PRESS RELEASE

25 FEBRUARY 2015

SEGRO plc

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

SEGRO plc ('SEGRO' / 'Company' / 'Group') today announces its results for the year ended 31 December 2014.

- **Strategic re-positioning programme substantially complete:** £1.6 billion of asset disposals and £1.3 billion of investment in development and acquisitions since November 2011.
- **23 per cent increase in EPRA NAV per share to 384 pence** (31 December 2013: 312 pence) reflecting improving asset values, asset management and development gains.
- **IFRS profit before tax increased to £654.4 million** (2013: £212.1 million).
- **EPRA EPS of 17.2 pence** (2013: 17.7 pence) reflects impact of reduced rental income following disposal activity, offset by investment activity and by lower overall operating and finance costs.
- **Like-for-like rental growth of 2.4 per cent.** Generally improving occupier demand, particularly from retailers responding to structural changes in their supply chains as a result of increased online and convenience shopping, is reflected in £35.4 million of new contracted annualised rent (up 16 per cent on 2013) from leasing and development lettings, and a sharply reduced vacancy rate to 6.3 per cent.
- **Investment demand for logistics remains strong:** 12.3 per cent growth in portfolio valuation to £4.8 billion including a 17.1 per cent increase in the completed UK portfolio, reflecting SEGRO's strong weighting in London, the South East and the Midlands' logistics 'golden triangle'. Continental Europe completed properties increased in value by 2.2 per cent.
- **Development programme and well-located land bank drives medium- and long-term growth:** current construction programme will deliver 240,000 sq m of new space while the well-located strategic land bank has potential to deliver an additional 1.6 million sq m in the medium term.
- **Final dividend increased by 0.3 pence to 10.2 pence** reflecting Board's confidence in the outlook.

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

"2014 has been a very good year for SEGRO. The portfolio re-positioning strategy is substantially complete and the tangible benefits are showing through. Our net asset value has increased by 23 per cent and we have delivered an historically low vacancy rate of 6.3 per cent and 2.4 per cent growth in like-for-like rental income.

"The actions taken have improved the quality, resilience and growth potential of our portfolio and resulted in a lower risk capital structure.

"Looking ahead, the structural drivers of demand for our products, combined with an improving economic situation in the UK and accommodative monetary policy across all our markets, are likely to be supportive of property returns. We are taking advantage of these favourable market trends through the delivery of 240,000 sq m of new warehouse and logistics space into our markets in the coming months. We have an excellent land bank which could deliver a further 1.6 million sq m of space over the next few years. Confidence in our longer term prospects is reflected in the 0.3 pence recommended increase in the final dividend for the year."

KEY POINTS[1]

Strong operating performance across the Group

- **Like-for-like rental growth**: 2.4 per cent overall, including 4.9 per cent in the UK.
- **Vacancy rate:** Improvement to 6.3 per cent from 8.5 per cent at 31 December 2013.
- **Net absorption of standing stock:** £3.8 million net absorption (2013: net take-backs of £1.9 million).
- **Completed developments** added £15.4 million (£19.6 million when fully leased) of annualised rental income. Committed development pipeline is expected to deliver a further £17.1 million of annualised rental income when fully leased (44 per cent pre-let).
- **New rent contracted:** £35.4 million, up 16 per cent on 2013.

Substantial increase in Net Asset Value

- **EPRA NAV per share increased by 23 per cent** to 384 pence (31 December 2013: 312 pence), mainly the result of improving asset values in all of our major markets.
- **UK completed portfolio valuation capital return of 17.1 per cent** (outperforming the IPD UK All Industrial Quarterly Index capital return of 16.1 per cent) reflecting improving yields, development gains, asset management initiatives, and 3.2 per cent rental value growth (IPD: +2.8 per cent).
- **Continental Europe completed portfolio capital return of 2.2 per cent**, driven by improving values in our three major markets of France, Germany and Poland, partly offset by weakness in the Netherlands.

Strategic re-positioning exercise substantially complete

- **£648 million of investment in development and big box logistics warehouse acquisitions**, partly funded by £483 million of disposals of assets (at an average 6 per cent premium to December 2013 book values) that did not fit our strategy or had less attractive risk-return profiles.
- **Look-through loan to value ratio at 40 per cent** (31 December 2013: 42 per cent), in line with our long-term target, reflecting primarily portfolio valuation increases.
- **Remaining non-core assets** total £211 million, equating to less than 5 per cent of the portfolio (from 30 per cent at the end of 2011).

Outlook/2015 expectations

- **Occupational market conditions improving** in most of the Group's key geographies with healthy demand for newly developed buildings, and further rental growth expected in London and South East England.
- **Investment market appetite likely to remain strong** supported by relatively high yields, the on-going low interest rate environment, quantitative easing in the eurozone and rental growth in UK industrial markets.
- **Group's focus to remain on disciplined capital allocation and operational excellence**, taking advantage of investment market conditions to make further disposals. Investment activity will remain disciplined and is likely to favour development (including replenishment of the land bank), although we will continue to seek attractive acquisitions in our core markets while also investigating opportunities to expand our geographic footprint in Continental Europe's major logistics markets.

[1] All figures quoted 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 2014	Year to 31 December 2013	Change per cent
EPRA[1] profit before tax (£m)	129.7	134.1	(3.3)
IFRS profit before tax (£m)	654.4	212.1	–[4]
EPRA[1] earnings per share (pence)	17.2	17.7	(2.8)
IFRS basic and diluted earnings per share (pence)	92.0	28.4	–[4]
Dividend per share (pence)	15.1	14.8	2.0

Balance sheet metrics	31 December 2014	31 December 2013	Change per cent
Portfolio valuation (SEGRO share, £m)	4,801	4,149	12.9[2]
EPRA[1] net asset value per share (pence)	384	312	23.1
IFRS net asset value per share (pence)	390	316	23.4
Net borrowings (£m)	1,679	1,459	15.1
Loan to value ratio (including joint ventures at share) [3] (per cent)	40	42	–

1 Calculations for EPRA performance measures are shown in note 11 to the consolidated financial statements. See Note to Editors for details about EPRA metrics.

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

3 LTV ratio includes £119.9 million of deferred consideration receivable.

4 Not meaningful.

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/segro005/default.asp?Media

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 4 March 2015 on:

UK & International: +44 (0) 121 260 4861
USA: +1 866 268 1947
Access code: 2103680#

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 2014 Property Analysis Report and other information about SEGRO.

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES:

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FINANCIAL CALENDAR

2014 final dividend record date	27 March 2015
2014 final dividend Scrip dividend price announced	2 April 2015
Last date for Scrip dividend elections	14 April 2015
2014 final dividend payment date	8 May 2015
First Quarter Trading Update	28 April 2015
Annual General Meeting	29 April 2015
2015 Interim results (provisional)	28 July 2015

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 5.7 million square metres of space in £6.0 billion of assets (at 31 December 2014, SEGRO's share of which totals £4.8 billion), serving 1,200 customers from a wide range of industry sectors. Its properties are located around major conurbations and at key transportation hubs across eight European countries, principally in the UK, France, Germany and Poland.

<u>Note to Editors</u>

EPRA earnings, EPRA NAV and EPRA EPS are alternate metrics to their IFRS equivalents that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). SEGRO uses these alternative metrics as they provide a transparent and consistent basis to enable comparison between European property companies.

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 Annual Report 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

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

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

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

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

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

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

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

RESHAPING THE EXISTING PORTFOLIO

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

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

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

Disposals: What to expect in 2015

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

<u>Disposals completed in 2014</u>

Asset location / type	Gross proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
UK: Light industrial	162.1	5.2	6.3
UK: Big box logistics	173.2	5.7	6.6
UK: Land	4.1	n/a	n/a
Continental Europe: Light industrial	68.3	9.5	9.6
Continental Europe: Offices (Pegasus Park)	67.3	10.1	10.1
Continental Europe: Land	7.6	n/a	n/a
Total disposals during the year	**482.6**	**6.7[1]**	**7.4[1]**

1 Yield excludes land disposals

DELIVERING PROFITABLE GROWTH THROUGH DEVELOPMENT AND ACQUISITION

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

Investing to grow: Acquisitions

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

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

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

<u>Acquisitions completed in 2014</u>

Asset location / type	Purchase price[1] (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
UK: Big box logistics	259.1	5.9	6.7
Continental Europe: Big box logistics	221.1	7.2	7.2
Continental Europe: Land	11.2	n/a	n/a
Acquisitions during the year	**491.4**	**6.5[2]**	**6.9[2]**

1 Excluding acquisition costs
2 Yield excludes land acquisitions

Investing to grow: Developments

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

Development projects completed

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

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

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

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

Active development projects

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

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

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

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

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

Future development projects

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

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

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

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

Investment plans: What to expect in 2015

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

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

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

REDUCING NET DEBT AND INTRODUCING THIRD PARTY CAPITAL

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

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

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

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

Managing leverage: What to expect in 2015

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

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

DRIVING OPERATIONAL EXCELLENCE

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

Improving occupier demand

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

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

Strong letting and pre-letting activity

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

Summary of key leasing data for the year to 31 December[1]		**2014**	**2013**
Take-up of existing space[2] (A)	£m	19.9	19.1
Space returned[3] (B)	£m	(16.1)	(21.0)
NET ABSORPTION OF EXISTING SPACE (A-B)	**£m**	**3.8**	**(1.9)**
Other rental movements (rent reviews, renewals, indexation)[2] (C)	£m	1.0	0.9
RENT ROLL GROWTH FROM EXISTING SPACE	**£m**	**4.8**	**(1.0)**
Take-up of developments completed in the year – speculative space let and pre-lets signed in prior years[2] (D)	£m	12.6	4.5
Take-up of developments completed in the year – pre-lets signed in current year[2] (D)	£m	3.8	3.2
TOTAL TAKE UP[2] (A+C+D)	**£m**	**37.3**	**27.7**
Less take-up of pre-lets signed in prior periods[2]	£m	(12.6)	(4.5)
Pre-lets signed in the period for delivery in later periods [2]	£m	10.7	7.3
RENTAL INCOME CONTRACTED IN THE YEAR[2]	**£m**	**35.4**	**30.5**
Take-back of space for redevelopment[3]	£m	(4.3)	(3.0)
Retention rate[4]	%	68	69

1 All figures reflect exchange rates at 31 December and include joint ventures at share. They exclude lettings and take-backs on the Neckermann campus.
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 year.

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

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

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

Vacancy rate sharply improved

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

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

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

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

Growing portfolio value

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

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

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

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

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

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

BY GEOGRAPHY	Lettable area (100%) sq m	Portfolio value, £m Completed	Land & dvpt	Combined property portfolio	Yield[2], % Net initial	Net true equivalent	Capital return %[1 2]	Vacancy[3] (ERV) %
UK								
Greater London	1,282,025	1,752.0	67.2	1,819.2	4.6	6.1	18.4	7.8
Thames Valley & National Logistics	1,006,475	1,601.1	64.8	1,665.9	5.5	6.5	15.6	4.0
UK TOTAL	**2,288,500**	**3,353.1**	**132.0**	**3,485.1**	**5.0**	**6.3**	**17.1**	**6.0**
CONTINENTAL EUROPE								
Germany	953,964	314.4	67.8	382.2	6.1	7.2	0.8	10.3
Belgium/Netherlands	223,005	69.4	19.0	88.4	7.8	8.3	(8.1)	10.1
France	1,044,828	357.3	11.6	368.9	6.7	7.9	1.3	4.5
Italy	114,666	101.2	0.8	102.0	6.0	9.0	7.3	8.0
Poland	982,556	262.4	60.8	323.2	7.1	7.9	5.2	6.1
Czech Republic/Hungary	105,047	30.2	21.4	51.6	6.9	7.8	12.4	5.0
CONTINENTAL EUROPE TOTAL	**3,424,066**	**1,134.9**	**181.4**	**1,316.3**	**6.6**	**7.9**	**2.2**	**7.2**
GROUP TOTAL	**5,712,566**	**4,488.0**	**313.4**	**4,801.4**	**5.4**	**6.7**	**12.9**	**6.3**
BY OWNERSHIP								
Wholly-owned	2,675,634	3,306.6	251.0	3,557.6	5.3	6.6	14.4	6.8
Joint ventures	3,036,932	1,181.4	62.4	1,243.8	5.8	6.9	8.9	5.0
GROUP TOTAL	**5,712,566**	**4,488.0**	**313.4**	**4,801.4**	**5.4**	**6.7**	**12.9**	**6.3**

1 Capital return 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 2014 is 7.7%

Operating metrics: What to expect in 2015

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

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

OUTLOOK: WHAT TO EXPECT FOR SEGRO IN 2015

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

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

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

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

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

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

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

FINAL DIVIDEND OF 10.2 PENCE PER SHARE

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

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

STATEMENT OF PRINCIPAL RISKS

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

The Group's risk management process and risk mitigating actions are described in the 2014 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.

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, a UK exit from the EU; 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.

FINANCIAL REVIEW

HIGHLIGHTS

	31 December 2014	31 December 2013
Total property return (%)	**19.4**	10.7
IFRS net asset value (NAV) per share (p)	**390**	316
EPRA[1] NAV per share (p)	**384**	312
Realised and unrealised property gain[2] (£m)	**518.0**	145.6
IFRS profit before tax (£m)	**654.4**	212.1
EPRA[1] profit before tax (£m)	**129.7**	134.1
IFRS earnings per share (EPS) (p)	**92.0**	28.4
EPRA[1] EPS (p)	**17.2**	17.7

1. *EPRA NAV, EPRA Profit Before Tax and EPRA EPS are alternative metrics to their IFRS equivalents that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). SEGRO uses these alternative metrics as they highlight the underlying recurring performance of the property rental business, which is our core operational activity. The EPRA metrics also provide a consistent basis to enable a comparison between European property companies.*
2. *Includes the realised and unrealised property gain of £408.6 million for the wholly owned portfolio (see Note 7 to the financial information) and the realised and unrealised property gain of £109.4 million from our share of joint ventures (see Note 6 to the financial information).*

TOTAL PROPERTY RETURN

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

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

NAV AND EPRA NAV PER SHARE

A reconciliation of EPRA net assets to total net assets attributable to ordinary shareholders and the corresponding NAV and EPRA NAV per share calculations is provided in Note 11 to the financial information.

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

EPRA NAV	**£m**	**Shares million**	**Pence per share**
EPRA net assets attributable to ordinary shareholders at 31 December 2013	**2,312.6**	**741.3**	**312**
Realised and unrealised property gain	518.0		70
EPRA profit after tax	127.8		17
Dividends (2013 final and 2014 interim)	(109.8)		(15)
US tax refund	33.6		4
Acturial loss on pension schemes	(13.7)		(2)
Exchange rate movement (net of hedging)	(11.8)		(1)
Other	(12.0)		(1)
EPRA net assets attributable to ordinary shareholders at 31 December 2014	**2,844.7**	**741.1**	**384**

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

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

REALISED AND UNREALISED PROPERTY GAIN

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

A profit of £25.0 million arose in 2014 on disposal of investment properties reflecting the valuation increases over the year (2013: £13.0 million). A loss of £0.3 million arose on disposal of trading properties (2013: £6.1 million profit). Impairment provisions of £1.7 million (2013: £15.2 million) were recorded on certain trading properties as their fair value is deemed to be less than the original cost. The total realised and unrealised property gain for the wholly owned portfolio is further analysed in Note 7 to the financial information.

Our share of realised and unrealised property gains generated from joint venture interests was £109.4 million (2013: £47.9 million) and are further analysed in Note 6 to the financial information.

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

EPS and EPRA EPS

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

EPRA PROFIT

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

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

NET RENTAL INCOME

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

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

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

Like-for-like net rental income

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

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

JOINT VENTURES

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

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

TOTAL COSTS

The Group continues to focus on carefully managing its cost base and regards the total cost ratio as a key measure of performance. The total cost ratio calculation is outlined in table 6 in the supplementary notes appended to the financial information.

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

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

NET FINANCE COSTS

Net finance costs (which exclude fair value gains and losses on interest rate swaps and currency derivatives) decreased in 2014 by £21.9 million to £74.7 million. The decrease is mainly attributable to the impact of interest savings from the full year impact of lower interest rates following the interest swap portfolio restructuring in November 2013, lower average debt compared to the prior year and the full year impact of interest receivable on deferred consideration, as detailed in Note 13, which initially arose in October 2013.

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

TAX

A tax credit of £27.6 million has been recognised in 2014 (2013: £2.9 million charge). This combines a £1.9 million charge attributable to EPRA profit (2013: £2.7 million), a £4.1 million charge in relation to EPRA adjustments (2013: £0.2 million) and a US tax refund of £33.6 million (2013: £nil). The US tax refund was recognised following a formal agreement with the Californian tax authorities in the period of our entitlement to a refund of Californian state tax related to the disposal of SEGRO's US business in 2007. In our judgement, we do not currently believe that there are any further state or federal tax receipts or payments due in respect of this disposal. The tax charge on EPRA profit reflects an effective tax rate of 1.5 per cent (2013: 2 per cent), consistent with a Group target tax rate of less than 3 per cent.

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

CASH FLOW AND NET DEBT RECONCILIATION

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

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

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

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

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

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

EPRA CAPITAL EXPENDITURE (CAPEX)

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

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

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

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

EPRA capital expenditure analysis

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

1 Being £437.1 million investment property and £nil trading property (2013: £123.2 million and £60.9 million respectively) see Note 12.

2 Being £122.7 million investment property and £13.6 million trading property (2013: £98.4 million and £5.9 million respectively) see Note 12.

3 Being £20.2 million investment property and £1.5 million trading property (2013: £15.6 million and £0.8 million respectively) see Note 12.

4.Includes wholly owned capitalised interest of £4.4 million (2013: £2.5 million) as further analysed in Note 8 and share of joint venture capitalised interest of £0.4 million (2013: £0.2 million).

5 Tenant incentives, letting fees and rental guarantees.

FINANCIAL KPIs

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

1 Based on gross debt, excluding commitment fees and amortised costs.

2 Net rental income/EPRA net finance costs (before capitalisation).

3 Includes €154.7 million of deferred consideration receivable.

DIVIDENDS

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

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

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

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

As set out on page 12, the Board has decided to recommend the re-introduction of a scrip dividend option for the 2014 final dividend, allowing shareholders to choose whether to receive cash dividends in new shares rather than cash.

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

TREASURY POLICIES AND GOVERNANCE

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

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

FINANCIAL POSITION AND FUNDING

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

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

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

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

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

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

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

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

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

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

The key financing metrics of the Group are shown in the table on page 18.

GEARING AND FINANCIAL COVENANTS

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

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

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

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

INTEREST RATE EXPOSURE

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

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

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

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

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

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

FOREIGN CURRENCY TRANSLATION EXPOSURE

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

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

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

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

GOING CONCERN

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

Having made enquiries and having considered the principal risks facing the Group, including liquidity and solvency risks, and 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.

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 2014. 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 24 February 2015 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 2014

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

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 £m	2013 £m
Profit for the year	**682.0**	209.2
Items that will not be reclassified subsequently to profit or loss		
Actuarial loss on defined benefit pension schemes	**(13.7)**	(1.2)
	(13.7)	(1.2)
Items that may be reclassified subsequently to profit or loss		
Foreign exchange movement arising on translation of international operations	**(34.2)**	4.4
Decrease in value of available-for-sale investments	**(0.7)**	(1.5)
Fair value movements on derivatives in effective hedge relationships	**22.0**	5.7
	(12.9)	8.6
Tax on components of other comprehensive income	**–**	–
Other comprehensive (loss)/profit before transfers	**(26.6)**	7.4
Transfer to income statement on available-for-sale investments	**(2.2)**	0.3
Total comprehensive profit for the year	**653.2**	216.9
Attributable to equity shareholders	**653.2**	218.3
Attributable to non-controlling interests	**–**	(1.4)
Total comprehensive profit for the year	**653.2**	216.9

CONDENSED GROUP BALANCE SHEET

As at 31 December 2014

	Notes	**2014 £m**	2013 £m
Assets			
Non-current assets			
Goodwill and other intangibles		**3.3**	3.5
Investment properties	12	**3,477.0**	2,910.0
Owner occupied properties		**–**	4.1
Plant and equipment		**6.6**	4.7
Investments in joint ventures	6	**855.5**	635.7
Available-for-sale investments		**5.8**	12.1
Trade and other receivables	13	**52.0**	65.6
		4,400.2	3,635.7
Current assets			
Trading properties	12	**77.8**	138.7
Trade and other receivables	13	**311.8**	243.3
Cash and cash equivalents	15	**23.8**	233.8
		413.4	615.8
Total assets		**4,813.6**	4,251.5
Liabilities			
Non-current liabilities			
Borrowings	15	**1,495.4**	1,690.3
Deferred tax provision	9	**10.3**	11.4
Provisions		**12.3**	8.8
Trade and other payables	14	**29.8**	15.6
		1,547.8	1,726.1
Current liabilities			
Trade and other payables	14	**166.8**	175.0
Borrowings	15	**207.6**	2.6
Tax liabilities		**2.6**	2.9
		377.0	180.5
Total liabilities		**1,924.8**	1,906.6
Net assets		**2,888.8**	2,344.9
Equity			
Share capital		**74.2**	74.2
Share premium		**1,070.0**	1,069.9
Capital redemption reserve		**113.9**	113.9
Own shares held		**(6.1)**	(5.3)
Revaluation reserve		**–**	(3.2)
Other reserves		**169.5**	182.5
Retained earnings		**1,467.3**	912.7
Total shareholders' equity		**2,888.8**	2,344.7
Non-controlling interests		**–**	0.2
Total equity		**2,888.8**	2,344.9
Net assets per ordinary share			
Basic and diluted net assets per share	11	**390p**	316p

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

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

For the year ended 31 December 2013

	Balance 1 January 2013 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividend £m	Transfers £m	Balance 31 December 2013 £m
Ordinary share capital	74.2	–	–	–	–	–	–	–	74.2
Share premium	1,069.9	–	–	–	–	–	–	–	1,069.9
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(7.3)	–	–	–	–	(0.5)	–	2.5	(5.3)
Revaluation reserve	(2.6)	–	–	–	–	–	–	(0.6)	(3.2)
Other reserves:									
Share based payments reserve	5.1	–	–	–	–	1.6	–	(1.3)	5.4
Fair value reserve for AFS[1]	4.5	–	–	(1.5)	–	0.3	–	–	3.3
Translation and other reserves	(5.4)	4.4	–	5.7	–	–	–	–	4.7
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	173.3	4.4	–	4.2	–	1.9	–	(1.3)	182.5
Retained earnings	813.6	–	210.6	(1.2)	–	–	(109.7)	(0.6)	912.7
Total equity attributable to equity shareholders	2,235.0	4.4	210.6	3.0	–	1.4	(109.7)	–	2,344.7
Non-controlling interests	1.6	–	(1.4)	–	–	–	–	–	0.2
Total equity	2,236.6	4.4	209.2	3.0	–	1.4	(109.7)	–	2,344.9

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

CONDENSED GROUP CASH FLOW STATEMENT

For the year ended 31 December 2014

	Notes	**2014 £m**	2013 £m
Cash flows from operating activities	16	**176.1**	204.0
Interest received		**83.3**	58.6
Dividends received		**22.2**	24.1
Interest paid		**(155.8)**	(156.1)
Tax paid		**(2.8)**	(2.4)
Net cash received from operating activities		**123.0**	128.2
Cash flows from investing activities			
Purchase and development of investment properties		**(247.9)**	(211.1)
Sale of investment properties		**408.7**	559.9
Repayment of finance lease receivables		**–**	8.1
Purchase of plant and equipment and intangibles		**(4.2)**	(3.2)
Sale of available-for-sale investments		**5.6**	1.8
Acquisition of LPP		**(95.6)**	–
Sale of SELP portfolio		**4.8**	402.8
Investment in joint ventures		**(201.7)**	(52.2)
Net cash (used in)/received from investing activities		**(130.3)**	706.1
Cash flows from financing activities			
Dividends paid to ordinary shareholders		**(109.8)**	(109.7)
Net decrease in other borrowings		**(148.3)**	(431.0)
Net costs to close out debt		**(1.6)**	–
Early close out of interest rate swaps		**–**	(27.2)
Net settlement of foreign exchange derivatives		**59.2**	(47.9)
Proceeds from issue of ordinary shares		**0.1**	–
Purchase of ordinary shares		**(2.1)**	(0.5)
Net cash used in financing activities		**(202.5)**	(616.3)
Net (decrease)/increase in cash and cash equivalents		**(209.8)**	218.0
Cash and cash equivalents at the beginning of the year		**233.8**	15.4
Effect of foreign exchange rate changes		**(0.2)**	0.4
Cash and cash equivalents at the end of the year		**23.8**	233.8

NOTES TO THE FINANCIAL INFORMATION

1. FINANCIAL INFORMATION

The financial information set out in this announcement does not constitute the consolidated statutory accounts for the years ended 31 December 2014 and 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 (approved by the Board on 24 February 2015) 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 in prepared on that basis.

The financial information set out in this announcement is based on the consolidated financial statement 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 2013 financial statements except for the adoption of new accounting standards in 2014, none of which had a material impact on the current or prior year reporting results, with the exception of IFRS12 ('Disclosure of Interests in Other Entities') resulting in more extensive disclosure (see Note 6).

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.29 (31 December 2013: £1 = €1.20)
Income statement: £1 = €1.24 (31 December 2013: £1 = €1.18)

2. EPRA PROFIT

	2014 £m	2013 £m
Gross rental income	**215.1**	273.8
Property operating expenses	**(40.5)**	(50.4)
Net rental income	**174.6**	223.4
Joint venture management fee income	**11.8**	7.1
Administration expenses	**(28.3)**	(26.1)
Share of joint ventures' EPRA profit after tax	**46.3**	26.3
EPRA operating profit before interest and tax	**204.4**	230.7
Net finance costs (including adjustments)	**(74.7)**	(96.6)
EPRA profit before tax	**129.7**	134.1
Adjustments		
Adjustments to the share of profit from joint ventures after tax[1]	**105.1**	44.3
Profit on sale of investment properties	**25.0**	13.0
Valuation surplus on investment and owner occupied properties	**385.6**	93.8
(Loss)/profit on sale of trading properties	**(0.3)**	6.1
Increase in provision for impairment of trading properties	**(1.7)**	(15.2)
Other investment income/(loss)	**1.9**	(0.4)
Amounts written off on acquisitions	**(0.2)**	(0.2)
Cost of early close out of bank debt	**(1.6)**	–
Net fair value gain/(loss) on interest rate swaps and other derivatives	**10.9**	(63.4)
Total adjustments	**524.7**	78.0
Profit before tax	**654.4**	212.1
Tax		
On EPRA profits	**(1.9)**	(2.7)
In respect of adjustments	**(4.1)**	(0.2)
US tax refund[2]	**33.6**	–
	27.6	(2.9)
Profit after tax		
EPRA profit after tax	**127.8**	131.4
Adjustments	**554.2**	77.8
Profit after tax	**682.0**	209.2

1. *A detailed breakdown of the adjustments to the share of profit from joint ventures is included in Note 6.*
2. *As discussed further in Note 9.*

The adjustments outlined above arise from adopting the Best Practices Recommendations of the European Public Real Estate Association (EPRA). The EPRA profit measures highlight the underlying recurring performance of the property rental business, which is our core operational activity and also provide a consistent basis to enable a comparison between European property companies.

3. SEGMENTAL REPORTING

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 and distinct business units.

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

31 December 2013	Gross rental income £m	Net rental income £m	Share of joint ventures' EPRA profit £m	EPRA PBIT £m	Total directly owned property assets £m	Investments in joint ventures £m	Capital expenditure[2] £m
Greater London	73.4	62.1	15.6	83.0	1,106.9	289.3	57.5
Thames Valley and National Logistics	89.2	79.0	5.4	84.6	1,160.0	84.6	55.7
Northern Europe	40.7	28.3	1.4	27.9	363.5	66.0	74.5
Southern Europe	46.2	39.7	1.8	40.4	301.0	84.3	41.5
Central Europe	24.3	21.4	2.2	23.3	121.4	103.7	75.6
Other[1]	–	(7.1)	(0.1)	(28.5)	–	7.8	2.1
Total	273.8	223.4	26.3	230.7	3,052.8	635.7	306.9

1. *Other includes the corporate centre, SELP holding companies and costs relating to the operational business which are not specifically allocated to a geographical business unit.*
2. *Capital expenditure includes additions and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees. The "Other" category includes non-property related spend, primarily IT.*

Revenues from the most significant countries within the Group were UK £173.9 million (2013: £184.2 million), Germany £55.8 million (2013: £34.1 million), France £21.4 million (2013: £49.9 million) and Poland £8.2 million (2013: £30.1 million).

4. REVENUE

	2014 £m	2013 £m
Rental income from investment properties	**200.3**	242.8
Rental income from trading properties	**7.8**	13.0
Rent averaging	**3.9**	10.2
Surrender premiums	**3.1**	7.4
Interest received on finance lease assets	**–**	0.4
Gross rental income	**215.1**	273.8
Joint venture management fee - property management fees	**12.2**	5.4
- performance and other fees	**(0.4)**	1.7
Service charge income	**19.7**	40.2
Proceeds from sale of trading properties	**43.4**	18.7
Total revenue	**290.0**	339.8

5. PROPERTY OPERATING EXPENSES

	2014 £m	2013 £m
Vacant property costs	**7.5**	12.6
Letting, marketing, legal and professional fees	**6.9**	8.5
Bad debt expense	**0.2**	2.8
Other expenses, net of service charge income	**8.5**	11.0
Property management expenses	**23.1**	34.9
Property administration expenses[1]	**19.9**	17.6
Costs capitalised[2]	**(2.5)**	(2.1)
Total property operating expenses	**40.5**	50.4

1. *Property administration expenses predominantly relate to the employee staff costs of personnel directly involved in managing the property portfolio.*
2. *Costs capitalised relate to internal employee staff costs directly involved in developing the property portfolio.*

6. 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 Logistics Property Partnership owned logistics property assets and The Airport Property Partnership owns aviation-related property assets across sectors near airport hubs. The Heathrow Big Box Industrial and Distribution Fund owns two assets across logistics and industrial sectors.

At 100%	SEGRO European Logistics Partnership £m	Logistics Property Partnership £m	Airport Property Partnership £m	Heathrow Big Box Industrial and Distribution Fund £m	Other £m	2014 £m	2013 £m
Gross rental income	**76.9**	**13.0**	**45.2**	**14.0**	**–**	**149.1**	97.0
Property operating expenses							
-underlying property operating expenses	**(3.0)**	**(0.2)**	**(1.3)**	**(0.1)**	**–**	**(4.6)**	(3.2)
-vacant property costs	**(1.6)**	**(0.2)**	**(4.3)**	**(0.1)**	**–**	**(6.2)**	(3.6)
-property management fees	**(6.3)**	**(0.6)**	**(5.0)**	**(0.3)**	**–**	**(12.2)**	(7.0)
-performance and other fees	**–**	**–**	**0.7**	**–**	**–**	**0.7**	(2.2)
Net rental income	**66.0**	**12.0**	**35.3**	**13.5**	**–**	**126.8**	81.0
Administration expenses	**(1.4)**	**–**	**(0.1)**	**–**	**–**	**(1.5)**	(0.8)
Finance income (including adjustments)	**–**	**1.2**	**–**	**–**	**–**	**1.2**	0.6
Finance costs (including adjustments)	**(12.6)**	**(4.3)**	**(14.2)**	**(1.6)**	**–**	**(32.7)**	(28.4)
EPRA profit before tax	**52.0**	**8.9**	**21.0**	**11.9**	**–**	**93.8**	52.4
Tax on EPRA profits	**(1.2)**	**–**	**–**	**–**	**–**	**(1.2)**	0.2
EPRA profit after tax	**50.8**	**8.9**	**21.0**	**11.9**	**–**	**92.6**	52.6
At share						***46.3***	*26.3*
Adjustments:							
Profit on sale of investment properties	**0.1**	**1.3**	**–**	**–**	**–**	**1.4**	–
Valuation surplus on investment properties	**42.5**	**29.0**	**103.2**	**44.3**	**–**	**219.0**	98.8
Increase in provision for impairment of trading properties	**–**	**–**	**–**	**–**	**(1.6)**	**(1.6)**	(3.0)
Net fair value gain on interest rate swaps and other derivatives	**–**	**0.1**	**–**	**0.3**	**–**	**0.4**	1.8
Amounts written off on acquisitions	**–**	**–**	**–**	**–**	**–**	**–**	(0.4)
Other investment income	**–**	**–**	**3.6**	**–**	**–**	**3.6**	–
Tax in respect of adjustments	**(12.7)**	**–**	**–**	**–**	**–**	**(12.7)**	(8.6)
Total adjustments	**29.9**	**30.4**	**106.8**	**44.6**	**(1.6)**	**210.1**	88.6
At share						***105.1***	*44.3*
Profit/(loss) after tax	**80.7**	**39.3**	**127.8**	**56.5**	**(1.6)**	**302.7**	141.2
At share						***151.4***	*70.6*
Other comprehensive income	**–**	**–**	**(0.8)**	**–**	**–**	**(0.8)**	7.6
At share						***(0.4)***	*3.8*
Total comprehensive income for the year	**80.7**	**39.3**	**127.0**	**56.5**	**(1.6)**	**301.9**	148.8
At share						***151.0***	*74.4*

6. INVESTMENTS IN JOINT VENTURES continued

6(ii) Summarised balance sheet information of the Group's share of joint ventures

At 100%	SEGRO European Logistics Partnership £m	Airport Property Partnership £m	Heathrow Big Box Industrial and Distribution Fund £m	Other £m	2014 £m	2013 £m
Investment properties	**1,308.3**	**889.8**	**263.5**	**–**	**2,461.6**	2,159.2
Other assets	**0.1**	**20.0**	**–**	**–**	**20.1**	16.6
Total non-current assets	**1,308.4**	**909.8**	**263.5**	**–**	**2,481.7**	2,175.8
Trading properties	**–**	**–**	**–**	**26.2**	**26.2**	25.6
Other receivables	**29.5**	**6.5**	**0.7**	**1.1**	**37.8**	29.4
Cash and cash equivalents	**39.5**	**14.0**	**5.9**	**0.1**	**59.5**	72.8
Total current assets	**69.0**	**20.5**	**6.6**	**27.4**	**123.5**	127.8
Total assets	**1,377.4**	**930.3**	**270.1**	**27.4**	**2,605.2**	2,303.6
Borrowings	**(438.1)**	**(343.8)**	**–**	**–**	**(781.9)**	(841.6)
Deferred tax	**(34.3)**	**–**	**–**	**–**	**(34.3)**	(24.6)
Other liabilities	**(0.2)**	**–**	**–**	**–**	**(0.2)**	(0.2)
Total non-current liabilities	**(472.6)**	**(343.8)**	**–**	**–**	**(816.4)**	(866.4)
Borrowings	**–**	**–**	**–**	**–**	**–**	(90.0)
Other liabilities	**(41.2)**	**(31.2)**	**(4.7)**	**(0.8)**	**(77.9)**	(75.8)
Total current liabilities	**(41.2)**	**(31.2)**	**(4.7)**	**(0.8)**	**(77.9)**	(165.8)
Total liabilities	**(513.8)**	**(375.0)**	**(4.7)**	**(0.8)**	**(894.3)**	(1,032.2)
Net assets	**863.6**	**555.3**	**265.4**	**26.6**	**1,710.9**	1,271.4
At share					***855.5***	*635.7*

The external borrowings of the joint ventures are non-recourse to the Group. At 31 December 2014, the fair value of £781.9 million (2013: £931.6 million) of borrowings was £804.4 million (2013: £938.8 million). This results in a fair value adjustment of £22.5 million (2013: £7.2 million), at share £11.2 million (2013: £3.6 million) see Note 11.

On 29 July 2014 SEGRO acquired the remaining 50 per cent interest it had not already owned in its Logistics Property Partnership joint venture for £95.6 million. Upon completion of the acquisition, it was consolidated into SEGRO's financial statements.

6(iii) Investments by the Group

	2014 £m	2013 £m
Cost of valuation at 1 January	**635.7**	342.6
Exchange movement	**(26.0)**	(3.2)
Acquisition	**–**	257.7
Additions	**201.7**	6.9
Disposals	**(84.7)**	(18.6)
Dividends received	**(22.2)**	(24.1)
Share of profit after tax	**151.4**	70.6
Items taken directly to reserves	**(0.4)**	3.8
Cost or valuation at 31 December	**855.5**	635.7

7. REALISED AND UNREALISED PROPERTY GAIN

	2014 £m	2013 £m
Profit on sale of investment properties	**25.0**	13.0
Valuation surplus on investment properties	**385.6**	94.4
Valuation deficit on owner occupied properties	**–**	(0.6)
(Loss)/profit on sale of trading properties	**(0.3)**	6.1
Increase in provision for impairment of trading properties	**(1.7)**	(15.2)
Total realised and unrealised property gain	**408.6**	97.7

8. NET FINANCE COSTS

Finance income	2014 £m	2013 £m
Interest received on bank deposits and related derivatives	**41.5**	34.3
Fair value gain on interest rate swaps and other derivatives	**42.8**	19.0
Exchange differences	**–**	0.9
Total finance income	**84.3**	54.2

Finance costs		
Interest on overdrafts, loans and related derivatives	**(115.3)**	(129.7)
Cost of early close out of debt	**(1.6)**	–
Net interest expense on defined benefit obligation	**(0.1)**	(0.3)
Amortisation of issue costs	**(5.1)**	(4.3)
Total borrowing costs	**(122.1)**	(134.3)
Less amount capitalised on the development of properties	**4.4**	2.5
Net borrowing costs	**(117.7)**	(131.8)
Fair value loss on interest rate swaps and other derivatives	**(31.9)**	(82.4)
Exchange differences	**(0.1)**	–
Total finance costs	**(149.7)**	(214.2)
Net finance costs	**(65.4)**	(160.0)

Net finance costs (including adjustments) in EPRA profit (Note 2) are £74.7 million (2013: £96.6 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of £10.9 million gain (2013: £63.4 million loss) and the cost of early close out of debt of £1.6 million (2013: £nil). The interest capitalisation rates for 2014 ranged from 3.6 per cent to 4.9 per cent (2013: 4.3 per cent to 6.1 per cent). Interest is capitalised gross of tax relief.

9. TAX

9(i) – Tax on profit

	2014 £m	2013 £m
Tax on:		
EPRA profits	**(1.9)**	(2.7)
Adjustments	**(4.1)**	(0.2)
US tax refund	**33.6**	–
Total tax credit/(charge)	**27.6**	(2.9)
Current tax		
Overseas		
Current tax charge	**(4.1)**	(2.3)
Adjustments in respect of earlier years	**1.8**	1.8
US tax refund	**33.6**	–
	31.3	(0.5)
Total current tax credit/(charge)	**31.3**	(0.5)
Deferred tax		
Origination and reversal of temporary differences	**(2.7)**	1.1
Released in respect of property disposals in the year	**2.9**	–
On valuation movements	**(3.0)**	(2.1)
Total deferred tax in respect of investment properties	**(2.8)**	(1.0)
Other deferred tax	**(0.9)**	(1.4)
Total deferred tax	**(3.7)**	(2.4)
Total tax credit/(charge) on profit on ordinary activities	**27.6**	(2.9)

A credit of £33.6 million has been recognised following a refund agreement in relation to Californian State tax that was formally agreed with the Californian tax authorities in the period. This represents a finalisation of the California tax position relating to the sale of the US business in 2007.

9. TAX continued

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:

	2014 £m	2013 £m
Profit on ordinary activities before tax	**654.4**	212.1
Add back valuation surplus in respect of the UK properties not taxable	**(467.5)**	(112.1)
	186.9	100.0
Multiplied by standard rate of UK corporation tax of 21.5% (2013: 23.25%)	**(40.2)**	(23.2)
Effects of:		
Exempt SIIC & REIT gains	**32.1**	18.4
Permanent differences	**1.1**	(0.1)
Joint venture tax adjustment	**9.2**	5.2
Higher tax rates on international earnings	**(1.3)**	1.4
US tax refund	**33.6**	–
Adjustments in respect of earlier years and assets not recognised	**(6.9)**	(4.6)
Total current tax credit/(charge) on profit on ordinary activities	**27.6**	(2.9)

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

9(iii) – Deferred tax liabilities

Movement in deferred tax was as follows:

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

2013	Balance 1 January £m	Exchange movement £m	Acquisition / Disposal £m	Recognised in income £m	Balance 31 December £m
Valuation surpluses and deficits on properties	(36.5)	(1.0)	(6.8)	2.1	(42.2)
Accelerated tax allowances	65.4	1.5	(8.7)	(1.1)	57.1
Deferred tax asset on revenue losses	(5.0)	0.1	0.3	1.1	(3.5)
Others	(0.6)	0.1	0.2	0.3	–
Total deferred tax liabilities	23.3	0.7	(15.0)	2.4	11.4

The Group has recognised revenue tax losses of £1.6 million (2013: £11.6 million) available for offset against future profits. Further unrecognised tax losses of £742.1 million also exist at 31 December 2014 (2013: £586.9 million) of which £32.4 million (2013: £29.8 million) expires in 15 years.

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 20 per cent by April 2015. This is unlikely to significantly impact the Group's tax charge.

10. DIVIDENDS

	2014 £m	2013 £m
Ordinary dividends paid		
Interim dividend for 2014 @ 4.9 pence per share	**36.4**	–
Final dividend for 2013 @ 9.9 pence per share	**73.4**	–
Interim dividend for 2013 @ 4.9 pence per share	**–**	36.3
Final dividend for 2012 @ 9.9 pence per share	**–**	73.4
Total dividends	**109.8**	109.7

The Board recommends a final dividend for 2014 of 10.2 pence which will result in a distribution of £75.7 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2014 is 15.1 pence (2013: 14.8 pence).

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 1.1 million shares (2013: 1.1 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 1.4 million shares (2013: 1.0 million) being the actual number of shares held on trust for employee share schemes at year end.

11(i) Earnings per ordinary share (EPS)

	2014			2013		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic EPS	**682.0**	**741.2**	**92.0**	210.6	741.0	28.4
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.1	–
Diluted EPS	**682.0**	**741.3**	**92.0**	210.6	741.1	28.4
Adjustments to profit before tax[1]	**(524.7)**		**(70.8)**	(78.0)		(10.6)
Tax adjustments						
- deferred tax on investment property which does not crystallise unless sold	**2.8**		**0.3**	1.0		–
- other tax	**1.3**		**0.2**	(0.8)		–
- US tax refund	**(33.6)**		**(4.5)**	–		–
Non-controlling interest on adjustments	**–**		**–**	(1.4)		(0.1)
EPRA EPS	**127.8**	**741.2**	**17.2**	131.4	741.0	17.7

1. Details of adjustments are included in Note 2.

11(ii) Net asset value per share (NAV)

	2014			2013		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**2,888.8**	**741.0**	**390**	2,344.7	741.2	316
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.1	–
Diluted NAV	**2,888.8**	**741.1**	**390**	2,344.7	741.3	316
Fair value adjustment in respect of debt – Group	**(365.3)**		**(49)**	(258.5)		(35)
Fair value adjustment in respect of debt – Joint ventures	**(11.2)**		**(2)**	(3.6)		–
Fair value adjustment in respect of trading properties - Group	**2.3**		**–**	4.2		1
EPRA triple net NAV (NNNAV)	**2,514.6**	**741.1**	**339**	2,086.8	741.3	282
Fair value adjustment in respect of debt – Group	**365.3**		**49**	258.5		35
Fair value adjustment in respect of debt – Joint ventures	**11.2**		**2**	3.6		–
Fair value adjustment in respect of interest rate swap derivatives – Group	**(78.5)**		**(10)**	(67.9)		(9)
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	**2.9**		**–**	2.8		–
Deferred tax in respect of depreciation and valuation surpluses – Group	**10.5**		**1**	14.9		2
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**18.7**		**3**	13.9		2
EPRA NAV	**2,844.7**	**741.1**	**384**	2,312.6	741.3	312

12. PROPERTIES

12(i) Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2013	3,454.5	253.9	3,708.4
Exchange movement	41.7	3.6	45.3
Property acquisitions	114.6	8.6	123.2
Additions to existing investment properties	15.6	98.4	114.0
Disposals	(1,212.9)	(37.8)	(1,250.7)
Transfers on completion of development	54.4	(54.4)	–
Transfers from trading properties	–	4.8	4.8
Revaluation surplus/(deficit) during the year	107.1	(12.7)	94.4
At 31 December 2013	2,575.0	264.4	2,839.4
Add tenant lease incentives, letting fees and rental guarantees	70.6	–	70.6
Total investment properties	2,645.6	264.4	2,910.0

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

Investment properties are stated at fair value as at 31 December 2014 based on external valuations performed by professionally qualified valuers. The Group's wholly owned property portfolio is valued at 31 December 2014 by CBRE Ltd. Valuation for the APP joint venture properties was performed by Jones Lang LaSalle Limited and CBRE Ltd for Big Box. LPP was valued by Jones Lang LaSalle Limited for 2013, at which time it was a joint venture and now, as a wholly owned entity, it is valued as part of the CBRE Ltd valuation. Valuations for the joint venture properties in Continental Europe were performed by CBRE Ltd with BNP Paribas acting as joint valuers for SELP in France. The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

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

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

Following the commencement of operating leases and change in strategy, £23.3 million (2013: £4.8 million) of trading properties were transferred to investment properties.

Long-term leasehold values within investment properties amount to £32.0 million (2013: £nil). All other properties are freehold.

Prepaid operating lease incentives at 31 December 2014 were £46.9 million (2013: £44.9 million).

12. PROPERTIES continued

12(ii) – Trading properties

	Completed £m	Development £m	Total £m
At 1 January 2013	139.6	53.2	192.8
Exchange movement	4.1	1.4	5.5
Property acquisitions	43.6	17.3	60.9
Additions	0.8	5.9	6.7
Disposals	(84.4)	(23.2)	(107.6)
Transfers on completion of development	5.2	(5.2)	–
Transfers to investment properties	–	(4.8)	(4.8)
Increase in provision for impairment during the year	(13.1)	(2.1)	(15.2)
At 31 December 2013	95.8	42.5	138.3
Add tenant lease incentives, letting fees and rental guarantees	0.4	–	0.4
Total trading properties	96.2	42.5	138.7

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

Trading properties were externally valued, as detailed in Note 12(i), resulting in an increase in the provision for impairment of £1.7 million (2013: £15.2 million). Based on the fair value at 31 December 2014, the portfolio has an unrecognised surplus of £2.3 million (2013: £4.2 million).

13. TRADE AND OTHER RECEIVABLES

	2014 £m	2013 £m
Current		
Trade receivables	**15.0**	21.1
Other receivables	**210.2**	187.3
Prepayments and accrued income	**6.5**	6.5
Fair value of interest rate swaps – non hedge	**51.4**	13.8
Fair value of forward foreign exchange and currency swap contracts – non hedge	**12.8**	6.6
Fair value of forward foreign exchange and currency swap contracts - hedge	**11.6**	4.1
Amounts due from related parties	**4.3**	3.9
Total current trade and other receivables	**311.8**	243.3
Non-current		
Other receivables	**–**	0.4
Fair value interest rate swaps – non hedge	**52.0**	65.2
Total non-current trade and other receivables	**52.0**	65.6

Included in Group other receivables (current) is £119.9 million (2013: £131.1 million) in respect of deferred consideration due from PSP Investments in connection with the creation of the SELP joint venture which is due no later than October 2015.

Group other receivables (current) include £33.6 million (2013: £nil) in respect of a US tax refund discussed further in Note 9. Group other receivables (current) also include tax recoverable of £0.1 million (2013: £0.1 million). Group trade receivables are net of provisions for doubtful debts of £5.9 million (2013: £7.7 million).

14. TRADE AND OTHER PAYABLES

	2014 £m	2013 £m
Due within one year		
Trade payables	**2.0**	6.5
Non-trade payables and accrued expenses	**164.5**	167.9
Fair value of forward foreign exchange and currency swap contracts – non hedge	**0.2**	0.6
Fair value of forward foreign exchange and currency swap contracts - hedge	**0.1**	–
Total trade and other payables due within one year	**166.8**	175.0

	2014 £m	2013 £m
Due after one year		
Other payables	**0.6**	0.6
Fair value interest rate swaps – non hedge	**24.9**	11.1
Amounts due to related parties	**4.3**	3.9
Total other payables due after one year	**29.8**	15.6

15. NET BORROWINGS

	2014 £m	2013 £m
Secured borrowings		
Euro mortgages (repayable within one year or less)	**–**	2.7
Total secured (on land, buildings and other assets)	**–**	2.7
Unsecured borrowings		
Bonds		
5.25% bonds 2015	**107.6**	106.9
6.25% bonds 2015	**100.0**	99.9
5.5% bonds 2018	**199.2**	199.0
6.0% bonds 2019	**172.6**	171.6
5.625% bonds 2020	**248.3**	248.1
6.75% bonds 2021	**297.3**	297.1
7.0% bonds 2022	**149.3**	149.2
6.75% bonds 2024	**222.1**	221.9
5.75% bonds 2035	**198.2**	198.2
	1,694.6	1,691.9
Bank loans and overdrafts	**8.4**	(1.7)
Total unsecured	**1,703.0**	1,690.2
Total borrowings	**1,703.0**	1,692.9
Cash and cash equivalents	**(23.8)**	(233.8)
Net borrowings	**1,679.2**	1,459.1

The maturity profile of borrowings is as follows:

	2014 £m	2013 £m
In one year or less	**207.6**	2.6
In more than one year but less than two	**–**	206.5
In more than two years but less than five	**380.2**	197.7
In more than five years but less than ten	**917.0**	866.0
In more than ten years	**198.2**	420.1
In more than one year	**1,495.4**	1,690.3
Total borrowings	**1,703.0**	1,692.9
Cash and cash equivalents	**(23.8)**	(233.8)
Net borrowings	**1,679.2**	1,459.1

Cash and cash equivalents comprise cash balances, call deposits held with banks and highly liquid short-term investments that are readily convertible to known amounts of cash within three months from acquisition and subject to an insignificant risk of changes in value.

There are no early settlement or call options on any of the borrowings. Financial covenants relating to the borrowings include maximum limits to the Group's gearing ratio and minimum limits to permitted interest cover. Financial covenants are discussed in more detail in the 'Gearing and financial covenants' section in the Financial Review on page 19.

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

15. NET BORROWINGS continued

Maturity profile of undrawn borrowing facilities:

	2014 £m	2013 £m
In one year or less	**5.0**	123.3
In more than one year but less than two	**–**	200.0
In more than two years but less than five	**399.9**	425.0
Total available undrawn borrowing facilities	**404.9**	748.3

16. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

16(i) Reconciliation of cash generated from operations

	2014 £m	2013 £m
Operating profit	**719.8**	372.1
Adjustments for:		
Depreciation of property, plant and equipment	**2.3**	2.2
Share of profit from joint ventures after tax	**(151.4)**	(70.6)
Profit on sale of investment properties	**(25.0)**	(13.0)
Amounts written off on acquisitions	**0.2**	0.2
Revaluation surplus on investment and owner occupied properties	**(385.6)**	(93.8)
(Profit)/loss on sale of available-for-sale investments	**(1.9)**	0.4
Pensions and other provisions	**(8.4)**	(3.8)
	150.0	193.7
Changes in working capital:		
Decrease in trading properties	**29.6**	11.8
Decrease/(increase) in debtors and tenant incentives	**7.1**	(7.9)
(Increase)/decrease in creditors	**(10.6)**	6.4
Net cash inflow generated from operations	**176.1**	204.0

16(ii) Deposits

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

16(iii) Analysis of net debt

	At 1 January 2014 £m	Exchange movement £m	Acquired[1] £m	Cash flow £m	Non-cash Adjustments[2] £m	**At 31 December 2014 £m**
Bank loans and loan capital	1,713.0	0.2	153.3	(145.9)	–	**1,720.6**
Capitalised finance costs	(20.1)	(0.2)	–	(2.4)	5.1	**(17.6)**
Total borrowings	1,692.9	–	153.3	(148.3)	5.1	**1,703.0**
Cash in hand and at bank	(233.8)	0.2	–	209.8	–	**(23.8)**
Net debt	1,459.1	0.2	153.3	61.5	5.1	**1,679.2**

1. *The amounts acquired relate to the net debt acquired on acquisition of the LPP Portfolio.*
2. *The non-cash adjustments related to the amortisation of issue costs offset against borrowings.*

SUPPLEMENTARY NOTES NOT PART OF CONDENSED SET OF FINANCIAL STATEMENTS

TABLE 1: EPRA PERFORMANCE MEASURES SUMMARY

		2014		2013	
	Notes	£m	Pence per share	£m	Pence per share
EPRA profit after tax	Table 2	127.8	17.2	131.4	17.7
EPRA NAV	Table 3	2,844.7	384	2,312.6	312
EPRA NNNAV	11	2,514.6	339	2,086.8	282
EPRA net initial yield	Table 4		5.4%		6.3%
EPRA ‘topped up’ net initial yield	Table 4		6.0%		6.9%
EPRA vacancy rate	Table 5		6.3%		8.5%
EPRA cost ratio (including vacant property costs)	Table 6		23.7%		24.3%
EPRA cost ratio (excluding vacant property costs)	Table 6		20.1%		19.8%

TABLE 2: EPRA INCOME STATEMENT, PROPORTIONAL CONSOLIDATION

		2014			2013		
	Notes	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Gross rental income	2, 6	215.1	74.6	289.7	273.8	48.5	322.3
Property operating expenses	2, 6	(40.5)	(11.2)	(51.7)	(50.4)	(8.0)	(58.4)
Net rental income		174.6	63.4	238.0	223.4	40.5	263.9
Joint venture management fee income	2	11.8	–	11.8	7.1	–	7.1
Administration expenses	2, 6	(28.3)	(0.7)	(29.0)	(26.1)	(0.4)	(26.5)
EPRA operating profit before interest and tax		158.1	62.7	220.8	204.4	40.1	244.5
Net finance costs (including adjustments)	2, 6	(74.7)	(15.8)	(90.5)	(96.6)	(13.9)	(110.5)
EPRA profit before tax		83.4	46.9	130.3	107.8	26.2	134.0
Tax on EPRA profit	2, 6	(1.9)	(0.6)	(2.5)	(2.7)	0.1	(2.6)
EPRA profit after tax	11	81.5	46.3	127.8	105.1	26.3	131.4
Number of shares, million				741.2			741.0
	1						
EPRA EPS, pence per share				17.2			17.7

TABLE 3: BALANCE SHEET, PROPORTIONAL CONSOLIDATION

		2014			2013		
	Notes	Group £m	JV £m	Total £m	Group £m	JV £m	Total £m
Investment properties	12, 6	3,477.0	1,230.8	4,707.8	2,910.0	1,079.6	3,989.6
Trading properties	12, 6	77.8	13.1	90.9	138.7	12.8	151.5
Owner occupied properties		–	–	–	4.1	–	4.1
Total properties		3,554.8	1,243.9	4,798.7	3,052.8	1,092.4	4,145.2
Investment in joint ventures	6	855.5	(855.5)	–	635.7	(635.7)	–
Other net assets/(liabilities)	6	157.7	(27.2)	130.5	115.3	(27.3)	88.0
Net debt	15, 6	(1,679.2)	(361.2)	(2,040.4)	(1,459.1)	(429.4)	(1,888.5)
Total shareholder equity		2,888.8	–	2,888.8	2,344.7	–	2,344.7
EPRA adjustments	11			(44.1)			(32.1)
EPRA net asset value	11			2,844.7			2,312.6
Number of shares, million	11			741.1			741.3
EPRA NAV, pence per share	11			384			312

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

Combined property portfolio – 2014	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	**3,485.1**	**1,313.6**	**4,798.7**
Add valuation surplus not recognised on wholly owned trading properties[1]		–	2.3	2.3
Other items		–	0.4	0.4
Combined property portfolio per external valuers' reports		**3,485.1**	**1,316.3**	**4,801.4**
Less development properties (investment, trading and joint venture)		(132.0)	(181.4)	(313.4)
Net valuation of completed properties		**3,353.1**	**1,134.9**	**4,488.0**
Add notional purchasers' costs		190.8	51.2	242.0
Gross valuation of completed properties including notional purchasers' costs	A	**3,543.9**	**1,186.1**	**4,730.0**

Income		£m	£m	£m
Gross passing rents[2]		179.9	84.0	263.9
Less irrecoverable property costs		(2.1)	(5.3)	(7.4)
Net passing rents	B	**177.8**	**78.7**	**256.5**
Adjustment for notional rent in respect of rent frees		20.1	8.1	28.2
Topped up net rent	C	**197.9**	**86.8**	**284.7**
Including fixed minimum uplifts[3]		8.1	0.5	8.6
Total topped up net rent		**206.0**	**87.3**	**293.3**

Yields – 2014		%	%	%
EPRA net initial yield	B/A	5.0	6.6	5.4
EPRA topped up net yield	C/A	5.6	7.3	6.0
Net true equivalent yield		6.3	7.9	6.7

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

TABLE 5: EPRA VACANCY RATE

	2014 £m	2013 £m
Annualised potential rental value of vacant premises	**19.8**	25.9
Annualised potential rental value for the completed property portfolio	**313.8**	304.3
EPRA vacancy rate	**6.3%**	8.5%

TABLE: 6 EPRA COST RATIO

	Notes	2014 £m	2013 £m
Costs			
Property operating expenses[1]	5	**40.5**	50.4
Administration expenses		**28.3**	26.1
Share of joint venture property operating and administration expenses[2]	6	**12.2**	7.3
Less:			
Joint venture property management fee income	4	**(12.2)**	(5.4)
Total costs (A)		**68.8**	78.4
Group vacant property costs	5	**(7.5)**	(12.6)
Share of joint venture vacant property costs	6	**(3.1)**	(1.8)
Total costs excluding vacant property costs (B)		**58.2**	64.0
Gross rental income			
Gross rental income	4	**215.1**	273.8
Share of joint venture property gross rental income	6	**74.6**	48.5
Total gross rental income (C)		**289.7**	322.3
Total EPRA cost ratio (including vacant property costs) (A)/(C)		**23.7%**	24.3%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)		**20.1%**	19.8%

1. *Property operating expenses are net of costs capitalised in accordance with IFRS of £2.5 million (2013: £2.1 million). See Note 5 for further detail on the nature of costs capitalised.*
2. *Share of joint venture property operating and administration expenses after deducting costs related to performance and other fees.*

GLOSSARY OF TERMS

APP

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

Completed portfolio

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

Development pipeline

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

EPRA

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

Estimated cost to completion

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

Estimated rental value (ERV)

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

Gearing

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

Gross rental income

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

Hectares (Ha)

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

Investment property

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

IPD

Investment Property Databank is a provider of real estate performance and risk analysis.

Joint Venture

An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

Loan to Value (LTV)

Net borrowings divided by the carrying value of total property assets (investment, owner occupied and trading properties). This is measured either on a look-through basis (including joint ventures at share) or wholly owned (which excludes joint ventures).

LPP

Logistics Property Partnership, formerly a 50-50 joint venture between SEGRO and Moorfield Real Estate Fund II (MREF II) which was acquired by SEGRO in full in July 2014.

Net 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.

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.

Net true equivalent yield

Net Equivalent Yield assuming rent is received quarterly in advance.

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 elected for 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 1 square metre = 10.7639 square feet.

Take-back

Rental income lost due to lease expiry, exercise of break option, surrender or insolvency.

Topped up net initial yield

Net initial yield adjusted to include notional rent in respect of let properties which are subject to a rent free period at the valuation date. This is in accordance with EPRA's Best Practices Recommendations.

Total Property Return (TPR)

A measure of the ungeared return for the portfolio and is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned, as calculated by IPD and excluding land.

Total Shareholder Return (TSR)

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

Trading property

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

Yield on cost

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