (2012: £5.7 million).

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
DUE WITHIN ONE YEAR				
Trade payables	6.5	7.0	–	–
Non-trade payables and accrued expenses	167.9	196.2	34.2	34.0
Fair value of interest rate swaps – non hedge	–	1.6	–	–
Fair value of forward foreign exchange and currency swap contracts – non hedge	0.6	13.5	0.6	14.2
Fair value of forward foreign exchange and currency swap contracts – hedge	–	0.7	–	–
TOTAL TRADE AND OTHER PAYABLES DUE WITHIN ONE YEAR	175.0	219.0	34.8	48.2
DUE AFTER ONE YEAR				
Other payables	0.6	1.1	–	–
Fair value of interest rate swaps – non hedge	11.1	41.0	11.1	37.5
Loans from subsidiaries	–	–	1,120.1	936.5
Amounts due to related parties	3.9	3.5	–	–
TOTAL OTHER PAYABLES DUE AFTER ONE YEAR	15.6	45.6	1,131.2	974.0

Loans from subsidiaries are unsecured and incur interest at market rates.

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20. NET BORROWINGS
20(i) – Net borrowings by type

	GROUP		COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
SECURED BORROWINGS:				
Euro mortgages (repayable within one year or less)	2.7	1.4	–	–
Euro mortgages (repayable in more than one year but less than two)	–	19.1	–	–
Euro mortgages (repayable in more than two years but less than five)	–	20.5	–	–
TOTAL SECURED (ON LAND, BUILDINGS AND OTHER ASSETS)	2.7	41.0	–	–
UNSECURED BORROWINGS:				
BONDS				
5.25% bonds 2015	106.9	106.2	109.9	110.9
6.25% bonds 2015	99.9	99.8	99.9	99.8
5.5% bonds 2018	199.0	198.9	199.0	198.9
6.0% bonds 2019	171.6	170.5	181.3	181.9
5.625% bonds 2020	248.1	247.9	248.1	247.9
6.75% bonds 2021	297.1	296.9	297.1	296.9
7.0% bonds 2022	149.2	149.1	149.2	149.1
6.75% bonds 2024	221.9	221.7	221.9	221.7
5.75% bonds 2035	198.2	198.1	198.2	198.1
	1,691.9	1,689.1	1,704.6	1,705.2
Bank loans and overdrafts	(1.7)	376.8	(1.7)	375.6
TOTAL UNSECURED	1,690.2	2,065.9	1,702.9	2,080.8
TOTAL BORROWINGS	1,692.9	2,106.9	1,702.9	2,080.8
Cash and cash equivalents	(233.8)	(16.6)	(220.0)	(5.0)
NET BORROWINGS	1,459.1	2,090.3	1,482.9	2,075.8

The maturity profile of borrowings is as follows:

	GROUP		COMPANY	
MATURITY PROFILE OF BORROWINGS	2013 £m	2012 £m	2013 £m	2012 £m
In one year or less	2.6	54.8	–	52.1
In more than one year but less than two	206.5	100.2	209.5	81.1
In more than two years but less than five	197.7	468.7	197.7	453.1
In more than five years but less than ten	866.0	1,063.3	875.6	1,074.7
In more than ten years	420.1	419.9	420.1	419.8
In more than one year	1,690.3	2,052.1	1,702.9	2,028.7
TOTAL BORROWINGS	1,692.9	2,106.9	1,702.9	2,080.8
Cash and cash equivalents	(233.8)	(16.6)	(220.0)	(5.0)
NET BORROWINGS	1,459.1	2,090.3	1,482.9	2,075.8

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 53.

Bank loans and overdrafts include capitalised finance costs on committed facilities which were undrawn at year end.

20. NET BORROWINGS CONTINUED

MATURITY PROFILE OF UNDRAWN BORROWING FACILITIES	GROUP 2013 £m	GROUP 2012 £m	COMPANY 2013 £m	COMPANY 2012 £m
In one year or less	123.3	42.6	108.3	16.9
In more than one year but less than two	200.0	24.4	200.0	24.4
In more than two years but less than five	425.0	364.9	425.0	364.9
TOTAL AVAILABLE UNDRAWN BORROWING FACILITIES	748.3	431.9	733.3	406.2

20(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 2013 FIXED RATE %	FIXED PERIOD YEARS	FIXED DEBT £m	VARIABLE DEBT £m	TOTAL £m	31 DECEMBER 2012 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	6.82	15.9	493.9	288.1	782.0	6.86	17.0	491.1	352.9	844.0
Euros	3.73	5.0	608.3	299.5	907.8	5.21	2.7	740.0	518.5	1,258.5
US dollars	–	–	–	3.1	3.1	–	–	–	4.4	4.4
TOTAL BORROWINGS	5.12	9.9	1,102.2	590.7	1,692.9	5.87	8.4	1,231.1	875.8	2,106.9
CASH AND CASH EQUIVALENTS										
Sterling				(221.8)	(221.8)				(9.5)	(9.5)
Euros				(11.4)	(11.4)				(6.9)	(6.9)
US dollars				(0.6)	(0.6)				(0.2)	(0.2)
TOTAL CASH AND CASH EQUIVALENTS				(233.8)	(233.8)				(16.6)	(16.6)
NET BORROWINGS			1,102.2	356.9	1,459.1			1,231.1	859.2	2,090.3

INTEREST RATE PROFILE – COMPANY	31 DECEMBER 2013 FIXED RATE %	FIXED PERIOD YEARS	FIXED DEBT £m	VARIABLE DEBT £m	TOTAL £m	31 DECEMBER 2012 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	6.65	15.6	506.7	288.1	794.8	6.64	16.6	507.2	352.8	860.0
Euros	3.73	5.0	608.3	296.7	905.0	5.13	2.9	634.2	582.2	1,216.4
US dollars	–	–	–	3.1	3.1	–	–	–	4.4	4.4
TOTAL BORROWINGS	5.06	9.8	1,115.0	587.9	1,702.9	5.80	9.0	1,141.4	939.4	2,080.8
CASH AND CASH EQUIVALENTS										
Sterling				(217.8)	(217.8)				(4.9)	(4.9)
Euros				(2.2)	(2.2)				(0.1)	(0.1)
TOTAL CASH AND CASH EQUIVALENTS				(220.0)	(220.0)				(5.0)	(5.0)
NET BORROWINGS			1,115.0	367.9	1,482.9			1,141.4	934.4	2,075.8

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21. FINANCIAL INSTRUMENTS AND FAIR VALUES

CATEGORIES OF FINANCIAL INSTRUMENTS

Financial assets in the Group comprise interest rate swaps, foreign exchange contracts and cross currency swap contracts which are categorised as derivatives designated as fair value through the income statement (non-hedge) and forward foreign exchange contracts and cross currency swap contracts designated as net investment hedges. Financial assets also include trade and other receivables, 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, forward foreign exchange contracts, and cross currency swap contracts which are categorised as fair value through the income statement (non-hedge). Financial liabilities also include secured 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, provisions and current tax liabilities, 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 2013 the fair value of £1,691.9 million of unsecured bonds issued was £1,950.4 million (2012: £1,689.1 million compared with £1,992.0 million fair value). Further, at 31 December 2012 the fair value of £41.0 million of secured bank debt was £41.1 million.

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.
- The face value of these borrowings is already included in the Group balance sheet. As the borrowing entity will have unencumbered directly owned property assets exceeding the value of the guaranteed borrowings, the probability of the Parent entity having to recognise any loss in respect to these guarantees is considered to be highly unlikely. Hence no fair value liability has been ascribed to these guarantees in the accounts of the Parent entity.

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 17, 18 and 19. 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 23 to 25. Debt primarily comprises long-term debt issues and drawings against medium-term committed revolving credit facilities from banks as disclosed in note 20.

The Group is not subject to externally imposed capital requirements.

21. 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 55.

The Group's balance sheet translation exposure (including the impact of derivative financial instruments) is summarised below:

	2013			2012		
	EUROS £m	US DOLLARS £m	TOTAL £m	EUROS £m	US DOLLARS £m	TOTAL £m
GROUP						
Gross currency assets	1,248.3	25.2	1,273.5	1,651.6	27.4	1,679.0
Gross currency liabilities	(978.6)	(17.2)	(995.8)	(1,387.9)	(17.7)	(1,405.6)
NET EXPOSURE	269.7	8.0	277.7	263.7	9.7	273.4
COMPANY						
Gross currency assets	849.2	13.8	863.0	1,242.8	13.2	1,256.0
Gross currency liabilities	(1,037.4)	(31.0)	(1,068.4)	(1,268.6)	(30.9)	(1,299.5)
NET EXPOSURE	(188.2)	(17.2)	(205.4)	(25.8)	(17.7)	(43.5)

2013 gross currency liabilities include EUR225.8 million (£188.2 million) and USD28.6 million (£17.2 million) designated as net investment hedges.

2012 gross currency liabilities include EUR31.8 million (£25.9 million) and USD28.6 million (£17.7 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 £13.2 million (2012: £13.6 million), with a sensitivity of £12.8 million against the euro (2012: £12.6 million) and £0.4 million against the US dollar (2012: £1.0 million).

For the Company, the blended sensitivity is £10.7 million (2012: £2.0 million) with a sensitivity of £9.9 million against the euro (2012: £1.2 million) and £0.8 million against the US dollar (2012: £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 forward foreign exchange and currency swap contracts are effectively economic cash flow hedges, using the surplus cash in one currency to fund paying off debt in another currency. These have not been designated as hedges and as a consequence their change in fair value is taken through the income statement.

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21. 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	
	2013 %	2012 %	2013 M	2012 M	2013 £m	2012 £m	2013 £m	2012 £m
GROUP								
ECONOMIC CASH FLOW HEDGES								
Sell euros (buy sterling)	1.19	1.25	862.3	1,055.3	718.6	858.0	6.2	(12.9)
Buy euros (sell sterling)	–	1.22	–	9.7	–	7.8	–	–
Buy US dollars (sell sterling)	1.63	1.60	22.9	21.4	13.8	13.2	(0.2)	(0.2)
Buy Polish złoty (sell sterling)	–	5.01	–	1.1	–	0.2	–	–
Sell Polish złoty (buy sterling)	4.96	–	1.6	–	0.3	–	–	–
NET INVESTMENT HEDGES								
Sell euros (buy sterling)	1.18	1.28	225.8	31.8	188.2	25.9	3.9	(0.7)
Sell US dollars (buy sterling)	1.64	1.62	28.6	28.6	17.2	17.7	0.2	–
TOTAL							10.1	(13.8)
COMPANY								
ECONOMIC CASH FLOW HEDGES								
Sell euros (buy sterling)	1.19	1.25	1,088.1	1,112.4	906.8	904.4	10.1	(13.6)
Buy euros (sell sterling)	–	1.23	–	35.0	–	28.4	–	–
Buy US dollars (sell sterling)	1.63	1.60	22.9	21.4	13.8	13.2	(0.2)	(0.2)
Sell US dollars (buy sterling)	1.64	1.62	28.6	28.6	17.2	17.7	0.2	–
Buy Polish złoty (sell sterling)	–	5.01	–	1.1	–	0.2	–	–
Sell Polish złoty (buy sterling)	4.96	–	1.6	–	0.3	–	–	–
TOTAL							10.1	(13.8)

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 2013 would decrease/increase by £6.8 million (2012: decrease/increase by £6.0 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.

21. 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	
	2013 %	2012 %	2013 £m	2012 £m	2013 £m	2012 £m
GROUP						
In one year or less	–	2.97	–	122.0	–	(1.6)
In more than one year but less than two	–	3.06	–	101.6	–	(4.8)
In more than two years but less than five	0.85	2.35	408.3	593.5	2.1	(36.2)
In more than five years	1.17	–	200.0	–	1.5	–
TOTAL			608.3	817.1	3.6	(42.6)
COMPANY						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	–	2.62	–	40.7	–	(1.3)
In more than two years but less than five	0.85	2.35	408.3	593.5	2.1	(36.2)
In more than five years	1.17	–	200.0	–	1.5	–
TOTAL			608.3	634.2	3.6	(37.5)
RECEIVE FIXED, PAY FLOATING CONTRACTS:						
GROUP						
In one year or less	6.75	–	150.0	–	13.8	–
In more than one year but less than two	5.72	6.75	648.0	250.0	46.7	48.5
In more than two years but less than five	5.95	5.70	350.0	898.0	(0.9)	87.7
In more than five years	6.75	6.75	50.0	50.0	4.7	9.7
TOTAL			1,198.0	1,198.0	64.3	145.9
COMPANY						
In one year or less	6.75	–	150.0	–	13.8	–
In more than one year but less than two	5.72	6.75	648.0	250.0	46.7	48.5
In more than two years but less than five	5.95	5.70	350.0	898.0	(0.9)	87.7
In more than five years	6.75	6.75	50.0	50.0	4.7	9.7
TOTAL			1,198.0	1,198.0	64.3	145.9

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2013

21. 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 (which include unpaid rent and amounts receivable in respect of property disposals) were approximately 1 per cent of total assets at 31 December 2013 and at 31 December 2012. 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:

	2013 £m	2012 £m
0–30 days	**4.4**	9.0
30–60 days	**0.7**	2.6
60–90 days	**0.5**	2.1
90–180 days	**0.7**	0.4
180– days	**0.6**	1.0
Past due but not impaired	**6.9**	15.1
Not due	**14.2**	26.3
TOTAL TRADE RECEIVABLES	**21.1**	41.4

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.

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 Liquidity Position and Going Concern sections in the Financial Review on pages 54 and 55.

21. 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.

	2013						2012					
	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		108.6	0.6	3.9	–	113.1		124.8	1.1	3.5	–	129.4
Non-interest bearing liabilities		2.9	–	–	11.4	14.3		4.7	–	–	23.3	28.0
Variable rate debt instruments	3.3	2.8	–	–	–	2.8	3.2	62.0	102.6	273.4	–	438.0
Fixed rate debt instruments	6.1	105.1	313.4	479.4	1,717.6	2,615.5	6.1	105.3	109.3	499.7	2,010.7	2,725.0
DERIVATIVE FINANCIAL INSTRUMENTS:												
Net settled interest rate swaps		(3.1)	(1.7)	6.0	8.9	10.1		16.3	13.2	9.9	–	39.4
Gross settled foreign exchange – Forward contracts												
– Inflowing		(217.7)	–	–	–	(217.7)		(840.6)	–	–	–	(840.6)
– Outflowing		218.7	–	–	–	218.7		857.3	–	–	–	857.3
TOTAL		217.3	312.3	489.3	1,737.9	2,756.8		329.8	226.2	786.5	2,034.0	3,376.5

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2013

21. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

	2013						2012					
	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		4.5	1,120.1	–	–	1,124.6		4.7	936.5	–	–	941.2
Non-interest bearing liabilities		1.7	–	–	–	1.7		3.6	–	–	–	3.6
Variable rate debt instruments	–	–	–	–	–	–	3.3	59.1	87.0	252.3	–	398.4
Fixed rate debt instruments	6.1	105.1	313.4	479.4	1,717.6	2,615.5	6.1	105.1	105.1	499.7	2,010.7	2,720.6
DERIVATIVE FINANCIAL INSTRUMENTS:												
Net settled interest rate swaps		(3.1)	(1.7)	6.0	8.9	10.1		13.0	11.7	9.9	–	34.6
Gross settled foreign exchange – Forward contracts												
– Inflowing		(217.7)	–	–	–	(217.7)		(840.6)	–	–	–	(840.6)
– Outflowing		218.7	–	–	–	218.7		857.3	–	–	–	857.3
TOTAL		109.2	1,431.8	485.4	1,726.5	3,752.9		202.2	1,140.3	761.9	2,010.7	4,115.1

22. 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 (2012: £1.3 million).

All four defined benefit schemes are closed to new members. Valuation of the schemes has been based on the most recent actuarial valuations: 31 March 2010 for the SEGRO scheme, 5 April 2010 for the Bilton scheme, 31 December 2011 for the Brixton scheme and 30 June 2010 for the JSG scheme and updated by the independent actuaries in order to assess the liabilities of the schemes at 31 December 2013. The actuarial valuations for the SEGRO, Bilton and JSG schemes are expected to be completed in 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.

Around 65 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:	2013 %	2012 %
Discount rate for scheme liabilities	4.5	4.5
Rate of inflation (RPI/CPI)	3.6/2.6	3.1/2.5
Rate of increase to pensions in payment in excess of GMP:		
Before April 2003 (SEGRO/Bilton)	4.3/3.3	4.3/2.9
From April 2003 to October 2005	3.4	2.9
After October 2005	2.3	2.0
Rate of general long-term increase in salaries	3.6	4.1

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22. RETIREMENT BENEFIT SCHEMES CONTINUED

COMPOSITION OF SCHEME ASSETS	ANALYSIS OF ASSETS 2013 £m	ANALYSIS OF ASSETS 2012 £m
EQUITIES		
UK	13.2	25.5
US	24.8	23.6
Europe	9.7	10.0
Japan	5.1	4.3
Other	6.0	7.5
GILTS		
UK	66.3	58.3
Other	18.4	–
BONDS		
Corporate	46.9	60.9
Other assets	15.4	3.0
Overall – SEGRO scheme	142.2	132.0
Overall – Bilton scheme	25.0	24.9
Overall – Brixton and JSG scheme	38.6	36.2

Virtually all equity and debt instruments have quoted prices in active markets.

The life expectancies at age 65 are as follows:

	MALE	FEMALE
Current pensioners	24.3	25.6
Future pensioners	26.1	27.6

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 (2012: 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 (2012: one per cent p.a.).

CHARGES ON THE BASIS OF THE ASSUMPTIONS WERE:		2013 £m	2012 £m
(CHARGE)/CREDIT TO GROUP INCOME STATEMENT			
Operating profit:	Current service cost	(0.5)	(0.6)
Net finance costs	Net interest (expense)/income	(0.3)	0.3
Net (charge)/credit to the Group income statement		(0.8)	(0.3)
CHARGE TO GROUP STATEMENT OF COMPREHENSIVE INCOME		(1.2)	(4.9)

All actuarial gains and losses are recognised immediately and relate to continuing operations. The cumulative recognised actuarial losses are £33.3 million (2012: £32.1 million).

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FOR THE YEAR ENDED 31 DECEMBER 2013

22. RETIREMENT BENEFIT SCHEMES CONTINUED

FAIR VALUE OF THE ASSETS AND LIABILITIES OF THE SCHEMES

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

	2013 £m	2012 £m
MOVEMENT IN ASSETS		
1 January	193.1	178.8
Expected return on scheme assets	8.7	9.0
Actuarial gains – changes in financial assumptions	5.5	9.3
Employer cash contributions	5.3	5.0
Member cash contributions	0.1	0.2
Benefits paid	(6.9)	(9.2)
31 December	205.8	193.1
MOVEMENT IN LIABILITIES		
1 January	204.1	189.6
Service cost	0.5	0.6
Interest cost	9.0	8.7
Actuarial losses – changes in demographic assumptions	6.2	2.4
– changes in financial assumptions	0.5	11.8
Benefits paid	(6.9)	(9.2)
Other	0.1	0.2
31 December	213.5	204.1
ANALYSIS OF NET LIABILITIES:		
Market value of schemes' assets	205.8	193.1
Present value of funded schemes' liabilities	(213.5)	(204.1)
RETIREMENT BENEFIT OBLIGATION RECOGNISED IN OTHER PROVISIONS IN THE BALANCE SHEET	(7.7)	(11.0)

The actual return on the scheme assets in the period was a gain of £14.2 million (2012: £18.3 million).

The average duration of the benefit obligations at the end of the reporting period is 20.5 years (2012: 20.5 years) for the SEGRO scheme and 13 years (2012: 13 years) for the other schemes. 7% (2012: 9%) of the liabilities related to active members, 34% (2012: 34%) to deferred and 59% (2012: 57%) to retired members.

The expected employer's contributions to be paid in the year ending 31 December 2014 is £10.4 million (2013: £5.5 million).

23. SHARE CAPITAL AND SHARE-BASED PAYMENTS

SHARE CAPITAL

ISSUED AND FULLY PAID	NUMBER OF SHARES M	PAR VALUE OF SHARES £m
Ordinary shares of 10p each at 1 January 2013	742.1	74.2
Shares issued	0.1	–
ORDINARY SHARES OF 10P EACH AT 31 DECEMBER 2013	742.2	74.2

SHARE-BASED PAYMENTS

The Group operates the Deferred Share Bonus Plan (DSBP), the Long Term Incentive Plan (LTIP), the Share Incentive Plan (SIP), the Global Share Incentive Plan (GSIP), the Brixton Share Incentive Plan (Brixton SIP), Sharesave and the Executive Share Option Plan (ESOP).

23(i) – DSBP

The DSBP is for senior employees whereby a percentage of any payment made under the Bonus Scheme is deferred to shares. The percentage subject to deferral for Executive Directors was increased from 25 per cent in respect of the 2012 bonus to 50 per cent in respect of the 2013 bonus. The scheme is detailed in the Remuneration Report on pages 75 to 91.

	2013 NUMBER	2012 NUMBER
AT 1 JANUARY	572,459	270,246
Shares granted DSBP	146,843	317,231
Shares expired/lapsed	–	(15,018)
AT 31 DECEMBER	719,302	572,459

The 2012 DSBP grant was made on 6 August 2013, based on a 5 August 2013 closing share price of 311.6p.

23(ii) – LTIP

The LTIP is a discretionary employee share scheme. 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 75 to 91. 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. It is anticipated that subsequent awards will vest on four-year performance. The same performance targets will apply to both awards.

	2013 NUMBER	2012 NUMBER
AT 1 JANUARY	8,091,548	6,801,474
Shares granted LTIP	1,926,981	4,558,915
Shares vested	(387,012)	(311,381)
Shares expired/lapsed	(1,497,088)	(2,957,460)
AT 31 DECEMBER	8,134,429	8,091,548

The 2013 LTIP awards were made on 6 August 2013. The calculation of the award was based on a share price of 311.6p, the closing mid-market share price on 5 August 2013. No consideration was paid for the grant of any award.

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FOR THE YEAR ENDED 31 DECEMBER 2013

23. 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 2013 TSR element of the award which uses the Monte Carlo model. The assumptions used are as follows:

DATE OF GRANT	28-APR-10	29-MAR-11	1 MAY-12	6 AUG-13
Market price used for award	314.7p	331.3p	221.1p	311.6p
Risk-free interest rate	1.8%	1.8%	1.8%	1.1%
Dividend yield	4.4%	4.5%	6.6%	4.7%
Volatility	57.0%	54.0%	54.0%	26.0%
Term of option	3 years	3 years	3 years/4 years	4 years
Fair value per share	275.7p	289.0p	183.0p/171.0p	257.6p

23(iii) – 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 2013, participating employees were awarded shares of seven 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.

	2013 NUMBER	2012 NUMBER
AT 1 JANUARY	**323,694**	206,470
Shares granted	128,256	184,759
Shares forfeited	(19,708)	(7,733)
Shares released	(24,575)	(59,802)
AT 31 DECEMBER	**407,667**	323,694

As at 31 December 2013, 425,996 shares (2012: 329,179) are held in the SIP trust.

23(iv) – 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.

	2013 NUMBER	2012 NUMBER
AT 1 JANUARY	**170,945**	100,465
Shares granted	76,493	90,397
Shares released	(11,784)	(12,103)
Shares forfeited	(38,930)	(7,814)
AT 31 DECEMBER	**196,724**	170,945

23(v) – 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. As at 31 December 2013, 3,712 shares (2012: 4,743 shares) were held in trust for the Brixton SIP.

23. SHARE CAPITAL AND SHARE-BASED PAYMENTS CONTINUED

23(vi) – Sharesave

The Group operates an HMRC approved all-employee savings related share option plan. For 2013, 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 2013, the movements in Sharesave options were as follows:

	2013		2012	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
AT 1 JANUARY	**315,833**	**203.4p**	405,930	205.6p
Options granted	**63,581**	**203.2p**	220,577	188.2p
Options exercised	**(22,683)**	**240.7p**	(211,890)	182.0p
Options expired/lapsed	**(41,321)**	**209.8p**	(98,784)	224.3p
AT 31 DECEMBER	**315,410**	**199.8p**	315,833	203.4p

The consideration received by the Company from options exercised during the year was £54,597 (2012: £385,739). The grants made since 7 November 2002 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 BETWEEN	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
19 May 2009	51,587	227.5p	182.0p	0.5%	8.7%	53.0%	2012-2014	61p	59p
29 April 2010	6,810	319.6p	255.7p	1.8%	5.5%	57.0%	2013-2015	112p	118p
28 April 2011	19,628	321.7p	257.4p	1.8%	4.5%	57.0%	2014-2016	119p	128p
30 April 2012	171,432	235.3p	188.2p	1.8%	6.8%	54.0%	2015	67p	N/A
1 May 2013	62,696	254.0p	203.2p	1.1%	5.2%	24.0%	2016	40p	N/A
TOTAL	315,410								

23(vii) – 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.

	2013		2012	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
AT 1 JANUARY	**114,526**	**664.2p**	114,526	664.2p
Options expired/lapsed	**(40,694)**	**618.9p**	–	–
AT 31 DECEMBER	**73,832**	**689.2p**	114,526	664.2p

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2013

23. SHARE CAPITAL AND SHARE-BASED PAYMENTS CONTINUED
The options outstanding at 31 December 2013 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	73,832

A total of 389,242 (2012: 430,359) options exist at 31 December 2013 in relation to the Sharesave and ESOP scheme, with a weighted average remaining contractual life of 1.8 years (2012: 2.4 years).

24. SHARE PREMIUM ACCOUNT

GROUP AND COMPANY	2013 £m	2012 £m
BALANCE AT 1 JANUARY	1,069.9	1,069.5
Shares issued	–	0.4
BALANCE AT 31 DECEMBER	1,069.9	1,069.9

25. OWN SHARES HELD

	GROUP		COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
BALANCE AT 1 JANUARY	7.3	10.2	7.3	10.2
Shares purchased	0.5	0.7	0.5	0.7
Disposed of on exercise of options	(2.5)	(3.6)	(2.5)	(3.6)
BALANCE AT 31 DECEMBER	5.3	7.3	5.3	7.3

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.

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

GROUP	2013 £m	2012 £m
Properties	27.6	62.9

In addition, commitments in the Group's joint ventures at 31 December 2013 (at share) amounted to £16.1 million (2012: £nil million).

27. CONTINGENT LIABILITIES
The Group has given performance guarantees to third parties amounting to £15.4 million (2012: £11.4 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 aggregating nil (2012: £2.4 million) 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 2013 in relation to the representations and warranties provided.

28. OPERATING LEASES

THE GROUP AS LESSOR

Future aggregate minimum rentals receivable under non-cancellable operating leases are:

	GROUP £m	JOINT VENTURES AT SHARE £m	2013 £m	2012 £m
Not later than one year	179.2	63.6	242.8	305.0
Later than one year but not later than five years	472.0	169.5	641.5	800.8
Later than five years	496.3	231.4	727.7	814.3
BALANCE AT 31 DECEMBER	1,147.5	464.5	1,612.0	1,920.1

THE GROUP AS LESSEE

Future aggregate minimum lease payments on non-cancellable operating leases are:

	2013 £m	2012 £m
Not later than one year	2.2	2.2
Later than one year but not later than five years	2.6	2.8
After five years	0.3	–
TOTAL	5.1	5.0

29. RELATED PARTY TRANSACTIONS

GROUP

Transactions during the year between the Group and its joint ventures are disclosed below:

	2013 £m	2012 £m
New loans during the year	6.9	1.2
Loans outstanding at the year end	260.7	172.1
Dividends received	24.1	18.7
Management fee income	7.1	7.4

COMPANY

Transactions between the Company and its subsidiaries eliminate on consolidation and are not disclosed in this note. Amounts due from subsidiaries are disclosed in note 18 and amounts due to subsidiaries are disclosed in note 19.

None of the above Group or Company balances are secured. All of the above transactions are made on terms equivalent to those that prevail in arm's length transactions.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2013

29. RELATED PARTY TRANSACTIONS CONTINUED

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 58 to 65. Key management personnel compensation is shown in the table below:

	2013 £m	2012 £m
Salaries and short-term benefits	4.1	3.5
Post-employment benefits	0.2	0.1
Share-based payments	0.6	0.6
TOTAL REMUNERATION	4.9	4.2

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 75 to 91.

30. NOTES TO THE CASH FLOW STATEMENTS

30(i) – Reconciliation of cash generated from operations

	GROUP		COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Operating profit/(loss)	372.1	(101.0)	194.7	(159.1)
Adjustments for:				
Depreciation of property, plant and equipment	2.2	3.2	0.2	1.1
Share of profit from joint ventures after tax	(70.6)	(2.7)	–	–
(Profit)/loss on sale of investment properties	(13.0)	28.9	–	–
Gain on sale of investment in joint ventures	–	(0.2)	–	–
Amounts written off on acquisitions	0.2	0.6	–	–
Revaluation (surplus)/deficit on investment and owner occupied properties	(93.8)	284.4	–	–
Loss/(gain) on sale of available-for-sale investments	0.4	(2.4)	–	–
Other income reallocated	–	–	(70.7)	(144.2)
Pensions and other provisions	(3.8)	(3.1)	(155.1)	284.3
	193.7	207.7	(30.9)	(17.9)
CHANGES IN WORKING CAPITAL:				
Decrease in trading properties	11.8	36.6	–	–
(Increase)/decrease in debtors and tenant incentives	(7.9)	(32.5)	0.2	16.8
(Increase)/decrease in creditors	6.4	(6.7)	0.7	0.2
NET CASH INFLOW/(OUTFLOW) GENERATED FROM OPERATIONS	204.0	205.1	(30.0)	(0.9)

30(ii) – Deposits

Term deposits for a period of three months or less are included within cash and cash equivalents.

30. NOTES TO THE CASH FLOW STATEMENTS CONTINUED

30(iii) – Sale of SELP portfolio

The cash flow from the sale of the SELP portfolio is made up as follows:

	£m
Gross proceeds	583.6
Net costs	(10.2)
Property taxes	(6.4)
	567.0
Deferred consideration	(133.3)
Proceeds due	(4.8)
	428.9
Net cash disposed	(27.1)
Other	1.0
NET CASH IN FLOW FROM SALE OF SELP PORTFOLIO	**402.8**

Further detail is given in the Financial Review.

30(iv) – Analysis of net debt

	AT 1 JANUARY 2013 £m	EXCHANGE MOVEMENT £m	CASH FLOW £m	NON-CASH ADJUSTMENTS[1] £m	AT 31 DECEMBER 2013 £m
GROUP					
Bank loans and loan capital	2,130.1	13.9	(431.0)	–	**1,713.0**
Capitalised finance costs	(24.4)	–	–	4.3	**(20.1)**
Bank overdrafts	1.2	–	(1.2)	–	**–**
TOTAL BORROWINGS	2,106.9	13.9	(432.2)	4.3	**1,692.9**
Cash in hand and at bank	(16.6)	(0.4)	(216.8)	–	**(233.8)**
NET DEBT	2,090.3	13.5	(649.0)	4.3	**1,459.1**
COMPANY					
Bank loans and loan capital	2,089.0	12.3	(390.7)	–	**1,710.6**
Capitalised finance costs	(8.2)	–	–	0.5	**(7.7)**
TOTAL BORROWINGS	2,080.8	12.3	(390.7)	0.5	**1,702.9**
Cash in hand and at bank	(5.0)	–	(215.0)	–	**(220.0)**
NET DEBT	2,075.8	12.3	(605.7)	0.5	**1,482.9**

1 The non-cash adjustments relate to the amortisation of issue costs offset against borrowings and gains on the early close out of bank debt.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2013

31. GROUP ENTITIES
The principal entities at 31 December 2013 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 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 Zehnte Grundbesitz GmbH	Germany	100	
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		50
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.

32. SUBSEQUENT EVENTS
Since the year end SELP, in which the Group has a 50 per cent interest, has exchanged contracts to acquire €472 million (£393 million) prime logistics and development land in Germany, Poland and France. Completion is expected later in 2014 and is subject to certain closing conditions.

FINANCIAL STATEMENTS

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS

TABLE 1: EPRA PERFORMANCE MEASURES SUMMARY

		2013		2012	
	NOTES	£m	PENCE PER SHARE	£m	PENCE PER SHARE
EPRA earnings	Table 2	131.4	17.7	143.0	19.3
EPRA NAV	Table 3	2,312.6	312	2,176.0	294
EPRA NNNAV	14	2,086.8	282	1,939.9	262
EPRA net initial yield	Table 4		6.3%		6.8%
EPRA 'topped up' net initial yield	Table 4		6.9%		7.7%
EPRA vacancy rate	Table 5		8.5%		8.2%
EPRA cost ratio (including vacant property costs)	Table 6		24.2%		22.9%
EPRA cost ratio (excluding vacant property costs)	Table 6		19.7%		18.6%

TABLE 2: EPRA INCOME STATEMENT, PROPORTIONAL CONSOLIDATION

		2013			2012		
	NOTES	GROUP £m	JOINT VENTURES £m	TOTAL £m	GROUP £m	JOINT VENTURES £m	TOTAL £m
Gross rental income	2,7	273.8	48.5	322.3	305.4	40.0	345.4
Property operating expenses	2,7	(50.4)	(8.0)	(58.4)	(50.6)	(6.5)	(57.1)
NET RENTAL INCOME		223.4	40.5	263.9	254.8	33.5	288.3
Joint venture management fee income	2,7	7.1	–	7.1	7.4	–	7.4
Administration expenses	2,7	(26.1)	(0.4)	(26.5)	(27.9)	–	(27.9)
EPRA OPERATING PROFIT BEFORE INTEREST AND TAX		204.4	40.1	244.5	234.3	33.5	267.8
Net finance costs (including adjustments)	2,7	(96.6)	(13.9)	(110.5)	(109.6)	(13.3)	(122.9)
EPRA PROFIT BEFORE TAX		107.8	26.2	134.0	124.7	20.2	144.9
Tax on EPRA profit	2,7	(2.7)	0.1	(2.6)	(1.9)	–	(1.9)
EPRA PROFIT AFTER TAX		105.1	26.3	131.4	122.8	20.2	143.0
Number of shares, million	14			741.0			740.7
EPRA EPS, PENCE PER SHARE	14			17.7			19.3

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2013

TABLE 3: BALANCE SHEET, PROPORTIONAL CONSOLIDATION

		2013			2012		
	NOTES	GROUP £m	JOINT VENTURES £m	TOTAL £m	GROUP £m	JOINT VENTURES £m	TOTAL £m
Investment properties	7,15	2,910.0	1,079.6	3,989.6	3,795.7	621.5	4,417.2
Trading properties	7,15	138.7	12.8	151.5	193.3	29.1	222.4
Owner occupied properties		4.1	–	4.1	4.3	–	4.3
TOTAL PROPERTIES		3,052.8	1,092.4	4,145.2	3,993.3	650.6	4,643.9
Investment in joint ventures	7	635.7	(635.7)	–	342.6	(342.6)	–
Other net assets/(liabilities)	2,7	115.3	(27.3)	88.0	(10.6)	(10.7)	(21.3)
Net debt	20,7	(1,459.1)	(429.4)	(1,888.5)	(2,090.3)	(297.3)	(2,387.6)
TOTAL SHAREHOLDERS' EQUITY[1]		2,344.7	–	2,344.7	2,235.0	–	2,235.0
EPRA adjustments	14			(32.1)			(59.0)
EPRA NET ASSET VALUE	14			2,312.6			2,176.0
Number of shares, million	14			741.2			740.9
EPRA NAV, PENCE PER SHARE	14			312			294

1 After minority interests.

TABLE 4: EPRA NET INITIAL YIELD AND 'TOPPED-UP' NET INITIAL YIELD

COMBINED PROPERTY PORTFOLIO	NOTES	UK £m	CONTINENTAL EUROPE £m	TOTAL £m
TOTAL PROPERTIES PER FINANCIAL STATEMENTS	Table 3	2,941.9	1,203.3	4,145.2
Add valuation surplus not recognised on wholly owned trading properties[1]		–	4.2	4.2
Other items		(0.3)	(0.4)	(0.7)
COMBINED PROPERTY PORTFOLIO PER EXTERNAL VALUERS' REPORTS		2,941.6	1,207.1	4,148.7
Less development properties (investment, trading and joint ventures)		(136.4)	(211.5)	(347.9)
Owner occupied properties		(2.7)	(1.4)	(4.1)
NET VALUATION OF COMPLETED PROPERTIES		2,802.5	994.2	3,796.7
Add notional purchasers' costs		161.9	91.5	253.4
GROSS VALUATION OF COMPLETED PROPERTIES INCLUDING NOTIONAL PURCHASERS' COSTS	A	2,964.4	1,085.7	4,050.1

		£m	£m	£m
INCOME				
Gross passing rent[2]		172.1	86.2	258.3
Less irrecoverable property costs		(2.0)	(0.7)	(2.7)
Net passing rent	B	170.1	85.5	255.6
Adjustment for notional rent in respect of rent frees		16.8	8.2	25.0
TOPPED UP NET RENT	C	186.9	93.7	280.6
Including fixed/minimum uplifts in lieu of rental growth		6.9	0.4	7.3
TOTAL TOPPED UP NET RENT		193.8	94.1	287.9

YIELDS		%	%	%
EPRA net initial yield[3]	B/A	5.7	7.9	6.3
EPRA topped up net yield[3]	C/A	6.3	8.6	6.9
Net true equivalent yield		7.2	8.7	7.6

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 In accordance with the Best Practices Recommendations of EPRA.

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TABLE 5: EPRA VACANCY RATE

	2013 £m	2012 £m
Annualised potential rental of vacant premises	25.9	30.4
Annualised potential rental value for the completed property portfolio	304.3	369.4
EPRA VACANCY RATE	8.5%	8.2%

TABLE 6: EPRA COST RATIO

EPRA COST RATIO	NOTES	2013 £m	2012 £m
COSTS			
Property operating expenses[1]	5	50.4	50.6
Administration expenses	6	26.1	27.9
Share of joint venture property operating expenses[2]	7	6.9	4.8
Less:			
Joint venture property management income fee income	4	(5.4)	(4.1)
TOTAL COSTS (A)		78.0	79.2
Group vacant property costs	5	(12.6)	(13.7)
Share of joint venture vacant property costs	7	(1.8)	(1.1)
TOTAL COSTS EXCLUDING VACANT PROPERTY COSTS (B)		63.6	64.4
GROSS RENTAL INCOME			
Gross rental income	4	273.8	305.4
Share of joint venture property gross rental income	7	48.5	40.0
TOTAL GROSS RENTAL INCOME (C)		322.3	345.4
TOTAL EPRA COST RATIO (INCLUDING VACANT PROPERTY COSTS) (A)/(C)		24.2%	22.9%
TOTAL EPRA COST RATIO (EXCLUDING VACANT PROPERTY COSTS) (B)/(C)		19.7%	18.6%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £2.1 million (2012: £2.6 million) (see note 5 for further detail on the nature of costs capitalised).

2 Share of joint venture property operating expenses after deducting costs related to performance and other fees.

FINANCIAL STATEMENTS

FIVE-YEAR FINANCIAL RESULTS

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
GROUP INCOME STATEMENT					
Net rental income	**223.4**	254.8	271.2	282.1	269.4
Joint venture management fee income	**7.1**	7.4	5.9	1.9	–
Administration expenses, excluding exceptional items	**(26.1)**	(27.9)	(32.1)	(39.2)	(40.3)
Share of joint ventures' EPRA profit after tax	**26.3**	20.2	16.6	10.8	2.8
Net finance costs (including adjustments)	**(96.6)**	(109.6)	(123.1)	(128.3)	(127.6)
EPRA PROFIT BEFORE TAX	**134.1**	144.9	138.5	127.3	104.3
Exceptional administration expenses	**–**	–	–	–	(7.8)
Adjustments to the share of profit/(loss) from joint ventures after tax	**44.3**	(17.5)	10.0	31.1	1.8
Profit/(loss) on sale of investment properties	**13.0**	(28.9)	5.2	(2.8)	(54.7)
Valuation surplus/(deficit) on investment and owner occupied properties	**93.8**	(284.4)	(272.7)	32.4	(271.8)
Profit/(loss) on sale of trading properties	**6.1**	(1.8)	5.2	(0.1)	0.6
Increase in provision for impairment of trading properties	**(15.2)**	(24.9)	(9.1)	(3.6)	(16.1)
Gain/(loss) on sale of investment in joint ventures	**–**	0.2	–	(0.5)	12.9
Other investment (loss)/income	**(0.4)**	2.4	2.4	5.8	(8.0)
(Amounts written off)/gain arising on acquisitions	**(0.2)**	(0.6)	(0.2)	(13.9)	8.6
Net fair value (loss)/gain on interest rate swaps and other derivatives	**(63.4)**	22.9	67.1	21.5	(17.9)
Net loss on early close out of debt	**–**	(14.5)	–	–	–
PROFIT/(LOSS) BEFORE TAX	**212.1**	(202.2)	(53.6)	197.2	(248.1)
GROUP BALANCE SHEET					
Investment properties	**2,910.0**	3,795.7	4,316.6	4,498.3	4,825.3
Owner occupied properties	**4.1**	4.3	6.5	7.8	8.1
Trading properties	**138.7**	193.3	261.4	289.9	337.8
TOTAL DIRECTLY OWNED PROPERTIES	**3,052.8**	3,993.3	4,584.5	4,796.0	5,171.2
Plant and equipment	**4.7**	2.9	5.8	7.3	7.5
Investments in joint ventures	**635.7**	342.6	298.8	279.8	79.3
Other assets	**324.5**	292.0	283.4	169.8	148.6
Cash and cash equivalents	**233.8**	16.6	21.2	44.6	112.7
TOTAL ASSETS	**4,251.5**	4,647.4	5,193.7	5,297.5	5,519.3
Borrowings	**(1,692.9)**	(2,106.9)	(2,324.6)	(2,247.8)	(2,532.8)
Deferred tax provision	**(11.4)**	(23.3)	(25.2)	(47.9)	(56.9)
Other liabilities and non-controlling interests	**(202.5)**	(282.2)	(288.4)	(291.5)	(337.1)
TOTAL SHAREHOLDERS' EQUITY	**2,344.7**	2,235.0	2,555.5	2,710.3	2,592.5
TOTAL MOVEMENT IN SHAREHOLDERS' EQUITY					
Profit/(loss) attributable to equity shareholders	**210.6**	(197.3)	(30.4)	210.3	(233.1)
Other equity movements	**(100.9)**	(123.2)	(124.4)	(92.5)	818.1
	109.7	(320.5)	(154.8)	117.8	585.0
DATA PER ORDINARY SHARE (PENCE)					
EARNINGS PER SHARE					
Basic earnings/(loss) per share	**28.4**	(26.6)	(4.1)	28.5	(41.3)
EPRA earnings per share	**17.7**	19.3	18.4	17.1	18.3
NET ASSETS PER SHARE BASIC					
Basic net assets per share	**316**	302	345	366	354
EPRA net assets per share	**312**	294	340	376	368
DIVIDEND PER SHARE	**14.8**	14.8	14.8	14.3	14.0

FINANCIAL INFORMATION

FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

FEBRUARY 2014		
Payment:	6¾ per cent bonds 2024 interest	24 February
Announcement of year-end results:		26 February
MARCH 2014		
Payment:	7 per cent bonds 2022 interest	14 March
Ex-dividend date for final dividend:	Property Income Distribution	26 March
Record date:	Property Income Distribution	28 March
Payment:	6 per cent bonds 2019 interest	31 March
APRIL 2014		
Final date for DRIP election:	Property Income Distribution	15 April
Payment:	5¼ per cent bonds 2015 interest	22 April
Annual General Meeting:		30 April
MAY 2014		
Payment:	Property Income Distribution	9 May
Payment:	6¾ per cent 2021 interest	23 May
JUNE 2014		
Payment:	5½ per cent bonds 2018 interest	20 June
Payment:	5¾ per cent bonds 2035 interest	20 June
JULY 2014		
Announcement of half year results:		31 July
AUGUST 2014		
Payment:	6¾ per cent bonds 2024 interest	26 August
SEPTEMBER 2014		
Payment:	7 per cent bonds 2022 interest	15 September
Payment:	6¼ per cent bonds 2015 interest	30 September
Payment:	6 per cent bonds 2019 interest	30 September
OCTOBER 2014		
Payment:	Property Income Distribution &/or Dividend	October
Payment:	5¼ per cent bonds 2015 interest	21 October
NOVEMBER 2014		
Payment:	6¾ per cent bonds 2021 interest	24 November
DECEMBER 2014		
Payment:	5⅝ per cent bonds 2020 interest	8 December

FINANCIAL INFORMATION CONTINUED

ANALYSIS OF SHAREHOLDERS – 31 DECEMBER 2013

SHAREHOLDER ANALYSIS

RANGE	HOLDERS	% OF HOLDERS	SHARES	% OF SHARES
1 – 1,000	5,670	61.03	1,453,184	0.20
1,001 – 10,000	2,752	29.62	8,775,808	1.18
10,001 – 100,000	534	5.75	18,228,594	2.46
100,001 – 1,000,000	241	2.59	88,447,190	11.92
1,000,001+	94	1.01	625,304,873	84.24
TOTALS	**9,291**	**100**	**742,209,649**	**100**

CATEGORY ANALYSIS

CATEGORY	HOLDERS	% OF HOLDERS	SHARES	% OF SHARES
Individual (certificated)	6,972	75.04	12,175,252	1.64
Individual (uncertificated)	201	2.16	1,175,191	0.16
Nominee and Institutional Investors	2,118	22.80	728,859,206	98.20
TOTALS	**9,291**	**100**	**742,209,649**	**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, 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 now have the opportunity to elect to receive shareholder communications electronically, e.g. Annual Reports, Interim 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 30 April 2014 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 onto 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 the Group's overseas operations.

DIVIDEND REINVESTMENT PLAN

SEGRO operates a Dividend Reinvestment Plan (DRIP) in respect of PIDs and ordinary cash dividends. You can join the DRIP online at www.shareview.co.uk/products/pages/applyforadrip.aspx (where you can also view the DRIP terms and conditions) or by completing a DRIP mandate form. If you wish to receive a hard copy of the DRIP terms and conditions or the DRIP mandate form please contact Equiniti (see shareholder enquiries). The DRIP costs and charges are detailed in the DRIP terms and conditions.

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, who have 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 (not to complete lettings), including attributable interest.

ESTIMATED RENTAL VALUE (ERV)
The estimated annual market rental value of lettable space as determined biannually by the Company's valuers. This will normally be different from the rent being paid.

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, 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 50-50 joint venture between SEGRO and Moorfield Real Estate Fund II (MREF II).

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.

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.

RENT ROLL
See Passing Rent.

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 balance sheet date plus future development costs and estimated finance costs to completion.

The printer and paper mill are both accredited with ISO14001 Environmental Management System and are both Forest Stewardship Council® certified.
CPI Colour is a Carbon Neutral printing company.

Designed and produced by www.ry.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

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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 2013 Property Analysis Booklet. Simply visit www.segro.com for this document and further information on Sustainability.

FORWARD LOOKING STATEMENTS

This Annual Report contains certain forward looking statements with respect to SEGRO's expectations and plans, strategy, management objectives, future developments and performance, costs, revenues and other trend information. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. 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 speak only as of the date they are made. SEGRO does not undertake to update forward looking statements to reflect any changes in events, conditions or circumstances on which any such statement's based. Nothing in this Annual Report should be construed as a profit forecast. Past share performance cannot be relied on as a guide to future performance.

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