PRESS RELEASE

19 FEBRUARY 2016

SEGRO plc

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

SEGRO plc ('SEGRO' / 'Company' / 'Group') today announces its results for the year ended 31 December 2015.

- **Strong operating and portfolio performance** reflects the active management of our assets, positive market dynamics and the strategic repositioning of our portfolio, which is now almost exclusively focused on industrial and logistics properties. Occupier and investor appetite for modern warehouses in prime locations continues to be underpinned by a favourable macro-economic environment, limited supply of new space and structural changes in the nature of consumer demand towards online and convenience retailing. Retailers, parcel delivery companies and third party logistics providers are responding to these changes by restructuring their supply chains, in which modern storage and distribution warehouses in the right places play a vital role.

- **IFRS profit before tax of £686.5 million** (2014: £654.4 million) combines higher underlying profits with another year of significant capital value growth.

- **Adjusted EPS of 18.4 pence** represents a 7 per cent increase from 2014 (17.2 pence), driven by improving like-for-like rental income, a record low vacancy rate of 4.8 per cent, new developments, acquisitions and lower financing and operating costs.

- **21 per cent increase in EPRA NAV per share to 463 pence** reflecting capital value increases from a high quality portfolio which has benefited from yield shift and rental growth, particularly in the UK, as well as gains from developments and profits on disposal.

- **Development programme and well-located land bank to drive significant future growth.** The current construction programme and medium term development projects are capable of delivering annual rental income of approximately £109 million, equivalent to 38 per cent of SEGRO's current income stream, over the next five years.

- **Final dividend increased by 3.9 per cent to 10.6 pence** (2014: 10.2 pence).

Commenting on the results, David Sleath, Chief Executive, said:

"2015 has been another very good year for SEGRO and we are reporting strong results. The outlook for occupational demand remains encouraging and the new year has started well, with a healthy pipeline of lettings and new development opportunities. Whilst there are a number of broader economic and geopolitical uncertainties, we are confident that our portfolio is well positioned to be able to deliver growth and outperform the wider property market."

FINANCIAL AND OPERATING HIGHLIGHTS[1]

Strong operating performance across the Group

- **4.2 per cent like-for-like net rental income growth**, including 5.2 per cent in the UK and 1.2 per cent in Continental Europe.
- **11 per cent increase in new rent contracted** to £39.3 million (2014: £35.4 million), including £18.7 million from standing stock and £14.1 million from new development pre-let agreements.
- **Completed developments added £9.9 million of annualised rental income** (£11.8 million when fully leased). Additionally, the committed development pipeline is 61 per cent pre-let and expected to deliver £26.1 million of annualised rental income when completed and fully leased.
- **Vacancy rate improved further to 4.8 per cent** (31 December 2014: 6.3 per cent) largely due to strong net absorption of existing space and development lettings. Approximately a quarter of current vacant space is in newly completed developments, which we expect to lease in the near future.

Positive asset revaluations across all of our main markets

- **Portfolio capital value growth of 11.1 per cent.** The UK completed portfolio increased by 13.1 per cent (outperforming the MSCI-IPD UK All Industrial Quarterly Index capital return of 10.6 per cent) combining a 30 basis point reduction in equivalent yield, development completions, asset management initiatives and rental value growth of 4.4 per cent. The Continental European completed portfolio increased by 7.9 per cent, reflecting mainly a 100 basis point improvement in equivalent yield. Rental values fell 0.9 per cent for the year overall but were stable in the second half.
- **EPRA NAV per share increased by 21 per cent** to 463 pence (31 December 2014: 384 pence), primarily the result of the improvement in the value of completed assets and development gains.

Investing for growth

- **£719 million of investment in our portfolio**, focused on developing new assets (£164 million) and adding to the land bank (£221 million), as well as £334 million of acquisitions in a number of markets where we wish to build scale: Northern Italy, the Netherlands and the UK.
- **£661 million of disposals** of assets not core to our strategy, including offices in Milan and (post year-end) in Slough which resulted in a **pro forma look-through LTV ratio of 34 per cent** (31 December 2014: 40 per cent).

Outlook

- **Occupational market conditions remain favourable**, particularly in the UK, principally reflecting the structural changes in consumer demand from e-commerce driving retailers to review and re-design their supply chains and fuelling demand for last mile delivery space. The supply of modern, flexible warehouse space has also remained limited, and there are no signs of an impending over-supply.
- **Investment market appetite remains healthy but increasingly selective**, focused on prime buildings in prime locations, where rental growth prospects can justify current yield levels. We see potential for further capital growth across our markets, but the pace is likely to slow, in the UK in particular, and be based more on the prospects for rental growth than on further yield compression.
- **Group's priorities remain focused on disciplined capital allocation and operational excellence.** Notwithstanding broader economic and geopolitical uncertainties, we will continue to actively manage our existing assets and develop modern warehousing on our well-located land bank to take advantage of the favourable supply-demand dynamics in our markets and to drive attractive risk-adjusted returns for our shareholders.

[1] All figures quoted in this statement refer to SEGRO's share, except for land (hectares) and space (square metres) which are quoted at 100 per cent, unless otherwise stated.

FINANCIAL SUMMARY

Income statement metrics	Year to 31 December 2015	Year to 31 December 2014	Change per cent
Adjusted[1] profit before tax (£m)	138.6	129.7	6.9
IFRS profit before tax (£m)	686.5	654.4	4.9
Adjusted[2] earnings per share (pence)	18.4	17.2	7.0
IFRS basic and diluted earnings per share (pence)	91.7	92.0	(0.3)
Dividend per share (pence)	15.6	15.1	3.3

Balance sheet metrics	31 December 2015	31 December 2014	Change per cent
Portfolio valuation (SEGRO share, £m)	5,773	4,801	11.7[5]
EPRA[3 4] net asset value per share (pence)	463	384	20.6
IFRS net asset value per share (pence)	468	390	20.0
Group net borrowings (£m)	1,807	1,679	7.6
Loan to value ratio including joint ventures at share (pro forma) (per cent)[6]	38 (34)	40	–

1 A reconciliation between Adjusted profit before tax and IFRS profit before tax is shown in Note 2 to the consolidated financial statements.

2 A reconciliation between Adjusted earnings per share and IFRS earnings per share is shown in Note 11 to the consolidated financial statements.

3 A reconciliation between EPRA net asset value per share and IFRS net asset value per share is shown in Note 11 to the consolidated financial statements.

4 Calculations for EPRA performance measures are shown in the Supplementary Notes to the consolidated financial statements.

5 Percentage valuation movement during the period based on the difference between opening and closing valuations for completed properties, adjusting for capital expenditure, acquisitions and disposals.

6 LTV ratio at 31 December 2014 stated net of £110 million deferred consideration receivable in relation to the creation of the SEGRO European Logistics Partnership joint venture. Pro forma LTV ratio at 31 December 2015 adjusted for proceeds received post year-end from the sale of the Bath Road office portfolio completed in January 2016.

WEBCAST / CONFERENCE CALL FOR INVESTORS AND ANALYSTS

A live webcast of the results presentation will be available from 09.00 (UK time) at:

http://www.emincote.com/segro012/default.asp

The webcast will be available for replay at SEGRO's website at: http://www.segro.com/investors by the close of business.

A conference call facility will be available at 09:00 (UK time) on the following number:

Dial-in: +44 (0) 20 3059 8125
Access code: SEGRO plc

An audio recording of the conference call will be available until 26 February 2016 on:

UK & International: +44 (0) 121 260 4861
USA: +1 844 230 8058
Access code: 2509192#

A video interview with David Sleath, Chief Executive, discussing the results is now available to view on www.segro.com, together with this announcement, the 2015 Property Analysis Report and other information about SEGRO.

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FINANCIAL CALENDAR

2015 final dividend record date	29 March 2016
2016 final dividend scrip dividend price announced	4 April 2016
Last date for scrip dividend elections	13 April 2016
2015 final dividend payment date	5 May 2016
2016 First Quarter Trading Update	21 April 2016
2016 Interim Results	26 July 2016

ABOUT SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, asset manager and developer of modern warehousing and light industrial property. It owns or manages 6.0 million square metres of space in £6.8 billion of assets (at 31 December 2015, excluding the office portfolio sold in January 2016, SEGRO's share totals £5.5 billion), serving customers from a wide range of industry sectors. Its properties are located around major conurbations and at key transportation hubs across ten European countries, principally in the UK, France, Germany and Poland.

Forward-Looking Statements: This announcement contains certain forward-looking statements with respect to SEGRO's expectations and plans, strategy, management objectives, future developments and performances, costs, revenues and other trend information. These statements are subject to assumptions, risk and uncertainty. Many of these assumptions, risks and uncertainties relate to factors that are beyond SEGRO's ability to control or estimate precisely and which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Certain statements have been made with reference to forecast process changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of SEGRO are based upon the knowledge and information available to Directors on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and SEGRO's shareholders are cautioned not to place undue reliance on the forward-looking statements. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), SEGRO does not undertake to update forward-looking statements to reflect any changes in events, conditions or circumstances on which any such statement is based. Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit forecast.

Neither the content of SEGRO's website nor any other website accessible by hyperlinks from SEGRO's website are incorporated in, or form part of, this announcement.

CHIEF EXECUTIVE'S REVIEW

We have continued to focus on delivering our strategy of creating a portfolio which generates attractive, low risk, income-led returns with above average rental and capital growth when market conditions are positive, and is resilient in a downturn. We seek to enhance returns through development, while ensuring that the short-term income 'drag' associated with holding land does not outweigh the long-term potential benefits.

Fundamental to our strategy are three key pillars of activity which should combine to deliver an attractive, income-led total property return:

- **Disciplined Capital Allocation:** picking the right markets and assets to create the right portfolio shape by actively managing the portfolio composition and adapting our capital deployment according to our assessment of the property cycle.
- **Operational Excellence:** optimising performance from the portfolio through dedicated customer service, expert asset management, development and operational efficiency.
- **Efficient capital and corporate structure:** we aim to underpin the property level returns from our portfolio with a lean overhead structure and appropriate financial leverage through the cycle.

The combination of these three elements should translate into sustainable, attractive returns for our shareholders in the form of progressive dividends and net asset value growth over time.

Our goal is to be the best owner-manager and developer of industrial and warehouse properties in Europe and a leading income-focused REIT, and we have made considerable progress towards this goal over the last four years.

Our portfolio comprises modern big box logistics, urban distribution and light industrial warehouses which are well specified and located, with good sustainability credentials, and which should benefit from a low structural void rate and relatively low-intensity asset management requirements. Our assets are concentrated in the strongest European sub-markets which have attractive property market characteristics, including good growth prospects, limited supply availability and where we already have, or can achieve, critical mass.

ACQUIRING HIGH QUALITY WAREHOUSE ASSETS IN EUROPE

Together with our joint venture partners, we acquired £371 million of assets, our share of which amounted to £334 million, at a blended topped-up net initial yield of 5.8 per cent.

In particular, we acquired £130 million of big box logistics warehouses in the UK through off-market asset swaps, which reduce the earnings dilution from disposals while improving our scale in this attractive asset class.

At the end of June, we completed the acquisition of a 90 per cent stake in Vailog, one of Italy's leading logistics developers. At acquisition, Vailog contained €105 million of standing assets and land (including options over land), primarily in Northern Italy and France, allowing us to establish an immediate strategic big box warehouse presence and operating platform in the important Northern Italy logistics market with opportunities to grow additional scale through development. Since acquisition, we have completed a 92,900 sq m logistics warehouse outside Milan for home improvement retailer Leroy Merlin, and have agreed to develop 72,800 sq m of big box warehouses on land within Vailog for customers including parcel delivery company TNT in France and online fashion retailer OVS in Italy.

Acquisitions: What to expect in 2016

Competition for industrial and logistics properties remains strong so we expect to focus our investment on development, creating modern assets on our well-positioned land bank to take advantage of strong occupier demand and limited supply of competing product.

We will continue to look for further accretive acquisitions where we see value, including through property swap transactions.

Acquisitions completed in 2015

Asset location / type	Purchase price[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics	264.2	5.0	5.9
Urban distribution & light industrial	59.0	5.1	5.1
Other	10.4	6.8	6.8
Land[3]	220.9	n/a	n/a
Total acquisitions completed in 2015	**554.5**	**5.1[2]**	**5.8[2]**

1 Excluding acquisition costs
2 Yield excludes land transactions
3 Land acquisitions are discussed in Future Development Projects

DISPOSING OF NON-STRATEGIC ASSETS

We disposed of £336 million of assets in 2015 at an average 8 per cent premium to 31 December 2014 book values. These reflect an average topped-up initial yield of 6.7 per cent.

The largest disposals agreed during 2015 were of the two remaining office parks in our portfolio. In Italy, we completed the sale of Energy Park, just outside Milan; in the UK, we agreed to sell a portfolio of offices on the Bath Road, adjoining the Slough Trading Estate. These two disposals mean that offices now account for less than 1 per cent of our portfolio, substantially completing our strategy of focusing our asset base on industrial warehouse properties.

We disposed of £114 million of assets as part of property swaps during the year. Older light industrial estates in Radlett, Heathrow and Park Royal were exchanged for two modern big box logistics assets (and a balancing cash payment) in the Midlands and West London, adding to our scale in UK big box logistics warehousing.

We also dissolved the Heathrow Big Box Industrial and Distribution Fund (HBB) joint venture, with M&G Real Estate, ahead of its termination date in June 2016. The joint venture contained two assets, both near Heathrow Airport, of which we took full ownership of one and M&G Real Estate the other. This allowed us to increase our wholly-owned presence in our core Heathrow market while also reducing the number of non-strategic joint ventures in the Group.

We sold €67 million of recently-completed big box assets and development land from our wholly-owned Continental European portfolio to the SEGRO European Logistics Partnership (SELP) joint venture. During the year, we have acquired and completed development of a number of assets which would be suitable for future sale to SELP. We intend to offer these for sale to SELP during 2016.

Disposals: What to expect in 2016

We will continue to identify assets for disposal where we believe that the expected risk-adjusted returns from retaining them are less appealing than the returns offered by other investment opportunities, not least by those from investing in our own development pipeline. We will balance disposal activity with appropriate investment in line with our goal to generate a growing and resilient income stream. Our future asset recycling strategy will be focused on generating sufficient proceeds to fund substantially all of our planned investment in acquisitions and developments.

Disposals completed in 2015

Asset location / type	Gross proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics	77.1	5.8	6.0
Light industrial	158.8	6.6	7.0
Offices	86.0	7.3	7.3
Land	13.7	n/a	n/a
Total disposals completed in 2015	**335.6**	**6.6[1]**	**6.7[1]**
Bath Road office portfolio (sold in January 2016)	*325.0*	*5.6*	*6.3*

1 Yield excludes land transactions

ASSET VALUES CONTINUED TO INCREASE

The strong investor demand for prime European warehouse assets has continued throughout 2015, reflecting an improving economic environment and favourable structural trends in retail distribution, as well as relatively high income yields. Investment demand has caused asset values to rise and yields to fall across almost all of our markets during the year.

The Group's property portfolio totalled £5.7 billion (£7.1 billion of assets under management) at 31 December 2015, prior to disposal of the Bath Road office portfolio. The portfolio valuation, including completed assets, land and buildings under construction, increased by 11.1 per cent on a like-for-like basis (adjusted for capital expenditure and asset recycling during the year). This mainly reflects an 11.7 per cent increase in the value of our completed properties, assisted by an increase in the value of properties under development but offset by a slower increase in the value of our land bank. Rental value growth was a more important driver of the improvement in values in 2015 than it was in 2014 and we expect this trend to continue during 2016.

The UK completed portfolio was the strongest component of performance, delivering a 13.1 per cent valuation uplift, outperforming the MSCI-IPD UK Industrial Quarterly Index which increased by 10.6 per cent. This outperformance reflects the high quality of our portfolio and the continued impact of our asset management initiatives across the business. The capital return on our UK portfolio was driven by the combination of a reduction in the equivalent yield to 5.8 per cent (31 December 2014: 6.3 per cent) and a 4.4 per cent improvement in estimated rental values (2014: 3.2 per cent).

In Continental Europe, the completed portfolio value increased by 7.9 per cent during 2015, representing a marked acceleration from 2014 (2.2 per cent) and from the first half of 2015 (2.3 per cent). The primary driver was an improvement in the portfolio equivalent yield to 6.8 per cent (31 December 2014: 7.9 per cent). Although rental values fell by 0.9 per cent (2014: 1.3 per cent decline), this was caused mainly by a 2.6 per cent decline in Central Europe which was concentrated in the first half of the year. Rental values in Central Europe stabilised in the second half, although there is some continuing pressure on incentives in this region reflecting a competitive market between landlords and developers for customers. Rental values were stable for most of our properties in Germany and showed signs of improvement in France.

More details of our property portfolio can be found in Note 12 to the financial statements and in the 2015 Property Analysis Report available at www.segro.com/investors.

Valuations: What to expect in 2016

Investor demand for industrial and logistics warehouses remains strong but it is becoming more selective on pricing and quality. Prime yields are now below the level they reached at the peak of the last investment cycle but still represent a wide spread over local risk-free bond yields. Over the next year, we expect capital values to be driven more by rental growth than yield compression in the UK, although we see potential for yields to fall further in Continental Europe.

As a result, we expect capital growth rates to slow in 2016, although we do not expect capital values to fall.

<u>Property portfolio metrics at 31 December 2015</u>

		Portfolio value, £m				Yield[2], %		
	Lettable area (100%) sq m	Completed	Land & dvpt	Combined property portfolio	Valuation movement[1 2] %	Net initial %	Net true equivalent %	Vacancy (ERV)[3] %
UK								
Greater London	1,157,288	1,983.1	227.1	2,210.2	15.3	4.3	5.5	5.4
Thames Valley and National Logistics	1,105,132	1,881.8	136.2	2,018.0	10.8	5.1	6.0	5.4
Of which Bath Road office portfolio	*78,869*	*286.1*	*19.9*	*306.0*	*7.4*	*5.9*	*6.5*	*5.4*
UK Total	**2,262,420**	**3,864.9**	**363.3**	**4,228.2**	**13.1**	**4.6**	**5.8**	**5.4**
Continental Europe								
Germany	1,180,785	428.2	64.1	492.3	9.8	5.6	6.3	4.3
Belgium/Netherlands/Austria	288,975	124.0	32.2	156.2	(1.3)	6.5	6.8	4.4
France	1,000,315	379.3	42.9	422.2	10.5	6.7	7.1	1.8
Italy/Spain	162,062	60.8	37.7	98.5	7.1	2.7	6.8	1.0
Poland	1,067,969	289.5	31.2	320.7	6.7	6.7	6.9	4.5
Czech Republic/Hungary	117,255	34.0	20.6	54.6	6.3	6.1	7.1	2.5
Continental Europe Total	**3,817,361**	**1,315.8**	**228.7**	**1,544.5**	**7.9**	**6.1**	**6.8**	**3.4**
GROUP TOTAL	**6,079,781**	**5,180.7**	**592.0**	**5,772.7**	**11.7**	**5.0**	**6.0**	**4.8**

1 Valuation movement 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 completed properties only.
3 Vacancy rate excluding short term lettings for the Group at 31 December 2015 is 6.3 per cent.

OPTIMISING THE PERFORMANCE OF OUR PORTFOLIO

At 31 December 2015, our portfolio comprised two main asset types: light industrial and urban distribution warehouses, and big box logistics warehouses. The demand-supply dynamics differ, varying by both type and by geography.

Urban distribution and light industrial warehouses account for 47 per cent of our portfolio value. They are located mainly on the edges of London, Paris, Düsseldorf, Berlin and Warsaw where land supply is most restricted and demand for warehouse space is strongest, particularly to cater for the needs of last mile delivery.

There are few places where the tension between demand and supply is as acute as it is in London. Industrial land is being lost to infrastructure projects and residential, office and retail uses, at a time when retailers and parcel delivery companies need more urban distribution warehousing to access their consumer base increasingly quickly and efficiently. This tension is manifesting itself in improving lease terms and, particularly in London, higher rental values.

Big box warehouses, classed as those over 10,000 sq m in size, account for 40 per cent of our portfolio value. These are focused on the major logistics hubs and corridors in the UK (South-East and Midlands regions), France (the logistics 'spine' linking Lille, Paris, Lyon and Marseille), Germany (Düsseldorf, Berlin, Leipzig and Hamburg) and Poland (Warsaw, Lodz and Poznan).

Although occupier demand is healthy across all of our markets, the availability of land and competition for customers outside the UK means that new supply often keeps pace with demand, resulting in limited rental growth.

In the UK, the availability of Grade A warehousing in core logistics locations has been particularly low and this has resulted in significant rental growth over the past 18 months. The level of development is now beginning to increase which means we expect that rental growth may slow somewhat, but we do not expect it to reverse. In Continental Europe, there is little speculative construction underway and big box logistics rents are broadly stable, except in Central Europe where the competition for pre-let agreements has caused market rents to fall. There is a risk that this trend will spread into other countries but we do not currently see any signs of significant over-supply in our major markets.

Growing rental income from letting existing space and new developments

During 2015, we contracted new leases and pre-let agreements totalling £39.3 million of annualised rental income. We generated £19.3 million from leases on existing space, offset by £14.1 million of rent lost from space returned to us, resulting in net take-up of £5.2 million of existing space.

Additionally, we contracted £27.9 million of rent from letting up developments completed during 2015 (of which £7.9 million were agreed in prior years).

Summary of key leasing data for 2015[1]

		2015	2014
Take-up of existing space[2] (A)	£m	18.7	19.9
Space returned[3] (B)	£m	(14.1)	(16.1)
NET ABSORPTION OF EXISTING SPACE (A-B)	**£m**	**4.6**	**3.8**
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	0.6	1.0
RENT ROLL GROWTH FROM EXISTING SPACE	**£m**	**5.2**	**4.8**
Take-up of developments completed in the period – pre-let space[2] (D)	£m	7.5	12.6
Take-up of developments completed in the period – speculative space[2] (D)	£m	6.3	3.8
TOTAL TAKE UP[2] (A+C+D)	**£m**	**33.1**	**37.3**
Less take-up of pre-lets signed in prior periods[2]	£m	(7.9)	(12.6)
Pre-lets signed in the period for delivery in later periods [2]	£m	14.1	10.7
RENTAL INCOME CONTRACTED IN THE PERIOD[2]	**£m**	**39.3**	**35.4**
Take-back of space for redevelopment[3]	£m	(1.6)	(4.3)
Retention rate[4]	%	68	68

1 All figures reflect exchange rates at 31 December and include joint ventures at share.
2 Annualised rental income, after the expiry of any rent-free periods.
3 Annualised rental income, excluding space taken back for redevelopment.
4 Headline rent retained as a percentage of total headline rent at risk from break or expiry during the period.

Our customers represent a wide range of industries, allowing us to avoid over-reliance on any single sector or individual customer. Our top 20 customers represent 28 per cent of our rent roll, and our largest customer represents just over 3 per cent.

Take-up reflects the economic and structural trends in our major markets, with 21 per cent of new rent from parcel delivery companies and third party logistics providers, while retailers and manufacturers accounted for 16 per cent and 17 per cent respectively.

Changes in the rent roll from our standing assets is influenced by three main factors: rent agreed at rent reviews and lease renewals, the portfolio's vacancy rate and space returned to us. Overall operating performance is also dependent on pre-let agreements, lease terms agreed and operating cost efficiencies.

- **Rent reviews and lease renewals: uplift of 2.6 per cent.** Rents are improving in our UK markets, especially in London and South-East England. During the year, new rents on review and renewal were 3.3 per cent higher in the UK (in tandem with an improvement in lease terms) and 1.2 per cent lower in our Continental European portfolio. In Continental Europe, the reduced rents on renewal occurred mainly in Central Europe where competition for tenants is greater; they were broadly stable in our other markets.
- **Vacancy improves to 4.8 per cent.** The vacancy rate at 31 December 2015 improved to 4.8 per cent (31 December 2014: 6.3 per cent), of which approximately 20 per cent represents speculative developments completed in 2014 and 2015. Treating short-term lettings as vacant space would increase the vacancy rate to 6.3 per cent (31 December 2014: 7.7 per cent). The average vacancy rate during the year was also lower, at 6.5 per cent compared to 7.7 per cent in 2014. We have reduced our target vacancy rate to between 5 and 7 per cent (from between 6 and 8 per cent) reflecting the improvement in portfolio quality resulting from the repositioning activity undertaken over the past four years. This range allows for temporary volatility arising from the timing of speculative development completions.
- **Retention rate of 68 per cent.** During the year, space equating to £14.1 million (2014: 16.1 million) of rent was returned to us, including £1.3 million of rent lost due to insolvency (2014: £3.8 million). We retained 68 per cent of rent at risk from break or expiry during the year (2014: 68 per cent). During 2016, £28.7 million of rent is at risk from lease break or expiry and, at 31 December 2015, customers in administration represented £0.3 million of annualised rent (31 December 2014: £2.3 million). 77 per cent of customers rated us 'good' or 'excellent' in our annual customer survey, a lower level than in 2014 (86 per cent), reflecting in part market rental growth, but still high by historic standards. We continually seek to improve our customer service and the survey is a useful tool to direct our focus.
- **Lease terms improve.** The level of incentives agreed for new leases (excluding those on developments completed in the year) represented 8.0 per cent of the headline rent, a modest improvement from the 8.5 per cent in 2014 and substantially better than the 11.0 per cent achieved in 2013. Lease lengths also improved to 6.8 years to first break (8.6 years to expiry) as at 31 December 2015, compared to 6.7 years (8.6 years to expiry) at 31 December 2014. Lease terms continue to be longer in the UK (7.5 years to break) than in Continental Europe (5.5 years to break).
- **£20 million of rent contracted from developments.** During the year, we contracted £14.1 million of rent from pre-let agreements during the year (2014: £10.7 million). Parcel delivery and logistics companies account for approximately half of the agreements, including Deutsche Post DHL and Hermes in the UK, TNT in France and Geodis in Germany. Retailers were also prominent, including John Lewis in the UK, and our first pre-lets on land in Italy, acquired with Vailog, to retailer OVS and food distributor Naturasi. We also secured £6.3 million from take-up of space completed speculatively (2014: £3.8 million), the largest of which was a 22,000 sq m warehouse in Rugby to DHL in November.
- **Total cost ratio improves to 22.5 per cent.** Our total cost ratio for 2015 improved to 22.5 per cent (2014: 23.7 per cent). Approximately half of our costs are considered property operating costs, the remainder being central administration costs. Property operating costs fell by £2.8 million, driven mainly by a £5.9 million reduction in vacant property costs. This partly reflects the lower average vacancy rate during the year but was also helped by an increase in out of period credits of £1.8 million which we do not expect to recur in future years.

Asset management: What to expect in 2016

We expect rent roll growth from standing assets to remain positive in 2016. The acceleration of speculative development completions during the year means that the vacancy rate may rise towards the end of the year, but we expect it to remain within our revised range of between 5 and 7 per cent. We will continue to focus on maintaining an efficient cost base.

ENHANCING GROWTH THROUGH DEVELOPMENT

As competition from other investors to acquire standing warehouse assets has increased, the risk-adjusted returns have shifted firmly in favour of development compared to acquiring existing assets. We invested £164 million (SEGRO share) in new developments during 2015 (2014: £157 million) and added 229 hectares to our land bank for £221 million to extend the longevity of our development capacity, particularly around London where demand is strongest.

Development projects completed

We completed 318,000 sq m of new space during the year. These projects were 55 per cent pre-let prior to the start of construction and were 84 per cent let as at 31 December 2015, generating £10 million of annualised gross rent, with a potential further £2 million to come when the remainder of the space is let (SEGRO share). This translates into a yield on total development cost (including land, construction and finance costs) of 8.7 per cent when fully let, substantially higher than yields available on acquisitions of similar quality assets.

Amongst the developments completed in 2015 were a 92,900 sq m logistics warehouse in Italy acquired as part of the Vailog transaction and let to French home improvement company Leroy Merlin, and a 22,000 sq m big box logistics warehouse in Rugby Gateway which we developed speculatively and let to Deutsche Post DHL shortly before completion as a distribution centre to service its contract with fashion retailer TK Maxx.

Active development projects

At 31 December 2015, we had development projects approved, contracted or under construction totalling 407,900 sq m, representing £143 million of future capital expenditure and £26 million of annualised gross rental income (SEGRO share) when fully let. The projects due to complete in 2016 and 2017 are 61 per cent pre-let and will yield 7.6 per cent on total development cost when fully occupied. In addition, we are close to completing a new office building in Slough which we pre-sold as part of the Bath Road portfolio in January 2016.

The strengthening occupier market, particularly in the UK, has given us confidence to develop a larger amount of space speculatively. We will usually build urban warehouses speculatively as occupiers prefer to see the space before committing to a lease. We are more cautious about building big box warehouses speculatively unless they can be leased to multiple parties or are in areas of particular supply constraint, such as in the Midlands in the UK.

Availability of warehouses in the 15,000 to 30,000 sq m size bracket is very short in the Midlands 'golden triangle'. We have agreed to build a 25,000 sq m big box logistics warehouse for Hermes on Rugby Gateway and will complete the logistics park with two speculative big box warehouses totalling 43,700 sq m. These three units account for 40 per cent of our UK pipeline.

We have also commenced speculative development of a number of multi-let industrial estates across our entire portfolio. These are all close to population centres, allowing businesses to access their customers quickly and easily. They are also increasingly popular with local authorities as a means of regenerating brownfield sites, often near the centre of towns, and as a source of employment.

Future development projects

Our land bank identified for future development totalled 472 hectares at the end of 2015, equating to £251 million, or around 4 per cent of our total portfolio (SEGRO share). During 2015, we deployed around 30 per cent of our start-year land bank in our development pipeline. Development is an important source of growth and, in order to ensure an attractive pipeline in the medium term, we have acquired or agreed to acquire a number of further sites in areas experiencing strong demand for warehousing with limited supply, particularly around London.

London's industrial land has been eroding steadily for many years as manufacturing industry in the city declined in favour of the office-based service sector and retail. Recently, however, London's growing population and the consequential need for more housing has accelerated the change of use of industrial land to residential and retail. At the same time, the growing population is spurring greater demand for edge of town warehouse space from parcel delivery companies and retailers which is in increasingly short supply.

We acquired 36 hectares of land in South-East England, both in our heartland of West London and the Thames Valley, and in East London, a key target market for us, where population growth is expected to be fastest as the area undergoes widespread regeneration. We acquired 8 hectares of land in Purfleet and have also been selected as the preferred partner by the Greater London Authority (GLA) to develop 35 hectares of industrial land across five sites known collectively as East Plus. The agreement will give us the right to acquire the land from the GLA on a draw-down basis, minimising the earnings drag of holding non-income producing land on our balance sheet. We estimate that the sites could support around 140,000 sq m of urban distribution and light industrial warehouse space.

The combination of these sites, along the A13 main road between London's inner and outer ring-roads, should provide us with an enviable position in this regenerating area.

The appeal of using light industrial development as a means of regeneration is not limited to London.

- In Cologne, we acquired the former campus of AkzoNobel to create our first multi-let industrial estate in the city and the first phases of development are underway.
- In Paris, we bought an 18 hectare plot of land in the prime logistics hub of Garonor which was formerly a PSA Peugeot Citroën manufacturing facility.
- We bought 11 hectares of brownfield land just outside Vienna which was formerly a research and development and office facility for Novartis. We are in the process of securing a pre-let agreement for a new urban distribution warehouse.

We have also secured land in three further target markets. In Germany, we secured 2 hectares of land on the outskirts of Munich on which we are negotiating to build a distribution warehouse pre-let to a major retailer and, in Spain, we bought a 6 hectare site on the edge of Barcelona which we will prepare for big box logistics use. In Italy, our acquisition of the stake in Vailog has given us access to a 100 hectare land bank in Italy and France which can support 338,000 sq m of big box warehousing, with a further 80 hectares under option.

We estimate that our land bank can support 2.2 million sq m of development over the next five years. Approximately three-quarters of the land bank is suitable for the development of big box logistics warehouses, with much of the remainder being suitable for light industrial development. The prospective capital expenditure associated with these projects is £751 million and we estimate that they could generate £83 million of gross rental income (SEGRO share), representing a yield on total development cost (including land and notional finance costs) of 8.3 per cent. These figures are indicative of our current expectations but are dependent on our ability to secure pre-let agreements, planning permission, construction contracts and on our outlook for occupier conditions in local markets.

Land worth £84 million is either surplus to our near-term requirements or suited to alternative use. The latter includes part of a site we acquired in Hayes, West London, in 2015. The overall site is suited to a combination of industrial and residential development and we are working on a master plan for the entire site which incorporates both uses. The land suitable for industrial use is in our core land bank and we will develop this ourselves. We intend to sell the surplus land once planning permission is granted.

Development: What to expect in 2016

393,000 sq m of new warehouse space in our committed pipeline is expected to complete during 2016, equating to £25 million of potential gross passing rent, of which £15 million is pre-let. We currently expect to invest approximately £300 million in development during 2016 which includes both our committed pipeline and further development opportunities under discussion, including a number of pre-let projects under negotiation or subject to planning.

We have a number of land acquisition opportunities in the pipeline but we expect such opportunities to reduce as land prices rise and potential returns from development moderate. Even without further land acquisitions, we have enough land to generate approximately £109 million of new rent from current and future development over the next five years, equating to 38 per cent of our current rent roll.

Further details of our completed and active development projects are available in the 2015 Property Analysis Report, which is available to download at www.segro.com/investors.

CREATING A STRONG AND RESILIENT CAPITAL BASE

Net debt, including our share of joint venture net debt, increased by £153 million during the year to £2.2 billion. The loan to value ratio (LTV) improved to 38 per cent (31 December 2014: 40 per cent) due mainly to the 11.1 per cent increase in the value of our portfolio. Adjusting for the disposal of the Bath Road office portfolio reduces our LTV to a pro forma level of 34 per cent.

The movement in net debt is largely a function of £719 million of investment (SEGRO share) in developments and acquisitions, offset by £336 million of disposals. We also received €154 million from our SELP joint venture partner which represents consideration agreed at the time of the creation of SELP but deferred for two years. This was used to fund the repayment of two bonds totalling £208 million which matured in the second half of the year, the remainder being funded from existing resources.

We estimate that our portfolio would have to fall in value by 47 per cent before breaching the tightest covenants on our debt. To put this into context, our portfolio fell in value by approximately 35 per cent between the peak in 2007 and the trough in 2012, our portfolio today is of substantially better quality than it was in 2007, and we believe that the potential for a market correction of the magnitude of 2008/09 is relatively low.

The euro weakened by 10 per cent against sterling during the year. We have maintained a high degree of hedging to protect our balance sheet and earnings from the impact of future volatility. Our net assets are 90 per cent hedged and our euro earnings are 69 per cent hedged against movements in the euro-sterling exchange rate. Further details can be found in the Financial Review.

Capital structure: what to expect in 2016

We expect to invest approximately £300 million (SEGRO share) in development and refurbishment capital expenditure during 2016. At 31 December 2015, adjusted for disposals in early 2016, we had £503 million of cash and bank credit facilities available to us to fund these commitments.

Assuming capital values remain unchanged and depending on any acquisitions and disposals, we expect the LTV ratio to remain well below 40 per cent for the coming year.

DIVIDEND INCREASE REFLECTS A STRONG YEAR AND CONFIDENCE FOR THE FUTURE

Under the UK REIT rules, we are required to pay out 90 per cent of UK-sourced, tax-exempt rental profits as a 'Property Income Distribution' (PID). Since we also receive income from our properties in Continental Europe, our total dividend should normally exceed this minimum level and we target a payout ratio of 85 to 95 per cent of Adjusted EPS.

We aim to deliver a progressive and sustainable dividend which grows in line with our profitability in order to achieve our goal of being a leading income-focused REIT.

The Board has concluded that it is appropriate to recommend an increase in the final dividend per share of 0.4 pence to 10.6 pence (2014: 10.2 pence) which will be paid as a PID. The Board's recommendation is subject to approval by shareholders at the Annual General Meeting, in which event the final dividend will be paid on 5 May 2016 to shareholders on the register at the close of business on 29 March 2016.

In considering the final dividend, the Board took into account:

- the policy of paying out between 85 and 95 per cent of Adjusted EPS;
- the desire to ensure that the dividend is sustainable and progressive throughout the cycle; and
- the results for 2015 and the outlook for earnings.

The total dividend for the year will, therefore, be 15.6 pence, a rise of 3.3 per cent on 2014 (15.1 pence) and represents payment of 85 per cent of Adjusted EPS; allowing for the pro forma effect of the Bath Road office portfolio disposal, the payout ratio would have been 91 per cent.

The Board has decided to retain a scrip dividend option for the 2015 final dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. In 2015, 30 per cent of the 2014 final dividend and 2 per cent of the 2015 interim dividend was paid in new shares, equating to £21.6 million of cash retained on the balance sheet and 5.1 million new shares being issued.

OUTLOOK: WHAT TO EXPECT FOR SEGRO IN 2016 AND BEYOND

Our portfolio at the end of 2015 is transformed from where it was just four years ago. It is focused on modern, flexible warehouse properties in attractive locations where occupier and investor demand are expected to be enduring and where we have a strong market position. Equally, our sources of income are very well spread across a diversified customer base and we have a much leaner cost base.

The operating prospects for the business are encouraging. We are experiencing strong or improving occupier demand from a wide range of customers and industries — including retailers, parcel delivery companies and third party logistics providers — for modern, well-located warehouses to cater for the growing consumer appetite for goods ordered online and delivered conveniently. At the same time, the current availability and impending supply of high quality warehousing is modest.

We expect this favourable demand-supply balance to translate into new development opportunities across the portfolio and into further rental growth in our UK portfolio. In Continental Europe, we also anticipate rental growth in our portfolio of smaller, urban warehouses, although we expect rents for Continental European big box logistics warehouses to remain stable due to competitive pressures.

Investor demand for industrial and logistics assets remains strong even though prime yields are now below the level they reached at the peak of the last investment cycle. We expect capital growth rates to slow in 2016 but the prospects for rental growth in our UK portfolio and very low interest rates with the potential for further quantitative easing in Continental Europe are likely to provide support for capital values in 2016.

While there are a number of broader economic and geopolitical uncertainties, we are confident that our portfolio is well positioned to be able to outperform the wider property market.

Our priorities for 2016 and beyond

Our strategy is unchanged from 2011 and is directed at delivering attractive total returns for shareholders in the form of a sustainable, progressive dividend stream and net asset value growth over time. Within the strategic 'pillars', however, our priorities will be different as we move from a period of portfolio transformation to one of growth:

- **Disciplined Capital Allocation.** We will seek to capitalise on the strong market positions we have in South-East England, France, Poland and the Rhine-Rühr region of Germany, while seeking to gain additional scale in UK big box logistics warehousing and in our newer markets such as Italy, Spain and other regions of Germany. We expect our investment activity to focus on development and land acquisitions rather than the acquisition of standing assets although we will remain open to acquisitions where the pricing is attractive. We will also seek to capitalise on the strong investment market by selling more mature assets in order to substantially fund our investment activities.
- **Operational Excellence – Development and Asset Management.** Our development pipeline is an important source of enhanced returns which are largely within our control. We will continue to pursue development opportunities, maintaining a speculative element particularly of light industrial and urban distribution warehouses while occupier demand remains strong. The speed of delivery of warehousing allows us to be sensitive to changing occupier conditions and, if they weaken or if supply by competitors increases too much, we are able to reduce or cease speculative development, focusing instead on securing pre-let agreements.

  Expert asset management and customer service are fundamental to delivering attractive returns through the cycle. We will continue to focus on satisfying our customers, actively managing the portfolio, including maintaining a high occupancy rate, and pursuing further operating and cost efficiencies.
- **Efficient and resilient capital structure.** Having reduced our LTV ratio to 34 per cent following the sale of the Bath Road office portfolio in early 2016, we intend to maintain this ratio at below 40 per cent over the medium term in order to enable us to fund capital expenditure whilst providing appropriate resilience in the event of a property market correction. In this context, our planned capital expenditure for 2016 is expected to be substantially funded from the proceeds of further asset disposals.

In summary, we will continue to be disciplined in what we buy, what we develop and how we manage our assets, seeking to maximise the income return to shareholders, while maintaining an efficient cost base and a conservative financial structure.

FINANCIAL REVIEW

The actions taken to improve the quality of our property portfolio have resulted in a 7 per cent increase in Adjusted profit before tax. EPRA NAV per share increased by 21 per cent to 463 pence and the balance sheet has been strengthened with the LTV ratio having improved from 40 per cent to 38 per cent (34 per cent on a pro forma basis).

Financial highlights

	31 December 2015	**31 December 2014**
Total property return (%)	**18.4**	19.4
IFRS net asset value (NAV) per share (p)	**468**	390
EPRA[1] NAV per share (p)	**463**	384
IFRS profit before tax (£m)	**686.5**	654.4
Adjusted[2] profit before tax (£m)	**138.6**	129.7
IFRS earnings per share (EPS) (p)	**91.7**	92.0
Adjusted[2] EPS (p)	**18.4**	17.2

1 A reconciliation between IFRS NAV and its EPRA equivalent is shown in Note 11.
2 A reconciliation between IFRS profit before tax/EPS and Adjusted profit before tax/EPS is shown in Notes 2 and 11 and a reconciliation between Adjusted profit before tax/Adjusted EPS and their EPRA equivalents are shown in Table 2 of the Supplementary Notes. .

Presentation of financial information

The Group financial statements are prepared under IFRS where the Group's interests in joint ventures are shown as a single line item on the income statement and balance sheet and subsidiaries are consolidated at 100 per cent.

The new Adjusted profit measure more accurately reflects the Group's financial performance and the underlying recurring performance of the property rental business, which is our core operating activity. It is based on the Best Practices Recommendations of the European Public Real Estate Association (EPRA) which are widely used alternate metrics to their IFRS equivalents (further details on EPRA Best Practices Recommendations can be found at www.epra.com). In calculating Adjusted profit, the Directors may also exclude additional items considered to be non-recurring, not in the ordinary course of business, and significant by virtue of size and nature. See Table 2 of the Supplementary Notes for further information on these adjustments, including the adjustment made in 2015.

A detailed reconciliation between Adjusted profit after tax and IFRS profit after tax is provided in Note 2 of the financial statements.

Reconciliations between SEGRO Adjusted metrics and EPRA metrics are provided in the Supplementary Notes to the financial statements, which also include other EPRA metrics as well as SEGRO's Adjusted income statement and EPRA balance sheet presented on a proportionately consolidated basis.

SEGRO monitors these alternative metrics, as well as the EPRA metrics for vacancy rate, net asset value and total cost ratio, as they provide a transparent and consistent basis to enable comparison between European property companies.

ADJUSTED PROFIT

Adjusted profit

	2015 £m	2014 £m
Gross rental income	**210.7**	215.1
Property operating expenses	**(37.7)**	(40.5)
Net rental income	**173.0**	174.6
Joint venture management fee income	**17.0**	11.8
Administration expenses	**(28.5)**	(28.3)
Share of joint ventures' Adjusted profit[1]	**44.4**	46.3
Adjusted operating profit before interest and tax	**205.9**	204.4
Net finance costs (including adjustments)	**(67.3)**	(74.7)
Adjusted profit before tax	**138.6**	129.7
Tax on Adjusted profit	**(1.3)**	(1.9)
Adjusted profit after tax	**137.3**	127.8

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

Adjusted profit before tax increased by 6.9 per cent to £138.6 million (2014: £129.7 million) during 2015 reflecting increased joint venture fees and lower property operating expenses and net finance costs, offset by a reduction in gross rental income due to disposals, and lower surrender premiums and one-off items.

Net rental income

Net rental income fell by £1.6 million to £173.0 million, reflecting the positive net impact of investment activity and development completions during the period, offset by the impact of disposals, the weakening euro and £6.0 million less income from surrender premiums and other one-off items.

On a like-for-like basis, net rental income increased by £7.4 million, or 4.2 per cent, compared to 2014. This is mainly due to rental increases in our UK portfolio and a lower overall vacancy rate during the year which enhanced gross rental income and reduced vacant property costs.

The like-for-like rental growth metric is based on properties held throughout both 2015 and 2014. Where an asset has been sold into a joint venture (transfers into SELP, for example) or purchased from a joint venture (Axis Park was bought by SEGRO from the Heathrow Big Box joint venture), the 50 per cent share owned throughout the period is included in like-for-like calculation, with the balance shown as disposals or acquisitions.

Like-for-like net rental income (including joint ventures at share)

	2015 £m	2014 £m	Change %
UK	**140.8**	133.9	5.2
Continental Europe	**40.8**	40.3	1.2
Like-for-like net rental income	**181.6**	174.2	4.2
Other[1]	**(2.0)**	(2.0)	
Like-for-like net rental income (after Other)	**179.6**	172.2	4.3
Development lettings	**12.5**	2.2	
Properties taken back for development	**0.2**	1.0	
Like-for-like net rental income plus developments	**192.3**	175.4	
Properties acquired	**28.9**	9.9	
Properties sold	**9.9**	37.1	
Net rental income before surrenders, dilapidations and exchange	**231.1**	222.4	
Lease surrender premiums and dilapidation income	**1.6**	4.0	
Other items and rent lost from lease surrenders	**–**	3.6	
Impact of exchange rate difference between periods	**–**	8.0	
Net rental income per financial statements (including joint ventures at share)	**232.7**	238.0	

1 Other includes the corporate centre and other costs relating to the operational business which are not specifically allocated to a geographical business unit.

Income from joint ventures

Joint venture management fee income increased by £5.2 million to £17.0 million. This increase was largely due to higher performance fees from the Airport Property Partnership (APP) joint venture, but also to increased development and management fees from SELP, part of which relates to the size of the portfolio which was €2.1 billion at 31 December 2015, compared to €1.7 billion a year earlier.

SEGRO's share of joint ventures' Adjusted profit after tax fell by £1.9 million, or 4.1 per cent, reflecting the closing of the Logistics Property Partnership (LPP) and Heathrow Big Box (HBB) joint ventures in July 2014 and June 2015 respectively, partly offset by higher income from the SELP joint venture. SEGRO acquired the LPP assets and one of the two assets within HBB and the income from these is now reflected in Group net rental income.

Administrative and operating costs

The Group is focused on managing its cost base and uses a Total Cost Ratio as a key measure of cost management. The Total Cost Ratio for 2015 improved to 22.5 per cent from 23.7 per cent for 2014. The calculation is set out in Table 6 of the Supplementary Notes to the financial statements.

The balance of acquisitions, development completions, rental growth and disposals has slightly reduced the gross rental income (the denominator of this ratio), while total costs have fallen by £5.0 million due to lower property operating expenses.

Within property operating expenses, group vacant property costs fell by £4.1 million to £3.4 million due largely to an increase in out of period credits of £1.8 million, together with a lower average vacancy rate during the year compared to 2014.

Net finance costs

Net finance costs fell by £7.4 million in 2015 to £67.3 million. The decrease is mainly attributable to the impact of interest savings from lower interest rates following the euro interest rate swap portfolio restructuring in April 2015, the impact of the weaker euro and lower commitment fees.

Taxation

The tax charge on Adjusted profit of £1.3 million (2014: £1.9 million) reflects an effective tax rate of 0.9 per cent (2014: 1.5 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 and SIIC status respectively in those countries. This status means that income from rental profits and gains on disposals of assets in the UK and France are exempt from corporation tax, provided SEGRO meets a number of conditions including, but not limited to, distributing 90 per cent of UK taxable profits.

Adjusted earnings per share

Adjusted earnings per share are 18.4 pence (2014: 17.2 pence) reflecting a £9.5 million improvement in Adjusted profit after tax and an increased average number of shares as a result of take-up of the scrip dividend option offered with the 2014 final and 2015 interim dividends.

TOTAL PROPERTY RETURN

The total property return ('TPR') for the portfolio in 2015 (calculated by MSCI Real Estate) was 18.4 per cent, slightly lower than for 2014 (19.4 per cent), reflecting a lower income return due to yield compression during the year. The TPR comprises an income return of 5.3 per cent (2014: 6.1 per cent) and a capital return of 12.4 per cent (12.6 per cent). More detail on the performance of the property portfolio can be found in the Chief Executive's Review.

IFRS PROFIT

IFRS profit before tax in 2015 was £686.5 million (2014: £654.4 million), equating to post-tax IFRS earnings per share of 91.7 pence compared with 92.0 pence for 2014, principally reflecting improved operating earnings and realised and unrealised gains offset by the absence of a tax refund credited in the prior year.

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

Realised and unrealised gains on wholly owned investment and trading properties of £461.5 million in 2015 (2014: £408.6 million gain) have been recognised in the income statement, comprising an unrealised valuation surplus of £439.8 million (2014: £385.6 million surplus) and a profit of £22.9 million on asset disposals (2014: £24.7 million profit), offset by impairment provisions of £1.2 million (2014: £1.7 million) against trading properties where their fair values are deemed to be less than their original cost.

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £125.6 million (2014: £109.4 million) and is further analysed in Note 6.

The Group's trading property portfolio (including its share of joint ventures) has an unrealised valuation surplus of £1.7 million at 31 December 2015 (31 December 2014: £2.3 million surplus) which has not been recognised in the financial statements as these properties are recorded at the lower of cost or fair value. This valuation uplift is, however, recognised in the EPRA net asset value calculation.

IFRS earnings were also impacted by a net fair value loss on interest rate swaps and other derivatives of £23.7 million (2014: £10.9 million gain) and a tax charge of £3.7 million, compared to a credit of £27.6 million in 2014 mainly due to a tax refund related to the disposal of SEGRO's US business in 2007.

BALANCE SHEET

EPRA net asset value

	£m	Shares million	Pence per share
EPRA net assets attributable to ordinary shareholders at 31 December 2014	**2,844.7**	**741.1**	**384**
Realised and unrealised property gain	587.1		79
Adjusted profit after tax	137.3		18
Dividend net of scrip shares issued (2014 final and 2015 interim)	(91.5)	5.2	(15)
Equity close out of interest rate swaps	(24.8)		(2)
Pension settlement costs	(4.8)		(1)
Other	5.4		–
EPRA net assets attributable to ordinary shareholders at 31 December 2015	**3,453.4**	**746.3**	**463**

At 31 December 2015, IFRS net assets attributable to ordinary shareholders were £3,489.9 million (31 December 2014: £2,888.8 million), reflecting 468 pence per share (31 December 2014: 390 pence).

EPRA net asset value per share at 31 December 2015 was 463 pence (31 December 2014: 384 pence), the 21 per cent increase mainly reflecting property gains in the period. The table above highlights the other principal factors behind the increase. A reconciliation between IFRS and EPRA net assets is available in Note 11 to the financial statements.

The £4.8 million pension settlement costs relate predominantly to an agreement reached with an insurance company to commit to a process which will result in the buy-out to secure all member benefits of the Bilton Group pension scheme, one of the Group's legacy defined benefit pension schemes.

During the year, the Group restructured and extended its euro interest rate swap portfolio resulting in a cash close out cost of £24.8 million.

Cash flow and net debt reconciliation

Free cash flow generated from operations was £87.7 million in 2015, a decrease of £35.3 million from 2014 due to lower cash flows from operations owing mainly to the disposal of properties in the prior year, and the cost of the early close out of interest rate swaps. These were partially offset by lower finance costs and the receipt of a tax refund from US tax authorities relating to the disposal of SEGRO's US business in 2007.

On a cash flow basis, which reflects the cash element of property swap transactions and excludes the impact of joint ventures, the Group invested a net £244.5 million in investment properties and development during the year (2014: £160.8 million) as the portfolio reshaping has continued. It received cash from disposals of £226.3 million (2014: £408.7 million) and spent £470.8 million (2014: £247.9 million) to purchase and develop investment properties.

During the year, the Group acquired a 90 per cent interest in Vailog. The impact on net debt was split between £26.4 million of acquisition and transaction costs and the addition of £48.7 million of debt to the Group balance sheet.

The cash flow from the sale of the portfolio into SELP relates to the disposal of wholly owned Continental European logistics assets into a joint venture in which the Group has a 50 per cent interest.

The settlement of foreign exchange derivatives has led to an inflow of £101.1 million as the euro has weakened in the year. Net debt has increased in the year from £1,679.2 million to £1,806.5 million.

In January 2016, the Group completed the disposal of the Bath Road office portfolio which resulted in the receipt of £321 million of net proceeds. The pro forma Group net debt adjusting for this receipt is £1,486 million, representing an 11 per cent decline from 31 December 2014.

A summary of the cash flows for the year are set out in the table below.

Cash flow and net debt reconciliation

	2015 £m	2014 £m
Opening net debt	**(1,679.2)**	(1,459.1)
Cash flow from operations	**123.9**	176.1
Finance costs (net)	**(65.1)**	(72.5)
Early close out of interest rate swaps	**(24.8)**	–
Dividends received (net)	**20.8**	22.2
Tax received/(paid) (net)	**34.5**	(2.8)
Acquisition of Vailog	**(1.6)**	–
Free cash flow	**87.7**	123.0
Dividends paid	**(91.5)**	(109.8)
Purchase and development of investment properties	**(470.8)**	(247.9)
Investment property sales	**226.3**	408.7
Acquisition of Vailog	**(24.8)**	–
Net costs to close out debt/interest rate swaps	**–**	(1.6)
Acquisition of Big Box	**2.6**	–
Net settlement of foreign exchange derivatives	**101.1**	59.2
Acquisition of LPP	**–**	(95.6)
Sale of portfolio into SELP	**119.9**	4.8
Net investment in joint ventures	**(28.0)**	(201.7)
Other items	**3.0**	(0.6)
Net funds flow	**(74.5)**	(61.5)
Non-cash movements	**(3.8)**	(5.1)
Exchange rate movements	**(0.3)**	(0.2)
Debt acquired from Vailog/LPP	**(48.7)**	(153.3)
Closing net debt	**(1,806.5)**	(1,679.2)

Capital expenditure

The table below sets out analysis of the capital expenditure during the year. This includes acquisition and development spend, on an accruals basis, in respect of the Group's wholly-owned investment and trading property portfolios, as well as the equivalent amounts for joint ventures at share.

Total spend for the year is £882.0 million, an increase of £14.7 million compared to 2014. Acquisitions include the £146.6 million purchase of Axis Park from the HBB joint venture. More detail on acquisitions can be found in the Chief Executive's Review, although note that where SEGRO has bought from a joint venture the acquisition is reflected at 50 per cent, unlike in the table below where all acquisitions are recognised at 100 per cent.

Development capital expenditure increased by £7.1 million to £164.4 million, reflecting our stated intention to increase the level of investment in developments, both speculative and pre-let, to take advantage of strong occupier demand for modern space in our markets. Development spend incorporates interest capitalised of £3.0 million (2014: £4.8 million) including joint ventures at share.

Spend on existing completed properties totalled £25.0 million (2014: £25.8 million), of which £17.9 million (2014: £14.5 million) was for value-enhancing major refurbishment and fit-out costs prior to re-letting. The balance mainly comprises infrastructure and more minor refurbishment costs, which equates to 5 per cent of Adjusted profit before tax and 0.1 per cent of our completed portfolio.

The Other category increased by £4.2 million due mainly to tenant incentives associated with increased letting activity during 2014 and 2015.

EPRA capital expenditure analysis

	2015			2014		
	Wholly owned £m	**Joint ventures £m**	**Total £m**	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**602.5[1]**	**72.8**	**675.3**	437.1[1]	234.0	671.1
Development[4]	**144.1[2]**	**20.3**	**164.4**	136.3[2]	21.0	157.3
Completed properties[4]	**18.1[3]**	**6.9**	**25.0**	21.7[3]	4.1	25.8
Other[5]	**13.4**	**3.9**	**17.3**	8.4	4.7	13.1
Total	**778.1**	**103.9**	**882.0**	**603.5**	**263.8**	**867.3**

1 Being £602.5 million investment property and £nil trading property (2014: £437.1 million and £nil million respectively) see Note 12.
2 Being £143.6 million investment property and £0.5 million trading property (2014: £122.7 million and £13.6 million respectively) see Note 12.
3 Being £17.7 million investment property and £0.4 million trading property (2014: £20.2 million and £1.5 million respectively) see Note 12.
4 Includes wholly owned capitalised interest of £2.9 million (2014: £4.4 million) as further analysed in Note 8 and share of joint venture capitalised interest of £0.1 million (2014: £0.4 million).
5 Tenant incentives, letting fees and rental guarantees.

TREASURY POLICIES AND GOVERNANCE

The Group Treasury function operates within a formal treasury policy covering all aspects of treasury activity, including funding, counterparty exposure and management of interest rate, currency and liquidity risks. Group Treasury policies are reviewed by the Board at least once a year, most recently in September 2015.

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

Financial Key Performance Indicators

GROUP ONLY	**31 December 2015 pro forma[4]**	**31 December 2015**	**31 December 2014**
Net borrowings (£m)	1,486	**1,807**	1,679
Available Group cash and undrawn facilities (£m)	503	**234**	429
Gearing (%)	42	**52**	58
Weighted average cost of debt[1] (%)	4.2	**3.7**	4.4
Interest cover[2]	–	**2.5**	2.2
INCLUDING JOINT VENTURES AT SHARE			
Net borrowings (£m)	1,873	**2,193**	2,040
LTV ratio[3] (%)	34	**38**	40
Weighted average cost of debt[1] (%)	3.8	**3.5**	4.2
Average duration of debt (years)	7.0	**6.0**	6.9

1 Based on gross debt, excluding commitment fees and amortised costs.
2 Net rental income/Adjusted net finance costs (before capitalisation).
3 2014 LTV includes £110 million of deferred consideration receivable.
4 Pro forma figures are adjusted for the receipt of the proceeds from the sale of the Bath Road office portfolio in January 2016.

At 31 December 2015, the Group's net borrowings (including the Group's share of borrowings in joint ventures) were £2,193.2 million (31 December 2014: £2,040.4 million).

Excluding the Group's share of borrowings in joint ventures, net borrowings at 31 December 2015 were £1,806.5 million comprising gross borrowings (all but £3.6 million of which were unsecured) of £1,822.9 million and cash and cash equivalent balances of £16.4 million.

The Group's share of the net borrowings in its joint ventures was £386.7 million comprising gross borrowings (all of which were secured on a non-recourse basis to SEGRO) of £428.1 million and cash and cash equivalent balances of £41.4 million.

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 but one of which currently have long-term credit ratings of A– or better.

Funds available (excluding cash and undrawn facilities held in joint ventures) at 31 December 2015 totalled £234.3 million, comprising £16.4 million of cash and short-term investments and £217.9 million of undrawn bank facilities provided by the Group's relationship banks, of which only £5.0 million were uncommitted. Pro forma for the impact of the Bath Road office portfolio disposal, funds availability are £502.9 million.

At 31 December 2015, other than the Airport Property Partnership (APP) facility noted below, there were no debt maturities (bonds, notes and bank facilities) falling due within 12 months and the weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 6.0 years. In January 2016, the £400 million facility for APP was refinanced which, combined with facility cancellation relating to the Bath Road office portfolio disposal, has extended the average maturity to 7.0 years. With only 22 per cent of the Group's drawn debt at 31 December 2015 (13 per cent pro forma for the Bath Road office portfolio disposal) maturing in the next three years and no further debt maturities in 2016, this relatively long average debt maturity translates into a favourable, well spread debt funding maturity profile which reduces future refinancing risk.

During the year we agreed €210.0 million of new committed Group debt facilities with an average initial margin of 105 basis points. On 6 January 2016, a €70.0 million facility was cancelled following the announcement of the sale of the Bath Road office portfolio.

The Group seeks to maintain, over the medium term, an appropriate mix of debt funding between longer-dated core funding provided by bonds, and shorter-dated bank facilities providing funding headroom and more flexible borrowings that are cheaper and easier to repay than bonds.

At 31 December 2015, following the repayment of £208.3 million of sterling bonds during 2015, 82 per cent of the gross borrowings of the Group were bonds and 18 per cent were bank borrowings.

The market value of the gross borrowings of the Group (including debt funding arrangements within joint ventures) at 31 December 2015 was £295.7 million higher than the balance sheet carrying value. This difference mainly relates to the sterling bond portfolio and term debt in joint ventures which have fixed interest coupons above current market rates. The majority (£959 million) of the sterling bonds have been swapped into floating sterling debt or fixed or floating euro debt via a combination of interest rate and currency swaps.

The market value (including accrued interest) of the Group's derivative financial instruments (mainly interest rate and currency swaps used to hedge interest rate and currency exposures) at 31 December 2015 was an asset of £55.8 million (2014: £102.6 million). The decrease during the year was mainly due to cross-currency swap maturities, a stronger euro at the end of the year and a reduction in 2015 of the fair value of the sterling interest rate swaps. These were partially offset by the early settlement and extension of the euro-denominated interest rate swap portfolio in April 2015. These instruments are held at fair value on the Group's balance sheet within debtors and creditors.

GEARING AND FINANCIAL COVENANTS

The loan to value (LTV) ratio of the Group at 31 December 2015 on a look-through basis (including the borrowings and property assets of the Group's share of joint ventures) was 38 per cent. On a wholly owned basis, the LTV ratio of the Group was 40 per cent at 31 December 2015.

With the sale of the Bath Road office portfolio having successfully completed in January 2016, our look-through LTV on a pro forma basis now stands at 34 per cent. This represents a significant reduction from the 40 per cent reported at the end of 2014 and is consistent with our overall objective of delivering attractive risk-adjusted returns. Our intention for the foreseeable future is that we should now aim to keep our LTV below our previously stated mid-cycle target of 40 per cent. This ensures significant headroom compared to our tightest gearing covenants should property values decline, as well as providing the flexibility to take advantage of any opportunities arising.

The gearing ratio of the Group at 31 December 2015, as defined within the principal debt funding arrangements of the Group (excluding debt funding arrangements within joint ventures), was 52 per cent (31 December 2014: 58 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 41 per cent from their 31 December 2015 values to reach the gearing covenant threshold of 160 per cent. When the figures are adjusted for the impact of the Bath Road office portfolio disposal, the gearing ratio falls to 42 per cent and values would need to fall by around 47 per cent to reach the gearing covenant threshold. A 47 per cent fall in property values would equate to a look-through LTV ratio of around 64 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 2015, the Group comfortably met this ratio at 2.5 times. On a look-through basis, including joint ventures, this ratio was 2.8 times.

INTEREST RATE RISK EXPOSURE

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

At 31 December 2015, including the impact of derivative instruments, 75 per cent (2014: 80 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were at fixed rates and the weighted average maturity of fixed cover was 7.4 years. By currency, 71 per cent of the euro denominated net borrowings and 80 per cent of the remaining net borrowings (predominantly sterling) were at fixed rates.

At 31 December 2015 the weighted average interest rate for gross borrowings (excluding those within joint ventures) was 3.7 per cent (4.2 per cent on a pro forma basis adjusting for the Bath Road office portfolio disposal; 2014: 4.4 per cent) before commitment fees and amortised costs.

Including the impact, at share, of gross borrowings in joint ventures, the weighted average interest rate of the Group at 31 December 2015, before commitment fees and amortised costs, was 3.5 per cent (3.8 per cent pro forma; 2014: 4.2 per cent).

As a result of fixed rate cover in place, if short-term interest rates had been 1 per cent higher throughout the year to 31 December 2015, the adjusted net finance cost of the Group would have increased by approximately £5 million, representing around 4 per cent of Adjusted profit after tax.

The Group elects not to hedge account its interest rate derivatives portfolio. Therefore, movements in its fair value are taken to the income statement but, in accordance with EPRA Best Practices Recommendations, these gains and losses are eliminated from Adjusted 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 assets (mainly euro) and euro denominated earnings into sterling in the Group consolidated accounts. At 31 December 2015, the Group had gross foreign currency assets which were 89 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments). Translation hedging has been maintained towards the upper end of the 50 to 100 per cent policy range in order to substantially reduce the impact of movements in the sterling/euro exchange rate on NAV and Adjusted profit after tax.

Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, a 5 per cent weakening against sterling in the value of the other currencies in which the Group operates at 31 December 2015 would have decreased net assets by approximately £7 million and there would have been a reduction in gearing of approximately 1 per cent and in the look-through LTV of 0.6 per cent.

The average exchange rate used to translate euro denominated earnings generated during 2015 into sterling within the consolidated income statement of the Group was €1.38:£1. Based on the hedging position at 31 December 2015, and assuming that this position had applied throughout 2015, if the euro had been 5 per cent weaker than it was against sterling throughout the year (€1.45: £1), Adjusted profit after tax for the year would have been approximately £1 million (0.7 per cent) lower than reported.

In the event of the euro strengthening by 5 per cent, the impact on income, net assets, gearing and LTV is approximately equal and opposite to the figures above.

GOING CONCERN

As noted in the Financial Position and Funding section, following the disposal of the Bath Road office portfolio, the Group has a very strong liquidity position, a favourable debt maturity profile and substantial headroom against financial covenants. Accordingly, it can reasonably expect to continue to have good access to capital markets and other sources of funding.

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

STATEMENT OF PRINCIPAL RISKS

The Group recognises that its ability to manage risk effectively throughout 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.

The Group's risk management process, principal risks, and mitigating actions are described in the 2015 Annual Report. The Principal Risks facing the Group are summarised below:

PROPERTY RISKS

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.

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.

Execution of investment plans. Decisions to buy, hold, sell or develop assets could be flawed due to uncertainty in analysis, quality of assumptions, poor due diligence or unexpected changes in the economic or operating environment. Our investment decisions could be insufficiently responsive to implement our strategy effectively.

FINANCIAL RISKS

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.

UK exit from the European Union. The increasing uncertainty associated with the outcome of the UK's EU referendum may temporarily impact investment, capital and occupier markets in the UK through delayed decision-making. In the event of a UK vote to leave the EU, property valuations, capital markets and occupier demand in the UK could also be impacted during the subsequent transition period while the terms of exit and future relationships are negotiated. In the long term, exit from the EU could reduce levels of occupier demand as a result of reduced trade and/or the relocation of corporations and financial institutions away from the UK, and London in particular.

Eurozone economic environment. The risk of a significant adverse impact to the Group's earnings, net asset value, financial covenants or investor confidence arising from the exit of a significant economy from the Eurozone or sustained poor economic performance in the Eurozone.

Financial leverage. The Group could maintain an inappropriate capital structure. If gearing is too high when property valuations are falling, net asset value movements can be exacerbated and financial covenants put at risk. Equally, if gearing is too conservative, there is a risk that attractive growth opportunities could be missed and the benefits of leverage not maximised.

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.

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.

CORPORATE RISKS

Operational delivery and compliance. The Group's ability to protect its reputation, revenues and shareholder value could be damaged by operational failures such as: environmental damage; failing to attract, retain and motivate key staff; a breach of anti-bribery and corruption or other legislation; major customer default or supply chain failure. Compliance failures, such as breaches of joint venture shareholders' agreements, secured loan agreements or tax legislation could also damage reputation, revenue and shareholder value.

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.

Regulatory environment. The Group could fail to anticipate legal, regulatory or fiscal changes, leading to a significant un-forecasted financial or reputational impact.

RESPONSIBILITY STATEMENT

The Statement of Directors' Responsibilities below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2015. Certain parts of the Annual Report and Accounts have not been included in this announcement as set out in Note 1 to the financial information.

We confirm that to the best of our knowledge:

(a) 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;

(b) the strategic report includes a fair view 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

(c) the Annual Report and Accounts, 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.

This responsibility statement was approved by the Board of Directions on 18 February 2016 and signed on its behalf by:

David Sleath	Justin Read
Chief Executive	Group Finance Director

CONDENSED GROUP INCOME STATEMENT

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Revenue	**4**	**248.5**	290.0
Gross rental income	4	**210.7**	215.1
Property operating expenses	5	**(37.7)**	(40.5)
Net rental income		**173.0**	174.6
Joint venture management fee income	4	**17.0**	11.8
Administration expenses		**(28.5)**	(28.3)
Pension settlement costs	2	**(4.8)**	–
Share of profit from joint ventures after tax	6	**156.5**	151.4
Realised and unrealised property gain	7	**461.5**	408.6
Other investment income		**6.6**	1.9
Goodwill and other amounts written off on acquisitions		**(3.8)**	(0.2)
Operating profit		**777.5**	719.8
Finance income	8	**43.4**	84.3
Finance costs	8	**(134.4)**	(149.7)
Profit before tax		**686.5**	654.4
Tax	9	**(3.7)**	27.6
Profit after tax		**682.8**	682.0
Attributable to equity shareholders		**682.5**	682.0
Attributable to non-controlling interests		**0.3**	–
		682.8	682.0
Earnings per share			
Basic and diluted earnings per share	11	**91.7**	92.0

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 £m	2014 £m
Profit for the year	**682.8**	682.0
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain/(loss) on defined benefit pension schemes	**17.9**	(13.7)
	17.9	(13.7)
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement arising on translation of international operations	**(22.3)**	(34.2)
Increase/(decrease) in value of available-for-sale investments	**0.1**	(0.7)
Fair value movements on derivatives in effective hedge relationships	**17.9**	22.0
	(4.3)	(12.9)
Tax on components of other comprehensive income	**–**	–
Other comprehensive profit/(loss) before transfers	**13.6**	(26.6)
Transfer to income statement on sale of available-for-sale investments	**(0.4)**	(2.2)
Total comprehensive profit for the year	**696.0**	653.2
Attributable to equity shareholders	**695.7**	653.2
Attributable to non-controlling interests	**0.3**	–
Total comprehensive profit for the year	**696.0**	653.2

CONDENSED GROUP BALANCE SHEET

As at 31 December 2015

	Notes	2015 £m	2014 £m
ASSETS			
Non-current assets			
Goodwill and other intangibles		**2.4**	3.3
Investment properties	12	**4,118.1**	3,477.0
Plant and equipment		**16.4**	6.6
Investments in joint ventures	6	**867.3**	855.5
Available-for-sale investments		**0.9**	5.8
Derivative financial instruments	16	**80.8**	52.0
Pension assets		**20.2**	–
		5,106.1	4,400.2
Current assets			
Trading properties	12	**37.6**	77.8
Trade and other receivables	13	**97.8**	236.0
Derivative financial instruments	16	**0.7**	75.8
Cash and cash equivalents	15	**16.4**	23.8
Assets held for sale	12	**305.9**	–
		458.4	413.4
Total assets		**5,564.5**	4,813.6
LIABILITIES			
Non-current liabilities			
Borrowings	15	**1,822.9**	1,495.4
Deferred tax liabilities	9	**12.6**	10.3
Provisions		**–**	12.3
Trade and other payables	14	**3.9**	4.9
Derivative financial instruments	16	**1.1**	24.9
		1,840.5	1,547.8
Current liabilities			
Borrowings	15	**–**	207.6
Trade and other payables	14	**203.6**	166.5
Derivative financial instruments	16	**24.6**	0.3
Tax liabilities		**7.7**	2.6
		235.9	377.0
Total liabilities		**2,076.4**	1,924.8
Net assets		**3,488.1**	2,888.8
Equity			
Share capital		**74.8**	74.2
Share premium		**1,091.4**	1,070.0
Capital redemption reserve		**113.9**	113.9
Own shares held		**(6.3)**	(6.1)
Other reserves		**165.8**	169.5
Retained earnings		**2,050.3**	1,467.3
Total shareholders' equity		**3,489.9**	2,888.8
Non-controlling interests		**(1.8)**	–
Total equity		**3,488.1**	2,888.8
Net assets per ordinary share			
Basic and diluted net assets per share	11	**468**	390

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Balance 1 January 2015 £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 2015 £m
Ordinary share capital	**74.2**	**–**	**–**	**–**	**0.1**	**–**	**0.5**	**–**	**74.8**
Share premium	**1,070.0**	**–**	**–**	**–**	**0.3**	**–**	**21.1**	**–**	**1,091.4**
Capital redemption reserve	**113.9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**113.9**
Own shares held	**(6.1)**	**–**	**–**	**–**	**–**	**(6.7)**	**–**	**6.5**	**(6.3)**
Other reserves:									
Share-based payments reserve	**7.5**	**–**	**–**	**–**	**–**	**3.2**	**–**	**(2.2)**	**8.5**
Fair value reserve for AFS[1]	**0.4**	**–**	**–**	**0.1**	**–**	**(0.4)**	**–**	**–**	**0.1**
Translation and other reserves	**(7.5)**	**(22.3)**	**–**	**17.9**	**–**	**–**	**–**	**–**	**(11.9)**
Merger reserve	**169.1**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**169.1**
Total other reserves	**169.5**	**(22.3)**	**–**	**18.0**	**–**	**2.8**	**–**	**(2.2)**	**165.8**
Retained earnings	**1,467.3**	**–**	**682.5**	**17.9**	**–**	**–**	**(113.1)**	**(4.3)**	**2,050.3**
Total equity attributable to equity shareholders	**2,888.8**	**(22.3)**	**682.5**	**35.9**	**0.4**	**(3.9)**	**(91.5)**	**–**	**3,489.9**
Non-controlling interests[2]	**–**	**–**	**0.3**	**–**	**–**	**(2.1)**	**–**	**–**	**(1.8)**
Total equity	**2,888.8**	**(22.3)**	**682.8**	**35.9**	**0.4**	**(6.0)**	**(91.5)**	**–**	**3,488.1**

For the year ended 31 December 2014

	Balance 1 January 2014 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2014 £m
Ordinary share capital	74.2	–	–	–	–	–	–	–	74.2
Share premium	1,069.9	–	–	–	0.1	–	–	–	1,070.0
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(5.3)	–	–	–	–	(2.1)	–	1.3	(6.1)
Revaluation reserve	(3.2)	–	–	–	–	–	–	3.2	–
Other reserves:									
Share-based payments reserve	5.4	–	–	–	–	2.7	–	(0.6)	7.5
Fair value reserve for AFS[1]	3.3	–	–	(0.7)	–	(2.2)	–	–	0.4
Translation and other reserves	4.7	(34.2)	–	22.0	–	–	–	–	(7.5)
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	182.5	(34.2)	–	21.3	–	0.5	–	(0.6)	169.5
Retained earnings	912.7	–	682.0	(13.7)	–	–	(109.8)	(3.9)	1,467.3
Total equity attributable to equity shareholders	2,344.7	(34.2)	682.0	7.6	0.1	(1.6)	(109.8)	–	2,888.8
Non-controlling interests	0.2	–	–	–	–	(0.2)	–	–	–
Total equity	2,344.9	(34.2)	682.0	7.6	0.1	(1.8)	(109.8)	–	2,888.8

1 AFS is the term used for 'Available-for-sale investments' and is shown net of deferred tax.
2 Non-controlling interests in 2015 relate to Vailog S.r.l. acquired in the period (see Note 17(iii)) and is shown net of the estimated gross settlement amount of a put option held by the minority shareholder.

CONDENSED GROUP CASH FLOW STATEMENT

For the year ended 31 December 2015

	Notes	**2015** **£m**	2014 £m
Cash flows from operating activities	17	**123.9**	176.1
Interest received		**87.0**	83.3
Dividends received		**20.8**	22.2
Interest paid		**(152.1)**	(155.8)
Early close out of interest rate swaps		**(24.8)**	–
Tax received/(paid)		**34.5**	(2.8)
Acquisition of Vailog	17	**(1.6)**	–
Net cash received from operating activities		**87.7**	123.0
Cash flows from investing activities			
Purchase and development of investment properties		**(470.8)**	(247.9)
Sale of investment properties		**226.3**	408.7
Purchase of plant and equipment and intangibles		**(2.1)**	(4.2)
Sale of available-for-sale investments		**11.4**	5.6
Acquisition of Big Box		**2.6**	–
Acquisition of Vailog	17	**(24.8)**	–
Acquisition of LPP		**–**	(95.6)
Sale of SELP portfolio	13	**119.9**	4.8
Investment in joint ventures		**(28.0)**	(201.7)
Net cash used in investing activities		**(165.5)**	(130.3)
Cash flows from financing activities			
Dividends paid to ordinary shareholders		**(91.5)**	(109.8)
Increase in other borrowings		**320.5**	10.0
Decrease in other borrowings		**(208.3)**	(158.3)
Close out of Vailog debt	17	**(44.8)**	–
Net costs to close out debt		**–**	(1.6)
Net settlement of foreign exchange derivatives		**101.1**	59.2
Proceeds from issue of ordinary shares		**0.4**	0.1
Purchase of ordinary shares		**(6.7)**	(2.1)
Net cash received from/(used in) financing activities		**70.7**	(202.5)
Net decrease in cash and cash equivalents		**(7.1)**	(209.8)
Cash and cash equivalents at the beginning of the year		**23.8**	233.8
Effect of foreign exchange rate changes		**(0.3)**	(0.2)
Cash and cash equivalents at the end of the year	15	**16.4**	23.8

1. SIGNIFICANT ACCOUNTING POLICIES

The financial information set out in this announcement does not constitute the consolidated statutory accounts for the years ended 31 December 2015 and 2014, but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies and those for 2015 (approved by the Board on 18 February 2016) will be delivered following the Company's annual general meeting. The external auditor, Deloitte LLP, have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) of the Companies Act 2006.

Given due consideration to the nature of the Group's business and financial position, including the financial resources available to the Group, the Directors consider that the Group is a going concern and this financial information is prepared on that basis.

The financial information set out in this announcement is based on the consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for the use by the European Union and complies with the disclosure requirements of the Listing Rules of the UK Financial Services Authority. The financial information is in accordance with the accounting policies set out in the 2014 financial statements apart from the underlying profit measure which is now Adjusted profit rather than EPRA profit, as detailed in Note 2. In the current financial year the Group has applied, for the first time, IFRIC21 "Levies". There have been no changes to the basis of accounting on the adoption of this interpretation.

The principal exchange rates used to translate foreign currency denominated amounts are: Balance sheet: £1 = €1.36 (31 December 2014: £1 = €1.29) Income statement: £1 = €1.38 (31 December 2014: £1 = €1.24)

2. ADJUSTED PROFIT

Adjusted profit is a non-GAAP measure and is the Group's measure of underlying profit, which is used by the Board and senior management to measure and monitor the Group's income performance.

It is based on the Best Practices Recommendations of European Public Real Estate Association (EPRA), which calculate profit excluding investment and development property revaluations and gains or losses on disposals. Changes in the fair value of financial instruments and associated close-out costs and their related taxation, as well as other permitted one-off items are also excluded. Refer to the Supplementary Notes for all EPRA adjustments.

The Directors may also exclude from the EPRA profit measure additional items (gains and losses) which are considered by them to be non-recurring, not in the ordinary course of business and significant by virtue of size and nature. In the period to 31 December 2015, £4.8 million of pension settlement costs incurred in rationalising pension schemes, primarily the buying out of the Bilton Group Pension Scheme, were excluded from the calculation of Adjusted profit. There is no tax effect of this item in the period to 31 December 2015. No non-EPRA adjustments to underlying profit were made in 2014.

	2015 £m	2014 £m
Gross rental income	**210.7**	215.1
Property operating expenses	**(37.7)**	(40.5)
Net rental income	**173.0**	174.6
Joint venture management fee income	**17.0**	11.8
Administration expenses	**(28.5)**	(28.3)
Share of joint ventures' Adjusted profit after tax	**44.4**	46.3
Adjusted operating profit before interest and tax	**205.9**	204.4
Net finance costs (including adjustments)	**(67.3)**	(74.7)
Adjusted profit before tax	**138.6**	129.7
Adjustments to reconcile to IFRS:		
Adjustments to the share of profit from joint ventures after tax[1]	**112.1**	105.1
Profit on sale of investment properties	**23.0**	25.0
Valuation surplus on investment and owner occupied properties	**439.8**	385.6
Loss on sale of trading properties	**(0.1)**	(0.3)
Increase in provision for impairment of trading properties	**(1.2)**	(1.7)
Other investment income	**6.6**	1.9
Goodwill and other amounts written off on acquisitions	**(3.8)**	(0.2)
Cost of early close out of bank debt	**–**	(1.6)
Net fair value (loss)/gain on interest rate swaps and other derivatives	**(23.7)**	10.9
Pension settlement costs[2]	**(4.8)**	–
Total adjustments	**547.9**	524.7
Profit before tax	**686.5**	654.4
Tax		
On Adjusted profit	**(1.3)**	(1.9)
In respect of adjustments	**(2.4)**	(4.1)
US tax refund	**–**	33.6
	(3.7)	27.6
Profit after tax	**682.8**	682.0
Of which:		
Adjusted profit after tax	**137.3**	127.8
Total adjustments after tax	**545.5**	554.2

1 A detailed breakdown of the adjustments to the share of profit from joint ventures is included in Note 6.
2 Non-EPRA related adjustment referred to in third paragraph above.

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 2015	**Gross rental income £m**	**Net rental income £m**	**Share of joint ventures' adjusted profit £m**	**Adjusted PBIT £m**	**Total directly owned property assets £m**	**Investments in joint ventures £m**	**Capital expenditure[2] £m**
Greater London	**67.8**	**62.3**	**12.6**	**82.8**	**1,680.8**	**341.2**	**325.2**
Thames Valley and National Logistics	**102.0**	**94.5**	**–**	**94.4**	**2,011.1**	**5.2**	**168.3**
Northern Europe	**15.3**	**9.8**	**11.8**	**22.8**	**337.6**	**214.8**	**131.7**
Southern Europe	**20.3**	**14.3**	**9.4**	**24.3**	**320.9**	**126.6**	**124.0**
Central Europe	**5.3**	**3.1**	**11.2**	**16.5**	**111.2**	**174.3**	**15.5**
Other[1]	**–**	**(11.0)**	**(0.6)**	**(34.9)**	**–**	**5.2**	**1.1**
Total	**210.7**	**173.0**	**44.4**	**205.9**	**4,461.6**	**867.3**	**765.8**

31 December 2014	Gross rental income £m	Net rental income £m	Share of joint ventures' adjusted profit £m	Adjusted PBIT £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure[2] £m
Greater London	65.7	57.6	16.5	77.3	1,242.5	410.4	41.8
Thames Valley and National Logistics	90.0	82.3	4.4	86.8	1,653.4	12.5	486.7
Northern Europe	31.3	23.1	7.9	32.8	223.4	166.4	30.6
Southern Europe	23.0	18.6	8.4	27.7	288.4	122.8	9.7
Central Europe	5.1	3.0	9.5	14.2	147.1	139.9	26.3
Other[1]	–	(10.0)	(0.4)	(34.4)	–	3.5	3.4
Total	215.1	174.6	46.3	204.4	3,554.8	855.5	598.5

1 Other includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical business unit.

2 Capital expenditure includes additions and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees. The 'Other' category includes non-property related spend, primarily IT.

Revenues from the most significant countries within the Group were UK £185.2 million (2014: £173.9 million), France £22.6 million (2014: £21.4 million), Germany £17.7 million (2014: £55.8 million) and Poland £9.7 million (2014: £8.2 million).

4. REVENUE

		2015 £m	2014 £m
Rental income from investment properties		**198.6**	200.3
Rental income from trading properties		**4.1**	7.8
Rent averaging		**7.2**	3.9
Surrender premiums		**0.8**	3.1
Gross rental income		**210.7**	215.1
Joint venture management fee income	– property management fees	**13.8**	12.2
	– performance and other fees	**3.2**	(0.4)
Service charge income		**17.1**	19.7
Proceeds from sale of trading properties		**3.7**	43.4
Total revenue		**248.5**	290.0

5. PROPERTY OPERATING EXPENSES

	2015 £m	2014 £m
Vacant property costs	**3.4**	7.5
Letting, marketing, legal and professional fees	**7.2**	6.9
Bad debt expense	**0.6**	0.2
Other expenses, net of service charge income	**8.3**	8.5
Property management expenses	**19.5**	23.1
Property administration expenses[1]	**20.9**	19.9
Costs capitalised[2]	**(2.7)**	(2.5)
Total property operating expenses	**37.7**	40.5

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. INVESTMENTS IN JOINT VENTURES

6(i) – Profit from joint ventures after tax

The table below presents a summary Income Statement of the Group's largest joint ventures, all of which are accounted for using the equity method. Each joint venture operates in the UK apart from SELP which is incorporated in Luxembourg and owns logistics property assets in Continental Europe. The Airport Property Partnership owns aviation-related property assets across sectors near airport hubs. The Heathrow Big Box Industrial and Distribution Fund owned two assets across logistics and industrial sectors. The Logistics Property Partnership, the remaining 50 per cent share of which was acquired in 2014, owned logistics property assets.

	SEGRO European Logistics Partnership £m	Airport Property Partnership £m	Heathrow Big Box Industrial & Distribution Fund £m	Other £m	At 100% 2015 £m	At 100% 2014 £m	At 50% 2015 £m	At 50% 2014 £m
Gross rental income	**92.9**	**46.8**	**6.7**	**–**	**146.4**	149.1	**73.2**	74.6
Property operating expenses:								
– underlying property operating expenses	**(2.9)**	**(1.1)**	**(0.2)**	**(0.1)**	**(4.3)**	(4.6)	**(2.1)**	(2.3)
– vacant property costs	**(1.3)**	**(1.1)**	**(0.1)**	**–**	**(2.5)**	(6.2)	**(1.3)**	(3.1)
– property management fees	**(7.8)**	**(5.9)**	**(0.1)**	**–**	**(13.8)**	(12.2)	**(6.9)**	(6.1)
– performance and other fees	**–**	**(6.3)**	**–**	**–**	**(6.3)**	0.7	**(3.2)**	0.3
Net rental income	**80.9**	**32.4**	**6.3**	**(0.1)**	**119.5**	126.8	**59.7**	63.4
Administration expenses	**(2.0)**	**(0.1)**	**–**	**–**	**(2.1)**	(1.5)	**(1.1)**	(0.7)
Finance income (including adjustments)	**–**	**–**	**–**	**–**	**–**	1.2	**–**	0.6
Finance costs (including adjustments)	**(13.0)**	**(13.4)**	**–**	**(0.3)**	**(26.7)**	(32.7)	**(13.3)**	(16.4)
Adjusted profit/(loss) before tax	**65.9**	**18.9**	**6.3**	**(0.4)**	**90.7**	93.8	**45.3**	46.9
Tax on Adjusted profits	**(1.9)**	**–**	**–**	**–**	**(1.9)**	(1.2)	**(0.9)**	(0.6)
Adjusted profit after tax	**64.0**	**18.9**	**6.3**	**(0.4)**	**88.8**	92.6	**44.4**	46.3
Adjustments:								
Profit on sale of investment properties	**0.2**	**–**	**–**	**–**	**0.2**	1.4	**0.1**	0.7
Valuation surplus on investment properties	**128.5**	**119.0**	**0.1**	**–**	**247.6**	219.0	**123.8**	109.5
Write back/(increase) in provision for impairment of trading properties	**–**	**–**	**–**	**3.3**	**3.3**	(1.6)	**1.7**	(0.8)
Cost of early close out of bank debt	**(6.1)**	**–**	**–**	**–**	**(6.1)**	–	**(3.0)**	–
Net fair value gain on interest rate swaps and other derivatives	**–**	**–**	**–**	**–**	**–**	0.4	**–**	0.2
Other investment income	**0.1**	**1.6**	**0.1**	**–**	**1.8**	3.6	**0.9**	1.8
Tax in respect of adjustments	**(22.7)**	**–**	**–**	**–**	**(22.7)**	(12.7)	**(11.4)**	(6.3)
Total adjustments	**100.0**	**120.6**	**0.2**	**3.3**	**224.1**	210.1	**112.1**	105.1
Profit after tax	**164.0**	**139.5**	**6.5**	**2.9**	**312.9**	302.7	**156.5**	151.4
Other comprehensive income/(loss)	**–**	**2.7**	**–**	**–**	**2.7**	(0.8)	**1.3**	(0.4)
Total comprehensive income for the year	**164.0**	**142.2**	**6.5**	**2.9**	**315.6**	301.9	**157.8**	151.0

6(ii) – Summarised Balance Sheet information in respect of the Group's joint ventures

	SEGRO European Logistics Partnership £m	Airport Property Partnership £m	Other £m	At 100% 2015 £m	At 100% 2014 £m	At 50% 2015 £m	At 50% 2014 £m
Investment properties	**1,548.4**	**1,058.6**	**–**	**2,607.0**	2,461.6	**1,303.5**	1,230.8
Other assets	**0.1**	**0.2**	**–**	**0.3**	20.1	**0.1**	10.1
Total non-current assets	**1,548.5**	**1,058.8**	**–**	**2,607.3**	2,481.7	**1,303.6**	1,240.9
Trading properties	**–**	**–**	**11.6**	**11.6**	26.2	**5.8**	13.1
Other receivables	**29.4**	**7.5**	**0.8**	**37.7**	37.8	**18.9**	18.9
Cash and cash equivalents	**58.7**	**24.1**	**–**	**82.8**	59.5	**41.4**	29.8
Total current assets	**88.1**	**31.6**	**12.4**	**132.1**	123.5	**66.1**	61.8
Total assets	**1,636.6**	**1,090.4**	**12.4**	**2,739.4**	2,605.2	**1,369.7**	1,302.7
Borrowings	**(485.9)**	**–**	**–**	**(485.9)**	(781.9)	**(242.9)**	(391.0)
Deferred tax	**(55.0)**	**–**	**–**	**(55.0)**	(34.3)	**(27.5)**	(17.2)
Other liabilities	**–**	**(3.9)**	**–**	**(3.9)**	(0.2)	**(2.0)**	(0.1)
Total non-current liabilities	**(540.9)**	**(3.9)**	**–**	**(544.8)**	(816.4)	**(272.4)**	(408.3)
Borrowings	**–**	**(370.4)**	**–**	**(370.4)**	–	**(185.2)**	–
Other liabilities	**(55.3)**	**(30.4)**	**(1.0)**	**(86.7)**	(71.7)	**(43.3)**	(35.8)
Derivative financial instruments	**–**	**(3.0)**	**–**	**(3.0)**	(6.2)	**(1.5)**	(3.1)
Total current liabilities	**(55.3)**	**(403.8)**	**(1.0)**	**(460.1)**	(77.9)	**(230.0)**	(38.9)
Total liabilities	**(596.2)**	**(407.7)**	**(1.0)**	**(1,004.9)**	(894.3)	**(502.4)**	(447.2)
Net assets	**1,040.4**	**682.7**	**11.4**	**1,734.5**	1,710.9	**867.3**	855.5

The external borrowings of the joint ventures are non-recourse to the Group. At 31 December 2015, the fair value of £856.3 million (2014: £781.9 million) of borrowings was £869.5 million (2014: £804.4 million). This results in a fair value adjustment of £13.2 million (2014: £22.5 million), at share £6.6 million (2014: £11.2 million); see Note 11. Subsequent to the year end, the £370.4 million of current liability borrowings in APP was repaid and refinanced with a new five year £400.0 million facility.

On 17 June 2015 The Heathrow Big Box Industrial and Distribution Fund was dissolved with SEGRO acquiring the remaining 50% shareholding in the joint venture. The retiring joint venture partner acquired full ownership of one of the two assets previously owned by the joint venture. Upon completion of the acquisition, The Heathrow Big Box Industrial and Distribution Fund was consolidated into SEGRO's financial statements. The acquisition of Big Box is a net cash inflow of £2.6 million as detailed in the cashflow statement representing cash acquired as part of the transaction.

SEGRO provides certain services, including venture advisory and asset management, for the SELP and APP joint ventures (the "Ventures") and receives fees from each Venture for doing so. Those services are carried out on an arms-length basis and do not give SEGRO any control over the relevant Venture (nor any unilateral material decision-making rights). Significant transactions and decisions within each Venture require full Board and/or Shareholder approval, in accordance with the terms of the relevant Venture agreements.

6(iii) – Investments by the Group

	2015 £m	2014 £m
Cost or valuation at 1 January	**855.5**	635.7
Exchange movement	**(20.7)**	(26.0)
Additions	**28.0**	201.7
Disposals	**(132.5)**	(84.7)
Dividends received	**(20.8)**	(22.2)
Share of profit after tax	**156.5**	151.4
Items taken directly to reserves	**1.3**	(0.4)
Cost or valuation at 31 December	**867.3**	855.5

7. REALISED AND UNREALISED PROPERTY GAIN

	2015 £m	2014 £m
Profit on sale of investment properties	**23.0**	25.0
Valuation surplus on investment properties	**439.8**	385.6
Loss on sale of trading properties	**(0.1)**	(0.3)
Increase in provision for impairment of trading properties	**(1.2)**	(1.7)
Total realised and unrealised property gain	**461.5**	408.6

8. NET FINANCE COSTS

Finance income	2015 £m	2014 £m
Interest received on bank deposits and related derivatives	**42.3**	41.5
Fair value gain on interest rate swaps and other derivatives	**0.6**	42.8
Exchange differences	**0.5**	–
Total finance income	**43.4**	84.3

Finance costs	2015 £m	2014 £m
Interest on overdrafts, loans and related derivatives	**(109.0)**	(115.3)
Cost of early close out of debt	**–**	(1.6)
Net interest expense on defined benefit obligation	**(0.2)**	(0.1)
Amortisation of issue costs	**(3.8)**	(5.1)
Total borrowing costs	**(113.0)**	(122.1)
Less amounts capitalised on the development of properties	**2.9**	4.4
Net borrowing costs	**(110.1)**	(117.7)
Fair value loss on interest rate swaps and other derivatives	**(24.3)**	(31.9)
Exchange differences	**–**	(0.1)
Total finance costs	**(134.4)**	(149.7)
Net finance costs	**(91.0)**	(65.4)

Net finance costs (including adjustments) in Adjusted profit (Note 2) are £67.3 million (2014: £74.7 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of £23.7 million loss (2014: £10.9 million gain) and the cost of early close out of debt of £nil (2014: £1.6 million). The interest capitalisation rates for 2015 ranged from 2.5 per cent to 6.1 per cent (2014: 2.5 per cent to 6.1 per cent). Interest is capitalised gross of tax relief.

9. TAX

9(i) – Tax on profit

	2015	2014
	£m	£m
Tax:		
On Adjusted profit	**(1.3)**	(1.9)
In respect of adjustments	**(2.4)**	(4.1)
US tax refund	**–**	33.6
Total tax (charge)/credit	**(3.7)**	27.6
Current tax		
Overseas		
Current tax charge	**(5.9)**	(4.1)
Adjustments in respect of earlier years	**(0.1)**	1.8
US tax refund	**–**	33.6
	(6.0)	31.3
Total current tax (charge)/credit	**(6.0)**	31.3
Deferred tax		
Origination and reversal of temporary differences	**(0.2)**	(2.7)
Released in respect of property disposals in the year	**5.9**	2.9
On valuation movements	**(2.5)**	(3.0)
Total deferred tax in respect of investment properties	**3.2**	(2.8)
Other deferred tax	**(0.9)**	(0.9)
Total deferred tax credit/(charge)	**2.3**	(3.7)
Total tax (charge)/credit on profit on ordinary activities	**(3.7)**	27.6

A credit of £33.6 million was recognised in 2014 following a refund agreement in relation to Californian State tax that was formally agreed with the Californian tax authorities in 2014 and received in cash in March 2015. This represents a finalisation of the California State tax position relating to the sale of the US business in 2007.

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

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

	2015	2014
	£m	£m
Profit on ordinary activities before tax	**686.5**	654.4
Add back valuation surplus in respect of UK properties not taxable	**(468.2)**	(467.5)
	218.3	186.9
Multiplied by standard rate of UK corporation tax of 20.25 per cent (2014: 21.5 per cent)	**(44.2)**	(40.2)
Effects of:		
REIT & SIIC exemption	**33.3**	32.1
Permanent differences	**1.8**	1.1
Joint venture tax adjustment	**20.0**	9.2
Higher tax rates on international earnings	**(5.1)**	(1.3)
US tax refund	**–**	33.6
Adjustments in respect of earlier years and assets not recognised	**(9.5)**	(6.9)
Total tax (charge)/credit on profit on ordinary activities	**(3.7)**	27.6

The joint venture tax adjustment is required because the profit on ordinary activities before tax includes share of profit from joint ventures after tax, whereas the total tax balance excludes joint ventures.

9(iii) – Deferred tax liabilities

Movement in deferred tax was as follows:

Group – 2015	Balance 1 January £m	Exchange movement £m	Acquisitions/ disposals £m	Recognised in income £m	Balance 31 December £m
Valuation surpluses and deficits on properties	**(18.6)**	**0.3**	**4.9**	**17.2**	**3.8**
Accelerated tax allowances	**29.1**	**(1.1)**	**0.4**	**(20.4)**	**8.0**
Deferred tax asset on revenue losses	**(1.0)**	**–**	**0.1**	**0.6**	**(0.3)**
Others	**0.8**	**–**	**–**	**0.3**	**1.1**
Total deferred tax liabilities	**10.3**	**(0.8)**	**5.4**	**(2.3)**	**12.6**

Group – 2014	Balance 1 January £m	Exchange movement £m	Acquisitions/ disposals £m	Recognised in income £m	Balance 31 December £m
Valuation surpluses and deficits on properties	(42.2)	2.3	14.1	7.2	(18.6)
Accelerated tax allowances	57.1	(3.4)	(20.2)	(4.4)	29.1
Deferred tax asset on revenue losses	(3.5)	0.2	2.2	0.1	(1.0)
Others	–	–	–	0.8	0.8
Total deferred tax liabilities	11.4	(0.9)	(3.9)	3.7	10.3

The Group has recognised revenue tax losses of £1.0 million (2014: £1.6 million) available for offset against future profits. Further unrecognised tax losses of £766.3 million also exist at 31 December 2015 (2014: £742.1 million) of which £36.8 million (2014: £32.4 million) expires in 15 years.

9(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 18 per cent by 2020. This is unlikely to significantly impact the Group's tax charge.

10. DIVIDENDS

	2015 £m	2014 £m
Ordinary dividends paid		
Interim dividend for 2015 @ 5.0 pence per share	**37.4**	–
Final dividend for 2014 @ 10.2 pence per share	**75.7**	–
Interim dividend for 2014 @ 4.9 pence per share	**–**	36.4
Final dividend for 2013 @ 9.9 pence per share	**–**	73.4
Total dividends	**113.1**	109.8

The Board recommends a final dividend for 2015 of 10.6 pence which will result in a distribution of £79.3 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2015 is 15.6 pence (2014: 15.1 pence).

11. 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 1.3 million shares (2014: 1.1 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 1.5 million shares (2014: 1.4 million) being the actual number of shares held on trust for employee share schemes at year end.

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

		2015			2014	
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic EPS	**682.5**	**744.4**	**91.7**	682.0	741.2	92.0
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.1	–
Diluted EPS	**682.5**	**744.5**	**91.7**	682.0	741.3	92.0
Adjustments to profit before tax[1]	**(547.9)**		**(73.6)**	(524.7)		(70.8)
Tax adjustments:						
– deferred tax on investment property which does not crystallise unless sold	**(2.4)**		**(0.3)**	2.8		0.3
– other tax	**4.8**		**0.6**	1.3		0.2
– US tax refund	**–**		**–**	(33.6)		(4.5)
Non-controlling interest on adjustments	**0.3**		**–**	–		–
Adjusted EPS	**137.3**	**744.4**	**18.4**	127.8	741.2	17.2

1 Details of adjustments are included in Note 2.

11(ii) – Net assets per share (NAV)

		2015			2014	
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**3,489.9**	**746.2**	**468**	2,888.8	741.0	390
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.1	–
Diluted NAV	**3,489.9**	**746.3**	**468**	2,888.8	741.1	390
Fair value adjustment in respect of debt – Group	**(289.1)**		**(39)**	(365.3)		(49)
Fair value adjustment in respect of debt – Joint ventures	**(6.6)**		**(1)**	(11.2)		(2)
Fair value adjustment in respect of trading properties – Group	**0.1**		**–**	2.3		–
Fair value adjustment in respect of trading properties – Joint ventures	**1.6**		**–**	–		–
EPRA triple net NAV (NNNAV)	**3,195.9**	**746.3**	**428**	2,514.6	741.1	339
Fair value adjustment in respect of debt – Group	**289.1**		**39**	365.3		49
Fair value adjustment in respect of debt – Joint ventures	**6.6**		**1**	11.2		2
Fair value adjustment in respect of interest rate swap derivatives – Group	**(79.7)**		**(11)**	(78.5)		(10)
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	**1.5**		**–**	2.9		–
Deferred tax in respect of depreciation and valuation surpluses – Group	**11.8**		**2**	10.5		1
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**28.2**		**4**	18.7		3
EPRA NAV	**3,453.4**	**746.3**	**463**	2,844.7	741.1	384

12. PROPERTIES

12(i) – Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2014	2,575.0	264.4	2,839.4
Exchange movement	(34.2)	(9.7)	(43.9)
Property acquisitions	427.2	9.9	437.1
Additions to existing investment properties	20.2	122.7	142.9
Disposals	(368.8)	(13.9)	(382.7)
Transfers on completion of development	194.9	(194.9)	–
Transfers from trading properties	8.5	14.8	23.3
Transfers from owner occupied properties	–	3.2	3.2
Revaluation surplus during the year	358.2	27.4	385.6
At 31 December 2014	3,181.0	223.9	3,404.9
Add tenant lease incentives, letting fees and rental guarantees	72.1	–	72.1
Total investment properties	3,253.1	223.9	3,477.0

	Completed £m	Development £m	Total £m
At 1 January 2015	**3,181.0**	**223.9**	**3,404.9**
Exchange movement	**(20.3)**	**(4.9)**	**(25.2)**
Property acquisitions arising on business combinations (12iii)	**44.8**	**27.9**	**72.7**
Other property acquisitions	**317.4**	**212.4**	**529.8**
Additions to existing investment properties	**17.7**	**143.6**	**161.3**
Disposals	**(248.3)**	**(20.3)**	**(268.6)**
Transfers on completion of development	**134.9**	**(134.9)**	**–**
Transfers from trading properties	**29.3**	**2.5**	**31.8**
Revaluation surplus during the year	**407.4**	**32.4**	**439.8**
At 31 December 2015	**3,863.9**	**482.6**	**4,346.5**
Add tenant lease incentives, letting fees and rental guarantees	**77.5**	**–**	**77.5**
Total investment properties	**3,941.4**	**482.6**	**4,424.0**
Total investment properties - continuing	**3,655.3**	**462.8**	**4,118.1**
Total investment properties - held for sale	**286.1**	**19.8**	**305.9**

Investment properties are stated at fair value as at 31 December 2015 based on external valuations performed by professionally qualified valuers. The Group's wholly owned property portfolio is valued by CBRE Ltd. Valuation for the APP joint venture properties was performed by Jones Lang LaSalle Limited. Valuations for the joint venture properties in Continental Europe were performed by CBRE Ltd. In 2014 valuations for the joint venture properties in Continental Europe were performed by CBRE Ltd with BNP Paribas acting as joint valuers for SELP in France. The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

CBRE Ltd and Jones Lang LaSalle Limited also undertake some professional and agency work on behalf of the Group, although this is limited in relation to the activities of the Group as a whole. The firms advise us that the total fees paid by the Group represent less than 5 per cent of their total revenue in any year.

Completed properties include buildings that are occupied or are available for occupation. Development properties include land available for development (land bank), land under development and construction in progress.

Following the commencement of operating leases and change in strategy, £31.8 million (2014: £23.3 million) of trading properties were transferred to investment properties.

Long-term leasehold values within investment properties amount to £34.6 million (2014: £32.0 million). All other properties are freehold.

Prepaid operating lease incentives at 31 December 2015 were £51.6 million (2014: £46.9 million).

12(ii) – Trading properties

	Completed £m	Development £m	Total £m
At 1 January 2014	95.8	42.5	138.3
Exchange movement	(5.0)	(2.5)	(7.5)
Additions	1.5	13.6	15.1
Disposals	(40.2)	(3.0)	(43.2)
Transfers on completion of development	8.4	(8.4)	–
Transfers to investment properties	(8.5)	(14.8)	(23.3)
Increase in provision for impairment during the year	(0.9)	(0.8)	(1.7)
At 31 December 2014	51.1	26.6	77.7
Add tenant lease incentives, letting fees and rental guarantees	0.1	–	0.1
Total trading properties	**51.2**	**26.6**	**77.8**

	Completed £m	Development £m	Total £m
At 1 January 2015	**51.1**	**26.6**	**77.7**
Exchange movement	**(3.1)**	**(1.4)**	**(4.5)**
Additions	**0.4**	**0.5**	**0.9**
Disposals	**(3.8)**	**–**	**(3.8)**
Transfers on completion of development	**–**	**–**	**–**
Transfers to investment properties	**(29.3)**	**(2.5)**	**(31.8)**
Increase in provision for impairment during the year	**(1.1)**	**(0.1)**	**(1.2)**
At 31 December 2015	**14.2**	**23.1**	**37.3**
Add tenant lease incentives, letting fees and rental guarantees	**0.3**	**–**	**0.3**
Total trading properties	**14.5**	**23.1**	**37.6**

Trading properties were externally valued, as detailed in Note 12(i), resulting in an increase in the provision for impairment of £1.2 million (2014: £1.7 million). Based on the fair value at 31 December 2015, the portfolio has an unrecognised surplus of £0.1 million (2014: £2.3 million).

12(iii) – Held for sale

The Group has exchanged contracts to sell the Bath Road office investment property portfolio with a total book value of £305.9 million (of which £286.1 million are investment properties and £19.8 million are development properties). This completed on 29 January 2016 as disclosed in Note 18.

These were considered held for sale at 31 December 2015.

13. TRADE AND OTHER RECEIVABLES

	2015 £m	2014 £m
Current		
Trade receivables	**21.3**	15.0
Other receivables	**61.6**	210.2
Prepayments and accrued income	**6.1**	6.5
Amounts due from related parties	**8.8**	4.3
Total current trade and other receivables	**97.8**	236.0

Included in Group other receivables in 2014 is £119.9 million in respect of deferred consideration due from PSP Investments in connection with the creation of the SELP joint venture, which was received in October 2015 and, £33.6 million in respect of a US tax refund, discussed further in Note 9, which was received in March 2015. Group other receivables also include tax recoverable of £0.1 million (2014: £0.1 million). Group trade receivables are net of provisions for doubtful debts of £4.8 million (2014: £5.9 million).

14. TRADE AND OTHER PAYABLES

	2015 £m	2014 £m
Due within one year		
Trade payables	**7.9**	2.0
Non-trade payables and accrued expenses	**195.7**	164.5
Total trade and other payables due within one year	**203.6**	166.5
Due after one year		
Other payables	**–**	0.6
Loans from subsidiaries	**–**	–
Amounts due to related parties	**3.9**	4.3
Total other payables due after one year	**3.9**	4.9

15. NET BORROWINGS

15(i) – Net borrowings by type

	2015 £m	2014 £m
Secured borrowings:		
Euro mortgages (repayable in more than two years but less than five)	**3.6**	–
Total secured (on land, buildings and other assets)	**3.6**	–
Unsecured borrowings:		
Bonds		
5.25% bonds 2015	**–**	107.6
6.25% bonds 2015	**–**	100.0
5.5% bonds 2018	**199.4**	199.2
6.0% bonds 2019	**173.6**	172.6
5.625% bonds 2020	**248.5**	248.3
6.75% bonds 2021	**297.7**	297.3
7.0% bonds 2022	**149.3**	149.3
6.75% bonds 2024	**222.2**	222.1
5.75% bonds 2035	**198.3**	198.2
	1,489.0	1,694.6
Bank loans and overdrafts	**330.3**	8.4
Total unsecured	**1,819.3**	1,703.0
Total borrowings	**1,822.9**	1,703.0
Cash and cash equivalents	**(16.4)**	(23.8)
Net borrowings	**1,806.5**	1,679.2

The maturity profile of borrowings is as follows:

	2015 £m	2014 £m
In one year or less	–	207.6
In more than one year but less than two	103.2	–
In more than two years but less than five	852.2	380.2
In more than five years but less than ten	669.2	917.0
In more than ten years	198.3	198.2
In more than one year	1,822.9	1,495.4
Total borrowings	**1,822.9**	1,703.0
Cash and cash equivalents	(16.4)	(23.8)
Net borrowings	**1,806.5**	1,679.2

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.

During the year, the 5.25% bonds 2015 and the 6.25% bonds 2015, in the table above, were repaid at their face value on their contractual maturity dates.

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

Maturity profile of undrawn borrowing facilities	2015 £m	2014 £m
In one year or less	5.0	5.0
In more than one year but less than two	102.9	–
In more than two years but less than five	110.0	399.9
Total available undrawn borrowing facilities	**217.9**	**404.9**

16. FINANCIAL INSTRUMENTS AND FAIR VALUES

Derivative assets

	2015 £m	2014 £m
Current		
Fair value of interest rate swaps – non-hedge	–	51.4
Fair value of forward foreign exchange and currency swap contracts – non-hedge	0.7	12.8
Fair value of forward foreign exchange and currency swap contracts – hedge	–	11.6
Total current derivative financial instruments	**0.7**	75.8
Non-current		
Fair value of interest rate swaps – non-hedge	80.8	52.0
Total non-current derivative financial instruments	**80.8**	52.0

Derivative liabilities

	2015 £m	2014 £m
Current		
Fair value of forward foreign exchange and currency swap contracts – non-hedge	7.2	0.2
Fair value of forward foreign exchange and currency swap contracts – hedge	17.4	0.1
Total current derivative financial instruments	**24.6**	0.3
Non-current		
Fair value of interest rate swaps – non-hedge	1.1	24.9
Total non-current derivative financial instruments	**1.1**	24.9

17. NOTES TO THE CASH FLOW STATEMENTS

17(i) – Reconciliation of cash generated from operations

	2015	2014
	£m	£m
Operating profit	**777.5**	719.8
Adjustments for:		
Depreciation of property, plant and equipment	**3.5**	2.3
Share of profit from joint ventures after tax	**(156.5)**	(151.4)
Profit on sale of investment properties	**(23.0)**	(25.0)
Goodwill and other amounts written off on acquisitions	**3.8**	0.2
Revaluation surplus on investment and owner occupied properties	**(439.8)**	(385.6)
Profit on sale of available-for-sale investments	**(6.6)**	(1.9)
Other income reallocated	**–**	–
Pension settlement costs	**4.8**	–
Pensions and other provisions	**(16.0)**	(8.4)
	147.7	150.0
Changes in working capital:		
Decrease in trading properties	**3.5**	29.6
(Increase)/decrease in debtors and tenant incentives	**(21.6)**	7.1
Increase in creditors	**(5.7)**	(10.6)
Net cash inflow generated from operations	**123.9**	176.1

17(Ii) – Deposits

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

17(iii) – Vailog acquisition

On 23 June 2015, the Group acquired 90 per cent of the voting equity in Vailog S.r.l (Vailog), a privately owned Italian development business, for consideration of £28.0 million including £2.8 million contingent consideration which was paid subsequently in 2015 and related to a pre-let development becoming unconditional and to a tenant not exercising a right to purchase the property that they occupy. The benefits of the transaction are discussed more fully in the Chief Executive's Review.

The acquisition has been accounted for in accordance with IFRS 3 Business Combinations. Transaction costs arising on acquisition of £1.6 million have been immediately charged to the Income Statement and shown within Goodwill and other amounts written off on acquisitions. Goodwill of £2.0 million primarily arose due to the difference between the value of the acquired investment properties as assessed by our external valuer and the consideration paid. The Group has considered whether this amount is recoverable and has also considered the amount in the context of the Group's asset base. As a consequence, the £2.0 million has also been written off to the Goodwill and other amounts written off on acquisitions line in the Income Statement.

Details of the provisional amounts of identifiable assets acquired and liabilities recognised at the date of the acquisition are summarised as follows:

	Fair value total £m
Non-current assets	
Investment properties	72.7
Plant and equipment	10.3
Current assets	
Trade and other receivables	14.0
Cash and cash equivalents	3.2
Total assets	**100.2**
Liabilities	
Non-current liabilities	
Borrowings	(48.7)
Deferred tax provision	(5.3)
Other payables	(0.7)
Current liabilities	
Trade and other payables	(16.6)
Total liabilities	**(71.3)**
Net assets at date of acquisition	**28.9**
Less 10% non-controlling interest	(2.9)
Net assets acquired	**26.0**
Total consideration for net assets acquired	**28.0**
Goodwill arising	2.0
Cost of acquisition	1.6
Total (included in goodwill and other amounts written off on acquisitions)	**3.6**

The enterprise value of the acquisition is £71.5 million and is calculated by adding back net debt to net assets acquired. Had Vailog been owned since 1 January 2015 total revenue would have been £1.9 million higher and profit before tax £0.2 million higher. Total revenue of £3.6 million and an Adjusted PBT of £1.4 million have been recognised in respect of Vailog post acquisition.

Consideration is made up as follows:

	£m
Consideration	
Consideration for net assets acquired	28.0
Cost of acquisition	1.6
Less cash and cash equivalents acquired	(3.2)
Cash flow for acquisition of Vailog	**26.4**
Shown in operating activities	**1.6**
Shown in investing activities	**24.8**

In addition, following the acquisition of the £48.7 million of debt acquired, £44.8 million was repaid.

The non-controlling interest arising on the acquisition of Vailog represents the carrying value of the 10% interest not acquired by the Group. As part of the transaction, the minority shareholder retains an option (‘put option’) to sell his 10% interest to the Group from three years after the transaction (‘exercise date’). The gross settlement amount (‘exercise price’) of the put option has been estimated at €7.0 million (£5.0 million). The exercise price has been calculated using the estimated future cash flows of Vailog. The exercise price is 10 per cent of the net asset value of Vailog at the exercise date, subject to a floor of 10% of net asset value at the acquisition date.

The non-controlling interest recognised in the Group’s Balance Sheet represents the 10% shareholding (£2.9 million), net of the estimated gross settlement amount of the put option (£5.0 million). Any subsequent adjustments to the value of the put option will be recognised in the Group's Income Statement in the period in which they arise. In the period to 31 December 2015, there have been no such adjustments.

17(iv) – Analysis of net debt

	At 1 January 2015 £m	Exchange movement £m	Acquired[1] £m	Cash flow [2] £m	Non-cash Adjustments[3] £m	**At 31 December 2015 £m**
Bank loans and loan capital	1,720.6	–	48.7	67.7	–	**1,837.0**
Capitalised finance costs	(17.6)	–	–	(0.3)	3.8	**(14.1)**
Total borrowings	1,703.0	–	48.7	67.4	3.8	**1,822.9**
Cash in hand and at bank	(23.8)	0.3	(3.2)	10.3	–	**(16.4)**
Net debt	1,679.2	0.3	45.5	77.7	3.8	**1,806.5**

1 Acquired represents cash and debt from the Vailog acquisition as detailed in Note 17 (iii).

2 The £67.7 million bank loans comprise £112.5 million of net increase in other borrowings less £44.8 million of debt settled following the acquisition of Vailog. The £10.3 million cash in hand and at bank comprises an increase in cash on acquisition of Vailog of £3.2 million and a net decrease in cash and cash equivalents of £7.1 million as detailed in the Cash Flow Statement.

3 The non-cash adjustment relates to the amortisation of issue costs offset against borrowings.

18. SUBSEQUENT EVENTS

Since the year end the Group has completed the disposal of the Bath Road office portfolio as detailed in Note 12(iii) for gross proceeds of £325.0 million (including rent top ups and other costs).

Additionally, in February 2016, the Group announced the creation of a partnership with Roxhill Development Group which, subject to planning, will provide access to a portfolio of big box logistics warehouse development sites in the South East and Midlands.

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS

Table 1: EPRA performance measures summary

		2015		2014	
	Notes	**£m**	**Pence per share**	£m	Pence per share
EPRA profit after tax	Table 2	**137.3**	**18.4**	127.8	17.2
EPRA NAV	Table 3	**3,453.4**	**463**	2,844.7	384
EPRA NNNAV	11	**3,195.9**	**428**	2,514.6	339
EPRA net initial yield	Table 4		**5.0%**		5.4%
EPRA 'topped-up' net initial yield	Table 4		**5.5%**		6.0%
EPRA vacancy rate	Table 5		**4.8%**		6.3%
EPRA cost ratio (including vacant property costs)	Table 6		**22.5%**		23.7%
EPRA cost ratio (excluding vacant property costs)	Table 6		**20.8%**		20.1%

Table 2: EPRA Income Statement, proportional consolidation

		2015			2014		
	Notes	**Group £m**	**Joint ventures £m**	**Total £m**	Group £m	Joint ventures £m	Total £m
Gross rental income	2,6	**210.7**	**73.2**	**283.9**	215.1	74.6	289.7
Property operating expenses	2,6	**(37.7)**	**(13.5)**	**(51.2)**	(40.5)	(11.2)	(51.7)
Net rental income		**173.0**	**59.7**	**232.7**	174.6	63.4	238.0
Joint venture management fee income	2	**17.0**	**–**	**17.0**	11.8	–	11.8
Administration expenses	2,6	**(28.5)**	**(1.1)**	**(29.6)**	(28.3)	(0.7)	(29.0)
Pension settlement costs	2	**(4.8)**	**–**	**(4.8)**	–	–	–
EPRA operating profit before interest and tax		**156.7**	**58.6**	**215.3**	158.1	62.7	220.8
Net finance costs (including adjustments)	2,6	**(67.3)**	**(13.3)**	**(80.6)**	(74.7)	(15.8)	(90.5)
EPRA profit before tax		**89.4**	**45.3**	**134.7**	83.4	46.9	130.3
Tax on EPRA profit	2,6	**(1.3)**	**(0.9)**	**(2.2)**	(1.9)	(0.6)	(2.5)
EPRA profit after tax		**88.1**	**44.4**	**132.5**	81.5	46.3	127.8
Number of shares, million	11			**744.4**			741.2
EPRA EPS, pence per share	11			**17.8**			17.2
Company adjustment:							
Exclude pension settlement costs	*2*	***4.8***	***–***	***4.8***	*–*	*–*	*–*
Adjusted profit after tax		***92.9***	***44.4***	***137.3***	*81.5*	*46.3*	*127.8*
Number of shares, million	*11*			***744.4***			*741.2*
Adjusted EPS, pence per share				***18.4***			*17.2*

Table 3: Balance Sheet, proportional consolidation

		2015			2014		
	Notes	**Group £m**	**Joint ventures £m**	**Total £m**	Group £m	Joint ventures £m	Total £m
Investment properties	12,6	**4,424.0**	**1,303.5**	**5,727.5**	3,477.0	1,230.8	4,707.8
Trading properties	12,6	**37.6**	**5.8**	**43.4**	77.8	13.1	90.9
Total properties		**4,461.6**	**1,309.3**	**5,770.9**	3,554.8	1,243.9	4,798.7
Investment in joint ventures	6	**867.3**	**(867.3)**	**–**	855.5	(855.5)	–
Other net assets/(liabilities)		**(32.5)**	**(55.3)**	**(87.8)**	157.7	(27.2)	130.5
Net debt	15,6	**(1,806.5)**	**(386.7)**	**(2,193.2)**	(1,679.2)	(361.2)	(2,040.4)
Total shareholders' equity[1]		**3,489.9**	**–**	**3,489.9**	2,888.8	–	2,888.8
EPRA adjustments	11			**(36.5)**			(44.1)
EPRA net asset value	11			**3,453.4**			2,844.7
Number of shares, million	11			**746.3**			741.1
EPRA NAV, pence per share	11			**463**			384

1 After minority interests.

Table 4: EPRA net initial yield and 'topped-up' net initial yield

Combined property portfolio – 31 December 2015	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	**4,226.6**	**1,544.3**	**5,770.9**
Add valuation surplus not recognised on trading properties[1]		1.6	0.1	1.7
Other items		–	0.1	0.1
Combined property portfolio per external valuers' reports		**4,288.2**	**1,544.5**	**5,772.7**
Less development properties (investment, trading and joint ventures)		(363.3)	(228.7)	(592.0)
Net valuation of completed properties		**3,864.9**	**1,315.8**	**5,180.7**
Add notional purchasers' costs		216.9	65.2	282.1
Gross valuation of completed properties including notional purchasers' costs	A	**4,081.8**	**1,381.0**	**5,462.8**
Income		**£m**	**£m**	**£m**
Gross passing rent[2]		190.6	86.6	277.2
Less irrecoverable property costs		(1.2)	(2.3)	(3.5)
Net passing rent	B	**189.4**	**84.3**	**273.7**
Adjustment for notional rent in respect of rent frees		14.8	10.1	24.9
Topped up net rent	C	**204.2**	**94.4**	**298.6**
Including fixed/minimum uplifts[3]		6.5	0.3	6.8
Total topped up net rent		**210.7**	**94.7**	**305.4**
Yields – 31 December 2015		**%**	**%**	**%**
EPRA net initial yield	B/A	4.6	6.1	5.0
EPRA topped up net yield	C/A	5.0	6.8	5.5
Net true equivalent yield		5.8	6.8	6.0

1 Trading properties are recorded in the financial statements at the lower of cost and net realisable value, therefore valuations above cost have not been recognised.
2 Gross passing rent excludes short- term lettings and licences.
3 Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five yearly, upwards only rent review clauses (UK) or indexation clauses (continental Europe).

Table 5: EPRA vacancy rate

	2015 £m	2014 £m
Annualised potential rental of vacant premises	**15.9**	19.8
Annualised potential rental value for the completed property portfolio	**328.2**	313.8
EPRA vacancy rate	**4.8%**	6.3%

Table 6: EPRA cost ratio

	Notes	**2015 £m**	2014 £m
Costs			
Property operating expenses[1]	5	**37.7**	40.5
Administration expenses		**28.5**	28.3
Pension settlement costs		**4.8**	–
Share of joint venture property operating and administration expenses[2]	6	**11.4**	12.2
Less:			
Joint venture property management fee income	4	**(13.8)**	(12.2)
Total costs (A)		**68.6**	68.8
Group vacant property costs	5	**(3.4)**	(7.5)
Share of joint venture vacant property costs	6	**(1.3)**	(3.1)
Total costs excluding vacant property costs (B)		**63.9**	58.2
Gross rental income			
Gross rental income	4	**210.7**	215.1
Share of joint venture property gross rental income	6	**73.2**	74.6
Total gross rental income (C)		**283.9**	289.7
Total EPRA cost ratio (including vacant property costs), % (A)/(C)		**24.2**	23.7%
Total EPRA cost ratio (excluding vacant property costs), % (B)/(C)		**22.5**	20.1%
Total costs (A)		**68.6**	68.8
Pension settlement costs	2	**(4.8)**	–
Total costs after non-EPRA adjustments (D)		**63.8**	68.8
Group vacant property costs	5	**(3.4)**	(7.5)
Share of joint venture vacant property costs	6	**(1.3)**	(3.1)
Total costs excluding vacant property costs (E)		**59.1**	58.2
Total gross rental income (C)		**283.9**	289.7
Total cost ratio[3] (including vacant property costs), % (D)/(C)		**22.5**	23.7
Total cost ratio[3] (excluding vacant property costs), % (E)/(C)		**20.8**	20.1

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £2.7 million (FY14: £2.5 million) (see Note 5 for further detail on the nature of costs capitalised).
2 Share of joint venture property operating and administration expenses after deducting costs related to performance and other fees.
3 Adjusted for pension settlement costs.

GLOSSARY OF TERMS

APP

Airport Property Partnership, a 50-50 joint venture between SEGRO and Aviva Investors.

Completed portfolio

The completed investment and trading properties and the Group's share of joint ventures' completed investment and trading properties.

Development pipeline

The Group's current programme of developments authorised or in the course of construction at the Balance Sheet date, together with potential schemes not yet commenced on land owned or controlled by the Group.

EPRA

The European Public Real Estate Association, a real estate industry body, which has issued Best Practices Recommendations in order to provide consistency and transparency in real estate reporting across Europe.

Estimated cost to completion

Costs still to be expended on a development or redevelopment to practical completion, including attributable interest.

Estimated rental value (ERV)

The estimated annual market rental value of lettable space as determined biannually by the Group's valuers. This will normally be different from the rent being paid.

Gearing

Net borrowings divided by total shareholders' equity excluding intangible assets and deferred tax provisions.

Gross rental income

Contracted rental income recognised in the period in the Income Statement, including surrender premiums and interest receivable on finance leases. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight line basis over the lease term.

Hectares (Ha)

The area of land measurement used in this analysis. The conversion factor used, where appropriate, is 1 hectare = 2.471 acres.

Investment property

Completed land and buildings held for rental income return and/or capital appreciation.

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, trading properties and at 31 December 2015 includes the Bath Road office portfolio categorised as Assets held for sale in the balance sheet). This is measured either on a 'look-through' basis (including joint ventures at share) or wholly owned (which excludes joint ventures).

MSCI-IPD

MSCI Real Estate calculates the IPD indices of real estate performance around the world.

Net true equivalent yield

The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time. It assumes that rent is received quarterly in advance.

Net initial yield

Annualised current passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs. This is in accordance with EPRA's Best Practices Recommendations.

Net rental income

Gross rental income less ground rents paid, net service charge expenses and property operating expenses.

Passing rent

The annual rental income currently receivable on a property as at the Balance Sheet date (which may be more or less than the ERV). Excludes rental income where a rent free period is in operation. Excludes service charge income (which is netted off against service charge expenses).

Pre-let

A lease signed with an occupier prior to completion of a development.

REIT

A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications. SEGRO plc and its UK subsidiaries achieved REIT status with effect from 1 January 2007.

Rent roll

See Passing Rent.

SELP

SEGRO European Logistics Partnership, a 50-50 joint venture between SEGRO and Public Sector Pension Investment Board (PSP Investments).

SIIC

Sociétés d'investissements Immobiliers Cotées are the French equivalent of UK Real Estate Investment Trusts (see REIT).

Speculative development

Where a development has commenced prior to a lease agreement being signed in relation to that development.

Square metres (sq m)

The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is one 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 MSCI Real Estate and excluding land.

Total shareholder return (TSR)

A measure of return based upon share price movement over the period and assuming reinvestment of dividends.

Trading property

Property being developed for sale or one which is being held for sale after development is complete.

Yield on cost

Yield on cost is the expected gross yield based on the estimated current market rental value (ERV) of the developments when fully let, divided by the book value of the developments at the earlier of commencement of the development or the balance sheet date plus future development costs and estimated finance costs to completion.