

ABOUT SEGRO

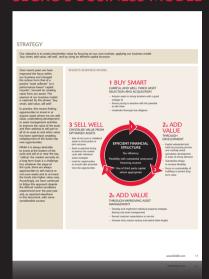
SEGRO is Europe's leading provider of flexible business space, operating from a network of offices across 10 countries.

The Group is a Real Estate Investment Trust (REIT), listed on the London Stock Exchange and Euronext Paris.

We aim to provide a range of flexible business space solutions to a wide variety of customers operating in many different industries.

Our objective is to create shareholder value by focusing on our core markets, applying our business model 'buy smart, add value, sell well', and by using an efficient capital structure.

SEGRO'S BUSINESS MODEL



Please read more about our strategy on page 17



Please refer to separate Property Analysis booklet, which provides additional disclosures on our property portfolio.



Forward looking statements

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

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www.SEGRO.com

1

Adjusted profit before tax (recurring rental profits)

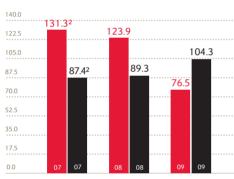
£104.3m

Loss before tax*

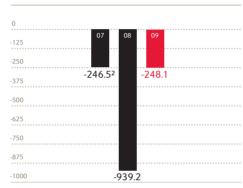
£(248.1)m

Portfolio value*

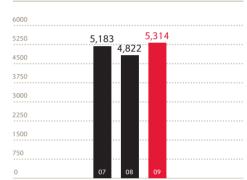
£5,314m



- Adjusted profit before tax recurring rental profits basis
- Adjusted profit before tax previous reporting basis



* Including property valuation movements



* Includes Group share of properties held within joint ventures

Adjusted diluted earnings per share¹ (recurring rental profits)

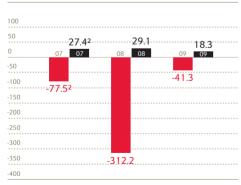
18.3p

Total dividend per share

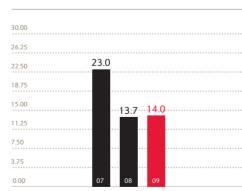
14.0p

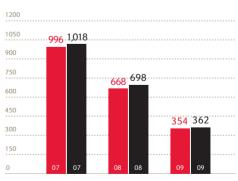
Adjusted diluted net asset value per share¹

362p



- Adjusted diluted earnings per share recurring rental profits basis
- Diluted earnings per share
- 1 As referred to in Note 14 of the Accounts.
- 2 Excludes discontinued operations.





- Adjusted diluted NAV per share
- Diluted NAV per share

A year of transformational corporate activity and operational success.



STRATEGIC ACQUISITION OF BRIXTON PLC ('Brixton')

- -Acquisition of Brixton for £1.1billion completed in August 2009
- -Strong strategic fit, with high quality, well-located assets, significantly strengthening SEGRO's presence in some of our key markets
- -Financially compelling acquisition, completed at the bottom of the UK property market cycle





FINANCIAL TRANSFORMED

- -Permanent increase in our bank gearing covenants in February
- -Successful £500 million (net) rights issue in April 2009
- -£242 million (net) placing and open offer completed in July 2009 to underpin the Brixton acquisition
- -£370 million of new or extended bank facilities arranged
- -£300 million corporate bond issuance in November 2009





OPERATING PERFORMANCE

RESILIENT

- -Net rental income up 10% to £269.4 million
- -Adjusted profit before tax1 up 17% to £104.3 million
- -£30 million of annualised new rental income from lettings, exceeding takebacks equivalent to £21 million of annual income²







RECOGNISED FOR **EXCELLENCE**

- -Named 'Property Company of the Year – Industrial and Distribution' at the Estates Gazette awards ceremony
- -Won 'Deal of the Year Outside Central London' for the 210,000 sq ft pre-let to Fluor
- -'Surround Yourself With...' campaign for the Slough Trading Estate, won the award in the category of 'Best Industrial & Distribution Marketing
- -SEGRO France was awarded the newly-created 'HQE certification' (Haute Qualité Environnementale)

1 As referred to in note 2 of the Accounts. 2 Excludes Brixton Portfolio.

A DRAMATIC YEAR

The Group has weathered the storm, taken advantage of a transformational acquisition opportunity and is now well placed to grow as markets recover.



INTRODUCTION

2009 was probably one of the more dramatic years in your Company's history. The beginning of the year saw the global economy in turmoil, particularly in the developed world. The banking system was under threat and property values were collapsing in the UK and the rest of Europe. Our immediate concern was to address our banking covenants to ensure that if property values fell dramatically further, we would not risk breaching them. The management team successfully agreed improved gearing covenants by late February.

This put us in a position to join the other major listed property companies in going to our shareholders with a rights issue at the beginning of March. With the support of our shareholders, we raised £500 million and put our balance sheet back on a secure footing.

In May it became apparent that our main competitor in the UK industrial sector, Brixton, were themselves facing similar issues but had been unable to launch a rights issue. We therefore approached their directors with an offer to buy the Company. The subsequent acquisition at a cost of £186.8 million (net) (£1.1 billion enterprise value) was funded in part by a further issue of shares, raising £242 million.

The acquisition was completed at the end of August and added approximately 1.6 million sq m of property to our portfolio including 0.4 million sq m held within joint ventures.

In November, the Group was the first company in the real estate sector to take advantage of a resurgence of demand for corporate bonds, through the issuance of a 12 year bond for £300 million.

OVERVIEW OF PERFORMANCE

On a pro forma basis, adjusted for the rights issue and share consolidation, adjusted NAV per share fell from 459p to 362p. This reflected the decline in the value of the UK and Continental European property portfolios in the first half of the year, the subsequent recovery in property values in the UK in the second half, and the impact of the placing and open offer associated with the Brixton acquisition.

The recovery in UK asset prices has not been matched by the occupancy market conditions where demand remained weak throughout the year. This led to a reduction in space leased compared to 2008 and an increase in space taken back from companies looking to reduce costs. Notwithstanding these difficult market conditions, we have been able to deliver a satisfactory

level of underlying profitability, with a 10 per cent increase in net rental income (including four months of Brixton's results).

Adjusted earnings per share from our rental business were 18.3 pence (2008: 29.1 pence). The decline from 2008 is primarily due to the dilutive effect of the rights issue.

The Group revised its dividend policy in March 2009 such that the level of dividends will be based upon underlying recurring rental earnings excluding trading profits / losses and other investment income. The Board is recommending a final dividend of 9.4 pence per share, making a total for the year of 14.0 pence, in line with previous guidance.

It is our intention to offer shareholders the opportunity to receive the final dividend in the form of SEGRO plc shares as opposed to cash (a scrip dividend alternative), subject to shareholder approval at the AGM to be held on 29 April 2010.

MANAGEMENT AND EMPLOYEES

The management team and all our employees have done a terrific job in such a challenging year. We could not have achieved the successes reported today without their skill and hard work.

At the forthcoming AGM, Lord Blackwell and Stephen Howard will be retiring having each served on the Board for 9 years. During their tenure, they have overseen changes in Chairmen, Chief Executive and direction of the Company and we are very grateful for their wisdom and guidance. Andrew Palmer will succeed Lord Blackwell as Senior Independent Director and Chris Peacock will become Chairman of the Remuneration Committee. Towards the end of 2009 we started a process, with external consultants, to identify two successors. The selection process is advanced and it is expected that the appointments will be announced shortly.

In December, Lesley MacDonagh stood down to focus on her charitable and other business interests. Early in January, Inés Reinmann resigned having completed the reorganisation of our Continental European business. We are grateful to them both for their contribution.

OUTLOOK

A year ago, I said it was extremely difficult to forecast future prospects at a time of such great economic uncertainty but that I could only believe economies would be better at the end of 2009 than they were in March. We have already seen the recovery in UK commercial property prices, whilst in Continental Europe there are also signs of yields stabilising. Most European

THE WORST OF THE 'CRISIS' IN TERMS OF COMMERCIAL PROPERTY PRICES MAY BE BEHIND US, BUT WE REMAIN CAUTIOUS ABOUT THE RATE OF FURTHER RECOVERY IN 2010.

Nigel Rich CBE, Chairman

economies appear to be slowly pulling out of recession, albeit with the UK lagging the main continental countries.

The worst of the 'crisis' in terms of commercial property prices may be behind us, but we remain cautious about the rate of further recovery in 2010. With high levels of industrial space availability across most markets and a slow economic recovery, particularly in the UK, we expect rental income to remain under pressure for some time to come.

Given these views, the Group's priorities for 2010 will continue to be to stay close to our customers and manage vacancy levels; to recycle capital; to continue to proactively manage the Group's financial position and risk profile; and to capitalise on opportunities afforded by the current economic environment.

On behalf of the Board, I should like to thank our shareholders for the trust they have placed in us over this past year. With your support, the Group has weathered the storm, taken advantage of a transformational acquisition opportunity and is now well placed to grow as markets recover.

Nigel Rich CBE, Chairman

24 February 2010

OUR BUSINESS

We acquire, develop, manage and sell flexible business space throughout Europe. Our success lies in providing the right solutions to meet a wide variety of customer needs. We pride ourselves on the flexibility of our approach and of the buildings we provide, which include:







- 1. LIGHT INDUSTRIAL AND SMALL STORAGE UNITS*
- 2. LARGE WAREHOUSES AND DISTRIBUTION FACILITIES
- 3. MANUFACTURING FACILITIES*
- 4. SUBURBAN OFFICES
- 5. SELF STORAGE UNITS*
- 6. TRADE COUNTERS*
- 7. CAR SHOWROOMS*
- 8. DATA CENTRES*
- 9. RESEARCH AND DEVELOPMENT FACILITIES*
- * Collectively referred to as 'Light Industrial' properties throughout the Annual Report.











OUR PORTFOLIO

SEGRO's portfolio comprises £5.3 billion of predominately industrial and warehouse assets, concentrated in and around major business centres and transportation hubs such as ports, airports and motorway intersections. We operate in ten countries and manage the Group through six strategic business units serving over 1,900 customers spread across many different industry sectors.



£5,314m



- Investment properties 84%
- Land and development 7%
- Trading properties 6%
- Group share of joint venture assets 3%

Investment properties

£4,430m



- Logistics warehousing 19%
- Industrial 66%
- Office 14%
- Retail 1%

Customer type

Over 1,900 customers

Information technology 14%

• Timber, paper and printing 4%

Utilities, services and other 8%

Retail 14%

• Other 3%

Transport 20%



(Passing rent by customer industry)

- Agriculture and food 3%
- Automotive 5%
- Building and construction 5%
- Chemicals and commodities 5%
- Engineering and electrical 15%
- Finance and media 4%

Location split

6 business units



- Thames Valley, UK 27%
- London Markets, UK 29%
- National Markets, UK 16%
- Southern Europe (France, Italy, Spain) 10%
- Northern Europe (Belgium, Germany, The Netherlands) 13%
- Central Europe (Czech Republic, Hungary, Poland) 5%

TRANSFORMATIONAL THINKING

Despite the extraordinary market conditions experienced in 2009, we have achieved our objectives of 'buying smart, adding value and selling well'.

I AM VERY PLEASED
TO BE ABLE TO REPORT
GOOD PROGRESS MADE
AGAINST ALL OF THE
PRIORITIES WE SET OUT
TO ACHIEVE AT THE
START OF THE YEAR.



lan Coull, Chief Executive

STRATEGY

SEGRO's business is the provision of flexible business space, principally industrial and warehouse facilities, to a wide variety of customers operating in many different industries. We serve ten countries, but our activities are concentrated in and around major business centres and transportation hubs such as ports, airports and motorway intersections. Our objective is to create shareholder value by focusing on our core markets, by applying our business model and by using an efficient capital structure.

The essence of our business model is captured by the phrase 'buy smart, add value, sell well'. In practice, this means finding opportunities to invest in or acquire assets where we can add value, undertaking development or asset management activities to improve the value of the asset and then seeking to sell part or all of an asset as and when value has been optimised, enabling redeployment of the funds into new opportunities.

Despite the extraordinary market conditions experienced in 2009, we have achieved our objectives of 'buying smart, adding value and selling well' in a number of different ways in 2009, examples of which are described in the Operating Review.

OVERVIEW OF 2009

Faced with the twin headwinds of rapidly falling asset prices and a weakening global economy at the start of 2009, with the support of our shareholders, we weathered the storm and completed the transformational acquisition of Brixton.

However, rather than being a 'game of two halves', 2009 was, in fact, a year comprised of four very different and distinct quarters.

The first quarter was characterised by concerns over the wider economy causing customers to freeze any plans they previously had for taking on new space and, wherever possible, occupiers reduced or consolidated their space commitments. Meanwhile the investment market continued the free fall which commenced after the collapse of Lehman Brothers in September 2008 with the IPD property derivatives market suggesting that further falls in asset prices of 30 per cent could be seen in 2009. For SEGRO and, indeed, most companies in the sector, our priority became to ensure the Group was able to withstand whatever the downturn threw at us. We completed a renegotiation of our banking covenants in February to provide further headroom against such valuation falls. and this involved discussions with over 20 different banks and syndicate members. At the beginning of March, having consulted major shareholders, we launched a fully-underwritten rights issue in order to raise £500 million (net) of new equity and so provide the protection against what we felt was a 'worst case' scenario.

COMMITMENT TO SUSTAINABILITY

Sustainability has become increasingly important to the way in which we do business and, in keeping with our core values of respect, partnership, energy and responsibility, it provides a means for us to differentiate ourselves from the competition. Accordingly, we have developed targets for resource efficiency, regeneration and accessibility, against which we will report annually. Our targets were established by a review of customer and peer-group targets, as well as by consideration of current and future regulations.



Further information about our sustainability strategy, targets and performance can be found on page 55 of this Report, on our website and in our 2009 Sustainability Report.

We completed the rights issue at the start of the second quarter and, soon thereafter, it became clear that Brixton, our long term UK competitor, was in financial difficulty. Having carefully considered the situation as well as the potential difficulty in approaching our shareholders for equity for a second time within four months, we concluded this was an opportunity too good to allow to pass by. Accordingly, we approached the Brixton board in May and, after considerable due diligence, we launched our formal offer to buy the company on 9 July 2009.

During these first two quarters the general economic environment continued to decline and we saw asset prices fall significantly. Our portfolio declined in value by 13.7 per cent in the UK making a 'peak to trough' fall of 43 per cent and by 7.2 per cent in Continental Europe. However, our operating teams remained focused on their key priorities and we were able to report a very good operating performance for the first half of the year. Achieving a sale of almost any asset was extremely difficult with so few buyers willing to invest, but we nonetheless managed to dispose of properties for net proceeds of £118 million in that period.



The third quarter saw the Group complete the Brixton acquisition, along with an equity placing and open offer which raised net proceeds of £242 million and which allowed the enlarged Group to maintain the same balance sheet strength as had been the case immediately after the rights issue. With the Brixton acquisition, we acquired a high quality, well located portfolio in some of our core markets, completed at the bottom of the UK property market cycle. We were also able to strengthen significantly the overall team by integrating SEGRO and Brixton employees. By the end of the third quarter, we had integrated the two companies and introduced a new organisational structure resulting in a lower UK headcount than SEGRO alone had prior to the acquisition. Through this carefully planned and well executed integration process, we secured the cost synergies announced at the time of the offer to acquire Brixton. I am convinced this acquisition represents a rare, transformational opportunity for our business which, in time, will show tremendous benefits for our shareholders.

Whilst the general economy and occupier market conditions remained weak throughout the third quarter, we continued to focus on our customers and delivered satisfactory leasing results, albeit below the equivalent period in 2008. Meanwhile, somewhat earlier than we had anticipated, the investment market showed the first signs of a recovery, with the UK IPD monthly index registering a 1.1 per cent increase for September, the first improvement in the index since June 2007. We took advantage of these improving investment market conditions by completing £158 million of asset disposals in the quarter.

The final quarter of the year saw a continuation of the recovery in the investment market, with the UK IPD quarterly index reporting an 8.1 per cent surge in property values (6.7 per cent for industrial assets), one of the best quarters since IPD's records began. Our own UK portfolio which is valued every six months showed a 9.8 per cent improvement over the second half of the year

(excluding the Brixton assets) and our Continental European portfolio, where the market has been lagging the UK, reported a decline of just 3.1 per cent which was smaller than we had anticipated.

The trigger for the turnaround in the investment market appears to have been the aggressive monetary policy stimulus put in place by UK, US and Euro-zone monetary authorities in the early part of the year which, in turn, contributed to a stabilisation of economic indicators and a sharp bounce back in world equity markets. This led to an improvement in the relative attractiveness of property and a growing belief that, despite higher vacancy rates and downward pressure on rental values, commercial property values had fallen too far, at least for prime stock. Although the availability of debt finance has remained limited, demand for property has been boosted by exceptionally low short term interest rates which have led investors to increasingly switch out of cash and into property to take advantage of higher yields.

With the improved investment market conditions, we continued to press ahead with our plans to dispose of assets that no longer offered us significant upside. We completed £161 million of sales including Great Western Industrial Estate out of the Brixton portfolio and our 50 per cent share of the shopping centre joint venture we had with Tesco for net proceeds of £25 million. Meanwhile occupier markets remained challenging during the fourth quarter, particularly in the UK where we saw increased takebacks. However, more encouragingly, evidence that some of the main European economies have already pulled themselves out of recession, was supported by a good lettings quarter in our Continental European business.

2009 PERFORMANCE

DELIVERING AGAINST OUR STATED PRIORITIES

In the context of this difficult economic backdrop and somewhat volatile investment market, I am very pleased to be able to report progress made against the priorities we set out to achieve at the start of the year. These were to stay close to our customers, to continue recycling capital by selling mature and non-core assets, to manage the Group's financial position and to capitalise on the economic environment. Following the acquisition of Brixton, we can report good progress on the additional priorities of integrating the two businesses and delivering the promised synergies.

Staving close to our customers

Staying close to our customers and delivering high levels of customer service is critical to our retention rates at lease expiry or break option and to our leasing success; it also helps us to manage situations where customers are facing financial difficulties.

Despite reduced enquiry levels and a much reduced development programme, we have achieved robust letting figures for the year, delivering £29.6 million of annualised rental income in 2009, from the letting up of 465,000 sq m (2008: £38.2 million of annualised rental income in 2008 from letting up of 522,000 sq m). Whilst the economic environment meant that many customers have been looking to reduce their costs and consolidate space, our overall income retention rates for the UK held up relatively well at 52 per cent compared with 64 per cent in 2008. Takebacks over the year amounted to 309,000 sq m in total (2008: 300,000 sq m) representing £20.6 million of annualised rental income (2008: £20.6 million). Note: all these amounts exclude the Brixton portfolio which is discussed separately below.

Within the takeback figures, customer insolvencies have been lower than we expected at the start of the year. Although the loss of 49 customers and £5.9 million of annualised rental income (representing 1.6 per cent of the total rent roll) is an increase compared to recent years, most of this is attributable to a small number of cases where the amounts involved were relatively large (see UK and Continental European reviews for further details).

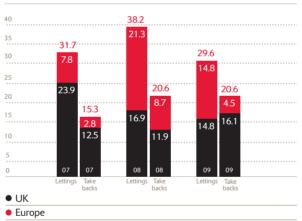
At year end, our vacancy rate by rental value for the Group was 13.5 per cent compared to 10.9 per cent at 30 June 2009 and 9.5 per cent at December 2008. Excluding the Brixton portfolio the underlying group vacancy rate was 10.7 per cent at year end. In the UK, the existing portfolio (excluding Brixton) has seen the vacancy rate increase from 10.3 per cent as at 30 June 2009 to 10.8 per cent, mainly as a result of disposals (1.1 per cent impact) and takebacks. In Continental Europe, the vacancy rate has decreased from 12.1 per cent at 30 June 2009 to 10.7 per cent as a result of lettings successes particularly in Belgium, Czech Republic and Poland.

The biggest impact on our overall vacancy rate has been the addition of the Brixton assets which had a vacancy rate of 20.6 per cent as at 30 June 2009, which has increased to 22.1 per cent as at 31 December 2009. This increase is mainly due to the impact of the sale of Great Western Industrial Estate and to net takebacks equivalent to annualised rental income of £2.9 million. Excluding the Brixton portfolio the underlying Group vacancy rate was 10.7 per cent at year end.

// FOLLOWING THE ACQUISITION
OF BRIXTON, WE CAN REPORT GOOD
PROGRESS ON THE ADDITIONAL PRIORITIES
OF INTEGRATING THE TWO BUSINESSES AND
DELIVERING THE PROMISED SYNERGIES. //

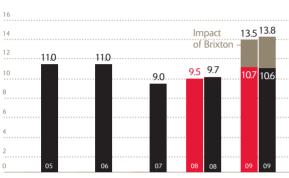
lan Coull, Chief Executive

Annualised rental income from lettings less takebacks¹ (£m)

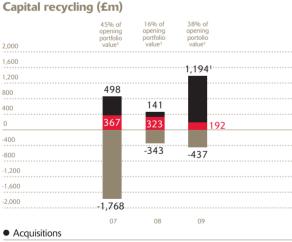


1 Excludes Brixton Portfolio.

SEGRO's vacancy rate¹ (%)



- Vacancy by space (investment properties only)
- Vacancy by rental income²
- 1 Includes trading properties and joint ventures.
- 2 This statistic was not collected before 2007.



- Disposals
- Development expenditure
- 1 Includes £1,144 million of Brixton investment properties acquired in exchange for SEGRO shares.

We have made good progress since the start of the new year applying SEGRO's approach to the Brixton portfolio and achieving a number of letting successes. Given the high quality and location of the assets and the more pragmatic approach now being taken by our leasing teams, we are confident that we will reduce the vacancy rate in the Brixton portfolio to 15 per cent within three years of the acquisition.

Capital recycling

As described earlier, throughout the year we continued to recycle capital from mature or non-core assets. In total, the Group generated net sales proceeds of £395 million from the disposal of investment properties, at an average net initial yield of 8.3 per cent. In addition, we generated £10 million of proceeds from land sales, £7 million of proceeds from trading sales and £25 million net, from the sale of the Group's joint venture interest with Tesco.

Financial and risk management

Maintaining the Group's balance sheet strength has been a key priority, particularly in light of the declining market conditions in the first half of the year and the forecasts from several sources which suggested a further substantial deterioration over the balance of 2009 and 2010. Accordingly, we strengthened our position by renegotiating our banking covenants, completing a £500 million rights issue, raising further equity of £242 million (net) to underpin the Brixton acquisition, negotiating £100 million of new bank facilities, extending £270 million of existing bank facilities, and cancelling £550 million of short term facilities. Finally, in November, we became the first real estate company to re-enter the corporate bond market, with the issuance of a £300 million, and a 12 year unsecured bond, further details of which can be found in the Financial Review.

In addition to generating liquidity from the disposals referred to above, we significantly reduced our exposure to speculative development. Development activity was and continues to be focused on pre-lets with no new speculative developments started during 2009. Our total development expenditure in the year amounted to £192 million, which compares to £323 million in 2008 and £367 million in 2007 and our remaining commitments at 31 December 2009 amount to £28 million (including £7 million of commitments relating to land purchases).

Capitalising on the current economic environment

At the start of the year, we indicated that we would look for opportunities presented by the market environment. although we did not expect to be making any significant investments until the latter part of the year at the earliest. However, the opportunity to acquire Brixton represented a unique opportunity to transform and strengthen our UK business and, accordingly, we moved swiftly to consider and, ultimately, complete the acquisition.

Brixton integration

Following the acquisition, we added a new business priority of integrating the two businesses and delivering the promised synergy savings. As reported in the UK Operating Review, we have delivered the integration ahead of expectations at the time of the acquisition.

OUTLOOK AND FUTURE POTENTIAL

As we look ahead into 2010 and beyond, the key questions we and many of our shareholders are asking are first, whether the recovery in property investment markets in the UK will be sustained and whether it will be replicated on the Continent; and second, what the prospects are for a recovery in occupancy markets and for industrial rents.

I believe the answers to these questions depend largely on the speed of recovery of the underlying economies and

on the fiscal and monetary policies of the main European governments. It has to be noted that whilst some of the main Western European economies already appeared to be out of recession by the start of the fourth quarter, the recovery appears fragile and there are threats to the stability of the Euro zone economies posed by the fiscal deficits of some of the Southern European countries. Meanwhile the UK barely grew in the fourth guarter of 2009 and our expectation is that it will continue to lag much of the Continent, at least for the balance of this year.

During 2010, we expect most of the countries in which we operate to continue their slow recovery, but with substantial amounts of industrial vacancy, particularly amongst the larger logistics warehouses, it is likely to be some time before we see overall demand for space outstripping supply. Whilst industrial rents have remained relatively resilient to date, we expect to see modest falls continuing across most of the UK and Europe in the first part of 2010.

Regarding property values, IPD Industrial yields in the UK have already compressed by some 70 basis points since the trough in the market last summer and it seems unlikely they will contract much further unless supported by a pick up in rents. Indeed, faced with potentially rising interest rates, there must be some scope for yields to expand at some stage over the next year. Meanwhile, the



CHIEF EXECUTIVE'S REVIEW CONTINUED

Continental European commercial property market has also shown signs of turning a corner towards the end of 2009 with yields beginning to stabilise after suffering a later and softer landing than in the UK.

In terms of SEGRO's own prospects, we have a good quality, well located portfolio which is well placed to benefit from any recovery in the underlying markets and continues to benefit from a strong tenant base. The Group's largest near-term opportunity is from letting up vacant space, particularly within the Brixton portfolio and we are very focused on making progress here. The current level of vacancy within the Group's entire portfolio represents a potential £56 million per annum of additional rent with corresponding potential annualised vacant property cost savings of approximately £21 million. Whilst it is not realistic to expect all of this space to become occupied, if the Group were able to reduce the annual vacancy rate of the enlarged portfolio to the Group's recent historic trend level of around 10 per cent, we estimate this could

be worth an additional net rental income (including empty property cost savings) of some £23 million per annum.

Further out, our 520 hectare (1,285 acre) land bank offers both design-and-build and speculative development opportunities. The pre-let market is showing signs of renewed activity after a slow 2009 and we are well-positioned to provide flexible business space solutions to office, industrial and data centre markets. One of the strengths of the industrial asset class is that development pipelines can be adjusted quickly compared to office and retail, because of relatively short lead-times of six to nine months to completion for industrial projects. We are in active discussions with several potential customers regarding pre-letting opportunities. As and when the demand-supply balance appears attractive, we will look to re-start speculative development on a very selective basis.

In the near-term, however, we will complete our existing developments and strive to secure new pre-lets.



CHALLENGING MARKET, EXCITING OPPORTUNITIES

SEGRO's Chief Executive, lan Coull talks about the Brixton acquisition and the exciting opportunities ahead.

Q. What was the strategic rationale behind the acquisition of Brixton?

A. The acquisition of Brixton has enabled us to acquire a portfolio of high quality, well located assets which constitute an excellent strategic fit with our existing holdings in the core markets of Heathrow and West London and the North West. It has reinforced our position as Europe's leading industrial REIT and was well timed at, or close to, the bottom of the UK property cycle.

Q. Could you tell us more about the specific financial and operational benefits to SEGRO?

A. We believe that the Brixton transaction represents compelling value with an attractive implied net initial yield relative to other market transactions, and representing a substantial discount to Brixton's 31 May 2009 valuation.

The financial benefits of the acquisition are four-fold. Firstly, due to the complementary geographical fit of the acquired assets, we were able to identify significant cost savings through rationalising the management structure and asset management systems across the enlarged Group.

Secondly, over the medium term we expect to grow net rental income by extending our asset management skills and leveraging the larger selection of properties to satisfy our customers' changing property needs. This has the potential to generate in excess of £23 million per annum of additional rental and further savings on related vacant property costs.

Thirdly, when market conditions are suitable, we will also be able to generate income and capital growth through selective development of Brixton's well located 31 hectare land bank.

Finally, through acquiring a high quality portfolio at a discount to its market value, at the trough of the UK investment market, our shareholders will enjoy the benefits of capital value appreciation accompanying any recovering investment market - over the four months since the acquisition, the value of the Brixton assets has already increased in value by over 7 per cent.

We currently have approximately 39,000 sq m under development and a further 10,000 sq m of committed development starts (of which 71 per cent is pre-let), which is expected to generate income of £10.5 million per annum with remaining expenditure to be incurred of approximately £21 million.

In conclusion, whilst markets have come a long way in the last 12 months, the recovery is still in its early stages. We look forward to 2010 with considerably more optimism than was the case a year ago, but our priorities remain largely unchanged:

- continue to stay close to our customers and minimise the portfolio vacancy level;
- ongoing financial and risk management;
- deliver further capital recycling in tandem with identifying attractive reinvestment opportunities, particularly pre-let development; and
- continue to look selectively for other investment opportunities presented by the current market conditions.

Overall, it has been a momentous year for the industry and for our Group, and one that positions us positively for the future. I am more confident than ever that we have a robust business model, an excellent portfolio and, most importantly, the people with the right skills, capabilities and commitment to drive this Company forward.

lan Coull, Chief Executive

Q. What actions did you take to manage the financial position of the enlarged group?

A. We underpinned the acquisition of Brixton through raising £437 million through the disposal of mature or non-core assets and £242 million of equity (net of expenses) through a placing and open offer. This maintained the enlarged Group's financial covenant headroom at the levels achieved following the rights issue in April 2009.

Q. What is the current status of the integration process and have there been any issues?

A. A comprehensive integration plan was designed prior to the completion of the acquisition with accountability assigned to key personnel and reporting procedures put in place to track progress. The due diligence process prior to making the offer also helped ensure there have been no surprises since the completion of the acquisition.

During September, we strengthened the overall UK team by bringing together SEGRO and Brixton employees and through introducing a more streamlined organisation structure, we now have a lower UK headcount than SEGRO alone had prior to the acquisition. The integration of Brixton into the Group was completed by the end of September, and we have secured £12.8 million per annum of cost synergies. Going forward, our focus is to deliver further upside through reducing the vacancy rate of the Brixton portfolio.

KPIs

OVERVIEW

	2009	2008	2007
Total property return (%) ¹	(1.0)	(14.9)	(3.0)
Total return on shareholders equity (%) ²	(11.5)	(28.2)	0.7

- 1 A measure of the ungeared return from the portfolio and is calculated as property gains and losses (both realised and unrealised) plus net rental income, expressed as a percentage of capital employed.
- 2 A measure of the return generated over the period based on the growth in the adjusted NAV and including any dividends paid to shareholders, divided by shareholders equity, with shareholders equity for 2009 weighted for the impact of the rights issue, placing and open offer and Brixton acquisiton.

STAY CLOSE TO OUR CUSTOMERS

(Excludes Brixton data unless otherwise stated)

	2009	2008	2007
Total space let (000s sq m) 1	465	522	471
New income secured (net) (£m) ²	9.0	17.6	16.4
Vacancy rate by rental value (%) 3	10.7 (13.5)4	9.5	_
Lease renewal rate (including percentage of break options not exercised) (%) ⁵	52	64	65
Customer satisfaction (UK) (%) 6	_	78	77
Customer satisfaction (Continental Europe) (%) ⁶	68	66	_

- 1 Excludes short term licence agreements and joint ventures.
- 2 Annualised rental income relating to lettings less annualised rental income relating to take backs; excludes joint ventures.
- 3 Includes trading properties and joint ventures; this measure was not collected before 2008.
- 4 Includes Brixton portfolio.
- 5 UK only; excludes joint ventures.
- 6 Measured as a percentage of independently surveyed customers who express their overall satisfaction with SEGRO as good or excellent, this was not measured in the UK in 2009, and was not measured in Continental Europe in 2007.

CAPITAL RECYCLING

	2009	2008	2007
Investment (£m) 1	1,385.2	464.1	865.8
Disposal proceeds (£m)	436.5	343.3	1,768.1
Total capital recycled (%) ²	38	16	45

- 1 Expenditure on development activity and acquisitions including £1,144m of investment properties acquired from Brixton.
- 2 Sum of development expenditure plus cost of acquisitions plus disposal proceeds divided by the total portfolio valuation at the start of the year.

FINANCIAL AND RISK MANAGEMENT

	2009	2008	2007
Adjusted gearing (%) ¹	91	119	56
Speculative development starts (000s sq m)	_	138	184
Total cost ratio (%) ²	30.2	30.8	31.1

- 1 Consolidated net debt divided by consolidation net worth with deferred tax added back.
- 2 Total costs (property operating costs and administration costs excluding exceptional costs) expressed as a percentage of gross rental income.



Please also see Financial Highlights on page 2

STRATEGY

Our objective is to create shareholder value by focusing on our core markets, applying our business model 'buy smart, add value, sell well', and by using an efficient capital structure.

Over recent years we have improved the focus within our business and changed the culture from that of a passive 'asset collector' to a performance-based 'capital recycler', focused on creating value from our assets. The essence of our business model is captured by the phrase 'buy smart, add value, sell well'.

In practice, this means finding opportunities to invest in or acquire assets where we can add value, undertaking development or asset management activities to improve the value of the asset and then seeking to sell part or all of an asset as and when value has been optimised, enabling redeployment of the funds into new opportunities.

Whilst it is always desirable to invest at the bottom of the cycle and sell at or near the top, 'calling' the market correctly on a long-term basis is a challenge but, whatever the stage of the cycle, there are always opportunities to sell mature or non-core assets and to re-invest the funds into higher value uses. Accordingly, we have continued to follow this approach despite the difficult market conditions experienced over the past year and, as reported elsewhere in this document, with some considerable success.

SEGRO'S BUSINESS MODEL

1 BUY SMART

CAREFUL AND WELL TIMED ASSET SELECTION AND ACQUISITION

- Acquire assets in strong locations with a good strategic fit
- Ensure pricing is attractive with the potential to add value
- Undertake thorough due diligence

3 SELL WELL CRYSTALLISE VALUE FROM **OPTIMISED ASSETS** Sale of non-core or stabilised assets **EFFICIENT FINANCIAL** to third parties or **STRUCTURE** joint ventures Seek to optimise timing Tax efficiency to balance the market cycle with individual Flexibility with substantial unsecured assets strategies financing sources Look for opportunities Use of third party capital to recycle sales proceeds into new opportunities where appropriate

2^a ADD VALUE

THROUGH DEVELOPMENT

- Exploit substantial land bank by pursuing pre-lets and carefully timed speculative development in areas of strong demand
- Standardise design to increase flexibility
- Focus on sustainability of buildings to protect long term value

2ь ADD VALUE

THROUGH IMPROVING ASSET MANAGEMENT

- Develop and implement individual property strategies (leasing and asset management)
- Exceed customer expectations on service
- Increase rents, reduce vacancy and extend lease lengths









In 2007, SEGRO paid £74.8 million for a 71,000 sq m business park in Vimercate, Northern Italy, with potential for further development. The site comprised a mixture of office, light industrial, laboratory and related space on a 15.2 hectare site, with Alcatel Lucent occupying 48,954 sq m on a lease that expires in 2012.

In 2008 a Masterplan was created which will deliver five new buildings totalling 60,000 sq m in a sustainable business park offering low cost hybrid space; offices, laboratories, IT rooms, training

rooms, auditorium and test rooms. The first building, a pre-let to SAP of 6,000 sq m, was delivered in December 2009.

Sustainability is at the heart of the development plans with buildings designed to achieve new levels of efficiency, including use of new generation of ground water heat pumps for heating and cooling. High efficiency electronic systems were used for the lighting with use of sensors and dimming controls. In all, procedures, resources, materials, and green control systems contributed

to a 40 per cent reduction of energy consumption compared with traditional Italian standard office buildings.

The park has easy access to Milan, road, rail and air networks and is adjacent to a shopping centre, hotel and health complex in the established high technology area of Brianza.

The current valuation of the now re-named Energy Park development is £102.6 million.









SOLID FOUNDATIONS

2009 was a year of significant corporate financial activity for SEGRO which leaves the Company well positioned for the future.



// NET RENTAL INCOME INCREASED BY £24.5 MILLION (10.0 PER CENT) TO £269.4 MILLION, LARGELY AS A RESULT OF THE BRIXTON ACQUISITION.

David Sleath, Finance Director

BANK COVENANT RENEGOTIATION

On 25 February 2009 the Group concluded a renegotiation of the gearing covenant contained within its banking agreements to permanently increase the limit from 125 per cent to 160 per cent in order to provide additional financial flexibility. As part of the agreements, SEGRO paid a one-off fee of £8.6 million and the weighted average margin over LIBOR and EURIBOR was increased by 110 basis points over the previous levels.

£500 MILLION RIGHTS ISSUE

On 4 March 2009, SEGRO announced a rights issue to raise £500 million (net of expenses) by issuing 5,240.7 million new ordinary shares (pre share consolidation) at 10 pence per share on the basis of 12 new ordinary shares for every existing ordinary share. The rights issue was approved by shareholders at the General Meeting held on 20 March 2009 and proceeds were received in April 2009. The proceeds of the issue were used to pay down debt, although a significant proportion of these facilities still remain available to be re-drawn if required.

SHARE CONSOLIDATION

SEGRO completed a share consolidation on 31 July 2009, consolidating and re-classifying each 10 existing shares of the Company of 1 pence each into 1 new share of 10 pence each. The purpose of this exercise was to establish an appropriate number of shares in issue and likely share price for a company of SEGRO's size.

ACQUISITION OF BRIXTON PLC AND PLACING AND OPEN OFFER

On 22 June 2009, SEGRO announced that agreement had been reached with Brixton for an offer to acquire the entire issued share capital (271.7 million shares) on the basis of 0.175 SEGRO shares for each Brixton share. SEGRO's closing share price on this date was 227.5 pence, reflecting an offer price of £108.2 million.

On 9 July 2009, both Boards approved the offer and SEGRO completed the acquisition of Brixton on 24 August 2009, at which time the closing share price was 365.5 pence, resulting in consideration paid of £173.8 million, with a further £13.0 million of transaction costs incurred.

The book value of Brixton's net assets have been adjusted to reflect their fair value at the date of acquisition and details of the fair value adjustments are outlined in note 4 to the Accounts. After fair value adjustments, Brixton's net assets at the acquisition date were £195.4 million and the resulting gain of £8.6 million has been recognised in the income statement.

One-off integration costs of £10.7 million were incurred during 2009 in relation to the acquisition of Brixton, broadly consistent with the estimate of £11.0 million included in the Prospectus. £7.8 million of integration costs have been included in the income statement at 31 December 2009, classified as exceptional administration expenses, with £2.9 million included within Brixton's net assets acquired.

Annual synergy cost savings of £12.8 million have been delivered, slightly above the £12.0 million estimate made in the Prospectus.

In conjunction with the acquisition of Brixton, SEGRO raised £241.7 million (net of expenses) by way of a placing and open offer to maintain the enlarged Group's financial flexibility and covenant headroom at the levels achieved following the rights issue in April 2009. The placing and open offer was fully subscribed, with 119 million shares issued at a price of 210 pence and trading of these shares commenced on the London Stock Exchange on 31 July 2009.

ANALYSIS OF MOVEMENT IN NET ASSET VALUE (NAV) IN THE YEAR

Adjusted diluted NAV per share at 31 December 2009 was 362 pence, compared with 459 pence as at 31 December 2008 on a pro forma basis adjusting for the effects of the rights issue as if it had occurred on 31 December 2008 (refer below). The reduction from 31 December 2008 is largely as a result of the decline in property values in the first half of the year.

		Number	Pence
	£m	of shares	per share
Adjusted equity attributable to shareholders at 31 December 2008 as reported in the 2008 annual report ¹	2,094.9	434.6	482
Adjusted equity attributable to shareholders at 31 December 2008 restated for the discount element of the rights issue and the share consolidation ¹	2,094.9		698
Rights issue	499.7	524.0	95
Pro forma adjusted equity attributable	477.7	324.0	73
to shareholders as if the rights issue had			
occurred as at 31 December 2008 ²	2,594.6	566.2	459
Movements to 30 June 2009			
Realised and unrealised property losses	(507.5)		(90)
Adjusted profit before tax – recurring rental	, ,		, ,
profits	49.1		9
Dividends	(23.4)		(4)
Exchange	(54.8)		(10)
Other	(62.8)		(11)
Adjusted NAV at 30 June 2009 – as reported	1,995.2	566.2	353
Placing and open offer	241.7	119.0	203
Brixton acquisition	195.4	47.6	411
Pro forma adjusted equity attributable to shareholders as if the placing and open offer and Brixton acquisition had occurred at 30 June 2009 ³	2,432.3	733.0	332
at 30 Julie 2007	2,132.3	733.0	332
Movements 30 June 2009 to 31 December 2009			
Realised and unrealised property gains	163.5		22
Adjusted profit before tax – recurring rental profits	55.2		8
Dividends	(31.6)		(4)
Exchange	19.3		3
Other	13.9		1
Adjusted equity attributable to shareholders	13.7		<u> </u>
at 31 December 2009	2,652.6	733.0	362

- 1 The 2008 adjusted net assets per share calculation has been restated in the accounts following the rights issue and the share consolidation in order to provide a comparable basis for the current year. The adjustment factor for the rights issue is 6.92, which adjusts for the discount element of the rights issue. Further information on this is included in note 14 to the Accounts.
- 2 In order to aid comparison with the 2009 year end position, the net proceeds from the rights issue of £499.7 million have been added to the actual adjusted equity attributable to shareholders at 31 December 2008 and the adjusted net assets per share at that date has been calculated using 566.2 million shares, which incorporates the number of shares issued as part of the rights issue (net of own shares held).
- 3 The pro forma adjusted equity attributable to shareholders in relation to the placing and open offer and the Brixton acquisition incorporates the Brixton net assets acquired of £195.4 million and the net proceeds from the placing and open offer of £241.7 million into the net asset value and also adjusts for the new shares issued in relation to both those events as if they had occurred on 30 June 2009.

FINANCIAL REVIEW CONTINUED

A reconciliation between adjusted equity attributable to shareholders and total shareholders' equity is provided in note 14 to the Accounts.

PROPERTY VALUATION MOVEMENTS

Property losses of £344.0 million (2008: £970.6 million) are analysed in note 8 to the Accounts and include unrealised losses of £289.9 million (2008: £963.7 million) and realised losses of £54.1 million (2008: £6.9 million).

Unrealised losses include valuation deficits on investment, development and owner occupied properties of £273.8 million (2008: £959.7 million) and impairment provisions of £16.1 million (2008: £4.0 million) on certain trading properties as the fair value is deemed to be less than the original cost. Realised losses include losses on sale of investment properties of £54.7 million (2008: £34.8 million) offset by profits from the sale of trading properties of £0.6 million (2008: £27.9 million).

The Group's trading property portfolio has an unrealised valuation surplus of £27.1 million at 31 December 2009 (including share of joint ventures), which has not been recognised in the financial statements.

TOTAL PROPERTY RETURN

Total property return is a measure of the ungeared return from the portfolio and is calculated as property gains and losses (both realised and unrealised) plus net rental income, expressed as a percentage of capital employed.

Total property return for 2009 was -1.0 per cent, a significant improvement on the return in 2008 of -14.9 per cent and is attributable to lower valuation deficits during the year. Excluding Brixton, total property return would have been -3.8 per cent.

ADJUSTED PROFIT BEFORE TAX AND EARNINGS PER SHARE (EPS)

As recommended by the European Public Real Estate Association ('EPRA'), the Group has for a number of years presented adjusted profit before tax and adjusted earnings per share figures in addition to the amounts reported under IFRS. These amounts have excluded the effects of gains and losses associated with investment properties and certain financial derivatives, exceptional items and taxes associated with such items. The Directors regard the presentation of adjusted figures as providing useful additional information to highlight the underlying performance of the business.

In previous years, the adjusted earnings measures used by the Group included profits/losses on the sale of trading properties and other investment income (i.e. gains and losses associated with certain non-property private equity investments) within 'underlying earnings'.

In March 2009 the Group revised its dividend policy such that, from 2009 onwards, dividends are based upon underlying recurring rental earnings excluding trading profits/losses and other investment income. 'Adjusted profit before tax – recurring rental profits' accords with the approach taken with regard to the new dividend policy and excludes trading profits/losses (including impairment losses) and other investment income/losses which do not relate to the Group's core property rental business. Adjusted profit before taxation (on both the previous reporting basis and on the basis of underlying recurring rental profits) can be analysed as follows:

	2009 £m	2008 £m
Gross rental income	328.4	296.1
Property operating expenses	(59.0)	(51.2)
Net rental income	269.4	244.9
Share of joint ventures' recurring rental profits ¹	2.8	0.9
Administration expenses, excluding exceptional items	(40.3)	(40.0)
Operating profit	231.9	205.8
Net finance costs excluding fair value movements on derivatives	(127.6)	(116.5)
Adjusted profit before tax – recurring rental profits	104.3	89.3
(Loss)/profit on sale of trading properties less provisions		
– Group	(15.5)	23.9
– Share of joint ventures (after tax)	(4.3)	9.0
Other investment (loss)/income	(8.0)	1.7
Adjusted profit before tax – previous reporting basis	76.5	123.9
		_

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

A reconciliation between adjusted profit before tax and IFRS loss before tax is provided in note 2 to the Accounts.

Adjusted profit before tax on the previous reporting basis decreased by £47.4 million compared to 2008. The decrease is almost entirely due to provisions for impairment of trading properties being recorded in 2009 compared with trading property profits of £23.9 million (including share of joint ventures) in 2008.

Excluding profits/losses on trading properties and other investment income losses, the adjusted profit before tax from the underlying recurring rental profit showed a 16.8 per cent increase from £89.3 million to £104.3 million. This is primarily due to the Brixton acquisition, which contributed £14.8 million to recurring rental profit during the 4 month period of ownership.

Adjusted EPS (recurring rental profits basis) of 18.3 pence per share is lower compared to the 2008 calculation of 29.1 pence per share, largely as a result of the dilutive impact of the rights issue during the year.

RENTAL INCOME

Gross rental income for 2009 increased by £32.3 million (10.9 per cent) to £328.4 million. Gross rental income has increased in the UK mainly due to the impact of the Brixton acquisition and increased in Continental Europe mainly due to the letting of new developments and the beneficial impact of exchange rate movements. Like-for-like rental income on the underlying portfolio comprising only of completed properties owned throughout both years decreased by 1.3 per cent from £230.4 million to £227.3 million. Within this overall movement, the UK reported a 1.6 per cent decrease whilst in Continental Europe, the decrease was 0.9 per cent, as set out in the business reviews.

Like-for-like rental income	2009 £m	2008 £m
Completed properties owned throughout 2008 and 2009 (like-for-like rents)	227.3	230.4
Development lettings	17.7	5.0
Properties taken back for development	0.3	1.5
Gross rental income pre acquisitions/disposals	245.3	236.9
Properties acquired	41.0	7.4
Properties sold	15.6	35.9
Rent from trading properties	22.1	18.0
Gross rental income before surrenders, dilapidations and exchange	324.0	298.2
Lease surrenders and dilapidations	4.4	10.6
Exchange rate movements	_	(12.7)
Gross rental income per accounts	328.4	296.1

Net rental income increased by £24.5 million (10.0 per cent) to £269.4 million. Net rental income increased in the UK by £10.2 million (6.5 per cent) due to the acquisition of Brixton (£25.1 million), other acquisitions (£1.2 million), lettings of new developments (£3.5 million) and re-lettings (£7.2 million), offset by disposals (£16.7 million), lower surrender premiums (£4.9 million) and space returned (£7.6 million). In Continental Europe, net rental income increased by £14.3 million (16.0 per cent) due to acquisitions (£2.4 million), lettings of new developments (£6.4 million), re-lettings (£4.5 million), rent reviews (£1.3 million) and the effects of exchange rate movements (£11.1 million), offset by disposals (£4.8 million) and space returned (£2.6 million). The key drivers of the increase in net rental income are set out in the table below:

	£m
Net rental income 2008	244.9
Brixton acquisition	25.1
Other acquisitions	3.6
Disposals	(21.5)
New developments, re-lettings and rent reviews	23.2
Space returned	(10.2)
Increase in property operating expenses (net of service charge income)	(1.9)
Decrease in lease surrender premiums	(4.9)
Other (mainly exchange rate movements)	11.1
Net rental income 2009	269.4

OPERATING EXPENSES

Property operating expenses amounted to £59.0 million (2008: £51.2 million) and reflect the increased size of the portfolio. Within this amount, £21.2 million (2008: £18.9 million) relates to vacant property costs.

Administration expenses, excluding exceptional items amounted to £40.3 million (2008: £40.0 million) and include £1.0 million in respect of the Brixton business.

Total costs (property operating expenses and administration expenses, excluding exceptional items) as a percentage of gross rental income amounted to 30.2 per cent compared with 30.8 per cent in 2008.

NET FINANCE COSTS

Excluding fair value gains and losses on interest rate swaps and other derivatives, net finance costs increased by £11.1 million from £116.5 million to £127.6 million. The increase is mainly attributable to higher interest related to Brixton debt acquired (£11.2 million), with negative exchange rate movements and the higher costs of debt following the renegotiation of banking covenants, offset by interest savings generated from the proceeds from the rights issue received in April 2009 and lower interest costs as a result of closing out a number of interest rate hedges.

CASH FLOW

Free cash flow generated from operations was £79.3 million in 2009, an increase of £20.8 million from 2008. This is primarily due to the decrease in net finance costs paid compared to 2008 and an increase in dividends received from joint ventures.

The Brixton acquisition resulted in a net cash inflow of £54.7 million, being cash acquired less costs of the transaction. Immediately on acquisition, the entire Brixton derivatives portfolio was closed out for £126.3 million. In addition, £507.7 million of Brixton debt was repaid comprising, £245.0 million of borrowing facilities and £262.7 million of bonds.

Other significant items relate to the proceeds from sale of investment properties (£421.3 million) and net proceeds received from the rights issue and placing and open offer (£741.4 million), which were primarily used to fund the Brixton debt and derivatives repayments outlined above, paydown debt (£379.5 million) and close out of SEGRO related derivatives (£64.4 million). Overall this resulted in a net cash outflow in 2009 of £24.1 million (2008: £227.9 million).

A summary of cash flows for the year is set out in the table below:

,		
	2009 £m	2008 £m
Cash flow from operations	222.1	226.0
Finance costs (net)	(144.7)	(160.1)
Dividends received (net)	12.9	6.5
Tax paid (net)	(11.0)	(13.9)
Free cash flow	79.3	58.5
REIT conversion charge paid	_	(45.2)
Sale of subsidiary undertakings	_	(13.5)
Net cash inflow arising on acquisition of Brixton	54.7	-
Settlement of Brixton derivatives	(126.3)	-
Tax paid on sale of US subsidiary undertaking	-	(217.0)
Capital expenditure (excluding trading properties)	(191.2)	(403.8)
Investment property sales (including joint ventures)	421.3	199.9
Dividends paid	(59.2)	(100.6)
Rights issue and placing and open offer net proceeds	741.4	_
Cost of derivatives close out	(64.4)	_
Other items	7.5	11.4
Net funds flow	863.1	(510.3)
Settlement of Brixton debt	(507.7)	_
Net (decrease)/increase in other borrowings	(379.5)	282.4
Net cash outflow	(24.1)	(227.9)
Opening cash and cash equivalents	162.5	340.2
Exchange rate movements	(26.5)	50.2
Closing cash and cash equivalents	111.9	162.5

CAPITAL EXPENDITURE/DIVESTMENT

As already noted, the Group has taken a cautious approach to the deployment of capital over the past 12 months and, accordingly, during 2009, there was a net divestment of capital amounting to £195.3 million compared with a net investment of £120.8 million in 2008. This comprised expenditure of £241.2 million (2008: £464.1 million), offset by sales proceeds of £436.5 million (2008: £343.3 million), including amounts relating to trading properties (which are included within operating cash flows).

	2009 £m	2008 £m
Capital expenditure on investment and development properties		
Land acquisitions	49.7	22.3
Acquisitions of income producing properties	_	118.6
Development expenditure	161.3	222.4
	211.0	363.3
Expenditure on trading properties	25.0	96.3
Expenditure on joint venture properties	5.2	4.5
Total capital expenditure	241.2	464.1
Less sales proceeds:		
 from disposals of investment properties 	(404.5)	(201.5)
– from disposals of trading properties	(6.9)	(93.4)
– from disposals of joint ventures	(25.1)	(48.4)
Total sales proceeds	(436.5)	(343.3)
Net capital (divestment)/ expenditure	(195.3)	120.8

Future development expenditure on projects currently in progress or committed will amount to approximately £20.8 million, with a further £7 million of commitments relating to land purchases.

TREASURY POLICIES AND GOVERNANCE

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

FINANCIAL POSITION AND FUNDING

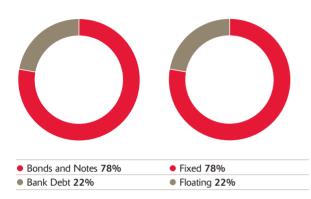
At 31 December 2009 the Group's net borrowings were £2,420.1 million (31 December 2008: £2,495.8 million) comprising gross borrowings of £2,532.8 million (31 December 2008: £2,661.6 million) and cash balances of £112.7 million (31 December 2008: £165.8 million).

Following the acquisition of Brixton, £245 million of borrowings drawn under Brixton bank facilities were immediately repaid and the facilities cancelled in full. The Group made a tender offer to Brixton bond holders as a result of which Brixton bonds with a face value of £264.4 million were repurchased on 28 August 2009 at a cash cost (excluding accrued interest) of £262.7 million. Brixton bonds with a face value of £365.5 million remain in place as part of the Group's debt portfolio.

In November 2009 SEGRO issued £300 million 6.75 per cent 12 year unsecured bonds with the majority of the proceeds being used to repay bank debt. All of the Group's unsecured bonds including the remaining Brixton bonds have a Fitch unsecured long-term senior debt rating of A-.

At 31 December 2009 the weighted average maturity of the gross borrowings of the Group was 9.5 years including the impact of a £270 million facility signed before year end but for which the final condition precedent was met on 29 January 2010. Secured borrowings at 31 December 2009 were £94.7 million representing just 4 per cent of the Group's total gross borrowings.

Analysis of gross debt 2009



The market value of the gross borrowings of the Group at 31 December 2009 was £2,495 million, £38 million lower than the carrying value. The net market value of the Group's derivative portfolio of interest rate swaps and forward foreign exchange contracts at 31 December 2009 was a liability of £7.2 million.

GEARING AND FINANCIAL COVENANTS

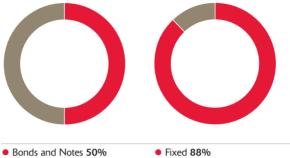
The loan to value ratio (net debt divided by property assets) at 31 December 2009 was 47 per cent (2008: 53 per cent).

The adjusted gearing ratio of the Group at 31 December 2009 (consolidated net debt divided by consolidated net worth with deferred tax added back) was 91 per cent (2008: 119 per cent) significantly lower than the Group's tightest financial gearing covenant of 160 per cent. This covenant was increased from 125 per cent as part of the successful renegotiation of financial covenants with the Group's bankers in February 2009.

Property valuations would need to fall by more than 22 per cent from their 31 December 2009 values to reach the gearing covenant threshold of 160 per cent.

The Group's other key financial covenant is interest cover requiring that net interest before capitalisation be covered at least 1.25 times by net property rental income. At 31 December 2009 the Group comfortably met this ratio at 2.0 times (2008: 1.9 times).

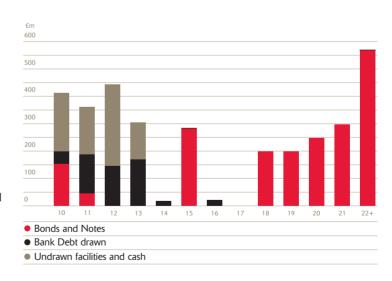
Analysis of gross debt 2008



Bonds and Notes 50%Fixed 88%Bank Debt 50%Floating 12%

LIQUIDITY POSITION

Funds availability at 31 December 2009, adjusted to include the £270 million bank facility in place at 31 December 2009, but only available from 29 January 2010, totalled £824.5 million comprising £112.7 million of cash and £711.8 million of undrawn bank facilities of which only £71.2 million were uncommitted.



GOING CONCERN

Whilst wider economic conditions remain challenging, as already described, the Group has completed significant refinancing activity during 2009 and, as a result, has a strong liquidity position, a favourable debt maturity profile, significant headroom against financial covenants and can reasonably expect to be able to continue to have good access to capital markets and other sources of funding.

Having made enquiries, the Directors have a reasonable expectation that the Company and the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

DERIVATIVE CLOSE-OUTS

During the year a cash cost of £64.4 million was incurred in closing out SEGRO derivative positions, made up as follows:

- subsequent to the rights issue in March 2009, the Group closed out euro interest rate swaps that were no longer required for a cash cost of £42.4 million; and
- in order to adjust the hedge of foreign currency denominated assets with liabilities of the same currency, within the policy range of 60 per cent to 90 per cent, €200 million of net investment hedges were cancelled at a cash cost of £22.0 million.

In addition, on acquisition of Brixton, SEGRO closed out the entire Brixton derivatives portfolio for a cash cost of £126.3 million.

INTEREST RATE RISK EXPOSURE

The Group policy is that between 60 and 100 per cent of borrowings should be at fixed or capped rates.

At 31 December 2009, £1,979.2 million of gross borrowings were at fixed rates at an average rate of 6.0 per cent. Floating rate gross borrowings were at an average rate at 31 December 2009 (including margin) of 2.9 per cent giving a weighted average interest rate for gross borrowings at that date, before commitment fees and amortised costs of 5.3 per cent or 5.7 per cent after allowing for such items.

£1,639.6 million of fixed rate cover is provided by fixed rate bonds and notes with the remaining £339.6 million of fixed cover deriving from euro interest rate swaps, private placement notes and mortgages. The £300 million bond issued in November 2009 was swapped on issue date for the duration of the bond into sterling floating rates using interest rate swaps.

The Group has decided not to elect to hedge account its interest rate derivatives portfolio. Therefore movements in the fair value are taken to the income statement but, in accordance with EPRA recommendations, these gains and losses are eliminated from adjusted profit before tax and adjusted EPS.

FOREIGN CURRENCY TRANSLATION EXPOSURE

The Group has negligible transactional foreign currency exposure, but does have a significant currency translation exposure arising on the conversion of its substantial foreign currency denominated net assets (mainly euro) into sterling in the Group consolidated accounts.

The Group policy is to hedge between 60 per cent and 90 per cent of foreign currency denominated assets with liabilities of the same currency to protect the Groups reported consolidated net asset value and financial gearing covenant.

As at 31 December 2009, the Group had gross foreign currency assets amounting to £1,899.9 million, which were 71 per cent hedged by gross foreign currency denominated liabilities of £1,340.7 million. A 10 per cent movement in the value of sterling at 31 December 2009 against all currencies in which the Group operates would have changed net assets by £62.1 million and adjusted gearing by less than 1 per cent.

DIVIDENDS

The Board recommends a final dividend of 9.4 pence per share. The final dividend will be paid on 6 May 2010 to shareholders on the register at the close of business on 6 April 2010. The total dividend for the year amounts to 14.0 pence. Subject to approval by shareholders, a scrip alternative will be offered for the final dividend. For shareholders taking up the scrip, the final dividend will not be treated as a Property Income Distribution (PID) for tax purposes. For shareholders taking the cash option, it will all be paid as a PID.

David Sleath, Finance Director

PRINCIPAL RISKS AND UNCERTAINTIES

Effective risk management is integral to delivering SEGRO's strategic priorities and the process for identifying, assessing and reviewing risks faced by the Group is described in the Corporate Governance section.

Principal risks and uncertainties facing the Group are described below.

1. STRATEGIC RISKS

Impact: An ineffective or poorly executed strategy may damage shareholder value or fail to meet shareholder expectations. The principal risks to our strategy are:

Risks	Mitigating factors and additional commentary	Further information
Our ability to anticipate and take advantage of changes in the economic environment.	The Board monitors the external financial environment closely and establishes a number of strategic priorities in order to respond to anticipated changes in the economic environment. During 2009, the slow-down in the global economy and rapid deterioration in international financial and property markets had an adverse impact on the business.	Chief Executive's Review page 8
 Our ability to accurately evaluate and drive value from real estate investment opportunities in existing and new territories. 	Although there are some signs that the economic recession is easing, these risks are likely to remain for the foreseeable future.	
Our ability to recycle (invest/divest) assets on acceptable terms in a constantly changing economic environment.	The Capital Approvals Committee oversees all significant acquisitions and disposals. Investment decisions are based on experience and analysis, with reference to data from a wide range of external and internal sources.	
 Our ability to innovate and adapt to changing customer demands for flexible business space. 	The Group maintains regular dialogue with customers to understand their requirements and adapts the business to accommodate emerging issues.	Sustainability Report, Customer satisfaction page 59

2. FINANCIAL RISKS

Impact: Financial risks threaten the Group's capacity to meet its financial objectives and potentially its ability to operate as a going concern. The principal financial risks are:

Risks	Mitigating factors and additional commentary		Further information
A material fall in the Group's property asset values or rental income could lead to a breach of financial covenants within its credit facilities, which in turn could lead to credit facilities being cancelled.	The Group has a flexible funding strategy and manages liquidity in accordance with Board approved Treasury Policies which are designed to ensure that the Group has adequate funds for its ongoing needs. The Board monitors financial covenant ratios closely and completes scenario analysis to inform its financial planning. In early 2009, when property values were falling rapidly, the risk of covenant breach increased. The Group took a number of mitigating steps to provide additional liquidity including a reduction in planned capital expenditure, increasing property disposals, renegotiating financial covenants and refinancing.		Group Treasury Policies are outlined in the Financial Review on page 31
Deterioration in the Company's credit profile, a decline in debt market conditions or a general rise in interest rates could impact the cost and availability of borrowing.	The Group monitors its key financial ratios and seeks to maintain a strong investment grade credit rating. The Group also monitors changes in credit market conditions and to the broader financial environment and seeks to optimise its use of different sources of debt capital. Interest rate sensitivity is mitigated by using fixed rate debt instruments.		Interest rate exposure page 33
Foreign exchange rate changes could reduce the sterling value of Continental European assets and earnings.	The majority of foreign currency assets are matched by borrowings denominated in the same currencies. This provides a natural hedge against the value of the Group's overseas assets and earnings. Significant exchange rate changes can also impact the Group's gearing ratio.		Detail of the Group's foreign exchange risk management page 33
Potential tax penalties or loss of REIT status.	Internal monitoring and procedures track compliance with the appropriate tax and REIT rules. The Directors believe the Group to be in compliance with all REIT requirements for 2009 and expect to remain so in 2010.		

3. REAL ESTATE AND DEVELOPMENT RISKS

Impact: Real estate and development risks may impact income and the value of the Group's property assets. The principal real estate and development risks are:

Risks	П	Mitigating factors and additional commentary		Further information
A potential loss of income and increased vacancy due to		SEGRO has over 1,900 customers in a wide range of business sectors and geographic territories and there is limited exposure to any single customer.		P12
customer default, falling demand or oversupply.		The Group stays close to its customers, monitoring the credit worthiness of the customer base and working closely with individual customers facing financial difficulty. Although we monitor competitor activity when making investments and commencing new developments, rental levels have suffered recently due to falling demand and oversupply.		Vacancy levels pages 12, 42, 51
		We have a vigorous and pragmatic approach to leasing and we aim to provide a high level of customer service so as to minimise the likelihood of customers leaving the Group's properties at the end of a lease or at the point of a break option.		
		The vacancy rate on assets acquired from Brixton was running at 22.1 per cent as at December 2009 and the Group is targeting a vacancy rate of 15 per cent or lower, in the Brixton portfolio, within three years of the acquisition. We expect that this change will be achieved; however occupier demand depends on the wider economic environment and remains an inherent risk to this target.		
 Changes in legislation or customer requirements which render some of the Group's properties obsolete. 		There is an increased risk of property obsolescence if asset management plans fail to address changes in customer or regulatory requirements. Asset management plans are in place for all estates which are intended to identify the optimum point at which to develop, refurbish, re-develop or sell each asset.		Our Business Model page 17
Failing to acquire or dispose of assets at attractive prices.		Local property teams in each market are well placed to identify suitable properties to acquire. Despite challenging market conditions, in 2009 the Group was successful in both making acquisitions and disposals.		Acquisition of Brixton pages 14, 43, 44, 51, 52
 A decline in the value of property assets due to market conditions. 		In late 2009 property investment market conditions began to improve but the recovery is in its early stages and there is still a risk of property values falling in 2010.		Outlook pages 13, 45, 54
Development projects fail to deliver the expected returns. This may be due to increased project costs, delays, changes in customer demand, or a fall in property market values.		The Group adapts the pace of speculative development to current and anticipated market conditions so as to reduce the risk of un-let developments. Sensitivity analysis is carried out on all potential investments to ensure that target returns can be achieved. No speculative developments were initiated in 2009.		Capital recycling pages 12, 43, 52
 Holding excess or insufficient development land due to unexpected changes in customer demand. 		The Executive Committee regularly reviews the Group's land holdings with the aim to balance the requirement for development land with the cost of holding a non-productive asset.		

4. OPERATIONAL RISKS

Impact: The Group's ability to maintain its reputation, revenue and value could be damaged by operational risks including:

Risks	Mitigating factors and additional commentary	Further information
Health and safety incidents.	Employees throughout the Group manage a wide range of operational risks on a daily basis. Several of the more significant operational risks are managed by specifically designated committees with oversight by the Board. The Health and Safety Committee oversees the implementation of a comprehensive, Group wide health and safety programme.	Safety page 58
Environmental damage or failure to meet our sustainability targets.	The Group Sustainability Committee continues to set targets, monitors performance and drives investment in sustainable developments.	Sustainability page 55
Business or IT system disruption.	The Information Systems Committee oversees changes to business systems and IT disaster recovery planning.	
Failing to attract, retain and motivate key staff employees.	The Remuneration Committee and Executive Committee regularly reviews remuneration against external market indices. Employees have personal development plans and on-going training.	Sustainability page 59
A change or breach of regulatory requirements.	The business is actively managed to maintain compliance with legislation and to try and take advantage of changes to regulations.	
A key supplier or business partner is unable or unwilling to support the Group.	The Group works with suppliers and partners in many aspects of our business. These range from agreements to build and service the property portfolio through to agreements with joint venture partners, and banks, and legal advisors. The risk presented by our suppliers and partners varies significantly and while many are important to efficient operations, few are considered critical to the business. The risk presented by suppliers and partners is considered when contracts are established or renewed and as part of the Group wide risk management process.	

In setting out the Group's principal risks and uncertainties and commentary on possible future developments, above, the statements should not be considered indications of likelihood or certainty. The statements are based on the knowledge and information available at the date of preparation of this Directors report and what are believed to be reasonable judgements. A wide range of factors may cause the actual outcomes and results to differ materially from those contained within, or implied by, these various forward-looking statements.

UNITED KINGDOM

Our UK business comprises approximately 3.1 million sq m of investment properties, with a year end valuation of £3.2 billion and a cash passing rent roll of £219 million as at 31 December 2009. In addition, we own approximately 130 hectares of development land with a value of £202 million, £35 million of construction in progress, £9 million of trading properties, £6 million of owner occupied properties, and the Group's share of assets held within joint ventures of approximately £103 million.

We have 1,600 customers on 96 estates, across England and Wales, with 72 per cent of our portfolio concentrated in our 20 largest estates. Operating through the business units we provide flexible business space, predominantly in the industrial sector, with some suburban offices. Our estates are typically multi-let with only a small proportion of the portfolio being larger distribution and logistics warehouses.

Portfolio value

£3.5 billion

Cash passing rent*

£219 million

Lettable space* (sq m)

3.1 million

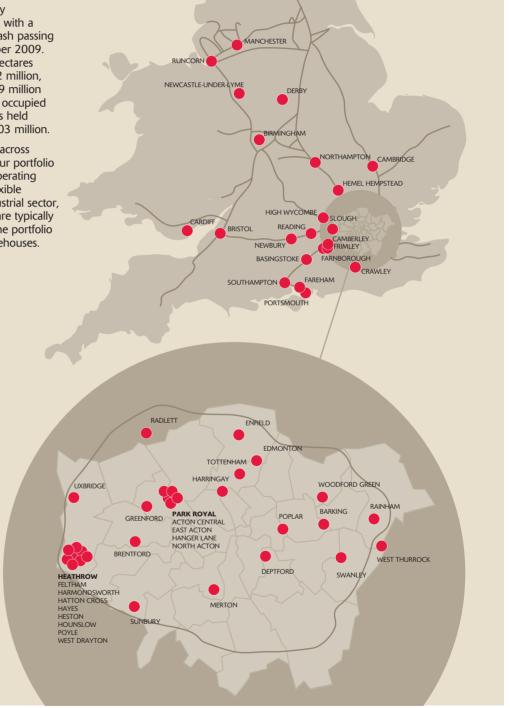
Development land* (hectares)

130

No of customers*

1,600

*Excluding joint ventures



Total portfolio

£3,527m



- Completed investment properties 90%
- Land and development 6%
- Trading properties 1%
- Group share of joint venture assets 3%

Investment properties

£3,172m



- Logistics warehousing 5%
- Industrial 79%
- Office 15%
- Retail 1%

Customer type

Over 1,600 customers



(Passing rent by customer industry)

- Agriculture and food 4%
- Automotive 7%
- Building and construction 9%
- Chemicals and commodities 6%
- Engineering and electrical 16%
- Finance and media 7%
- Information technology 16%Leisure and entertainment 2%
- Retail 6%
- Timber, paper and printing 3%
- Transport 15%
- Utilities, services and other 9%

Location split

3 business units



- Thames Valley 37%
- London Markets 41%
- National Markets 22%

Top 10 Customers

Customer	Location	Rental pa £m
Telefonica O2		
UK	Slough, Pucklechurch	6.6
Thales	Crawley	5.5
Mars Chocolate	Slough	4.1
UCB	Slough	3.8
Royal Mail	Slough, London-Park Royal,	
	Manchester-Heywood	3.5

Rental pa £m
3.4
2.7
2.6
2.5
d, 2.1
l,

MARKET

2009 was another challenging year in terms of occupier markets, with low demand for new space and increased availability across the UK's stock of industrial buildings putting pressure on rental levels, incentives and vacancies. Our well-located, flexible business space continued to attract enquiries, although the macroeconomic conditions affected most areas, particularly the Midlands and North. Customer retention fell due to space consolidation and, to a lesser degree, insolvencies. Some industries, such as engineering and automotive, were particularly adversely affected, while others, such as data centres, waste recycling and cross-dock distribution, continued to thrive.

Investment market conditions in the first half of the year continued the downward spiral seen in the last quarter of 2008 with IPD reporting a decline in Industrial values of 10.8 per cent and 13.2 per cent for All Properties. The market recovered its confidence in the second half of the year and then showed a significant recovery in the final quarter. Overall, IPD reported a second half improvement in Industrial and All Property values of 7.1 per cent and 8.7 per cent, respectively.

The recovery in asset prices in the second half of the year appears to have been very much driven by the 'weight of money' seeking to find an investment 'home' with many investors seeking to take advantage of attractive values but would-be vendors generally holding back, thus forcing up prices. Most of this recovery seems to have been focused on the 'prime' end of the market, meaning good quality, well located assets with relatively long lease lengths underpinned by strong tenant covenants. Secondary and tertiary assets have not seen the same level of improvement.

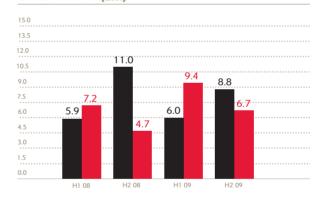
GOOD OPERATING PERFORMANCE

Leasing momentum maintained but takebacks ahead of prior year

We delivered another good leasing performance despite the weak occupancy market conditions and generated £14.8 million of annualised rental income in the year from the letting of 159,000 sq m of space. £7.4 million of the annualised rental income arose from letting new developments, while £7.4 million was delivered through re-letting existing space. This is only slightly down on 2008's £16.9 million of annualised rental income and 179,000 sq m of space.

Against this good leasing performance, retention levels on buildings coming up to lease expiry or break option suffered as a consequence of the downturn in occupier markets. Approximately 52 per cent of income at risk from break option or lease expiry was retained, compared to 64% retained in 2008. After taking account of space returned, the UK annualised rent roll (i.e. 'passing rent') declined by £1.3 million in 2009 compared with a net increase of £5.0 million in 2008. Note: All of these amounts exclude the ex-Brixton portfolio, which is discussed separately below.

Annualised rental income from lettings less takebacks¹ (£m)



Lettings

Takebacks

1 Excluding Brixton

Major lettings in 2009

Customer	Date	Building type	Location	Rent pa £m	Sq m
Jacobs Engineering	Dec 09	Office	Winnersh	3.4	12,462
Harris Systems	Dec 09	Office	Winnersh	1.8	7,001
Geodis Wilson	March 09	Industrial	Feltham	1.3	8,971
Microchip Limited	June 09	Office	Winnersh	0.7	2,954
Autobar Group Limited	Nov 09	Industrial	Woodford Green	0.4	4,657
Blanco Limited	Feb 09	Industrial	Radlett	not disclosed	3,737

Letting highlights included the delivery of 12,500 sq m and 7,000 sq m of office space at Winnersh Triangle to Jacobs and Harris Systems, respectively, and 9,000 sq m in Heathrow to Geodis Wilson at LHR1.

The UK leasing teams have also been successful in generating income from short term licensed occupation (lettings of less than twelve months duration), providing ongoing cash flow and helping to mitigate empty property costs while longer term occupiers are sought. As a result of these and other initiatives, £0.5 million in rental income was delivered from short term licences and empty rates liabilities of £0.6 million were saved.

Within the Brixton portfolio, since the acquisition was completed on 24 August 2009, 17,000 sq m of space was let, representing annualised income of £1.4 million. Against this, 66,000 sq m of space was taken back, representing annualised income of £4.3 million with 25 per cent relating to two customers whilst a further 16 per cent relating to insolvencies. While these takebacks were disappointing, they were not unexpected. Following the successful integration of the SEGRO and Brixton teams, we have seen a major improvement in letting performance since the year end.

Rental values showing modest declines in most parts of the portfolio

The blended average rental level achieved on rent reviews, lease renewals and new lettings signed in 2009 was 5.2 per cent below the December 2008 Estimated Rental Value (ERV). While rent reviews were settled at 1.4 per cent above December 2008 ERV, lease renewals and new lettings were concluded at 6.0 per cent and 7.3 per cent, respectively, below ERV reflecting the pragmatic approach taken in the current environment. In addition, lease incentives, have increased from 5 per cent in 2008 to 11 per cent on average for 2009.

| 3:6 | 3:6 | 2.5 | 0.6 | 1:4 | 0.6 | 2.5 | -0.2 | -5:0 | -7.5 | -6:0 | -7.3 | -7.3 | -12:5 | -15:0 | 0.8 | 0.9 | 0.8 | 0.9 | 0.8 | 0.9 | 0.8 | 0.9 | 0.9 | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |



Closer analysis reveals quite different results across the country. Within our London portfolio headline rents on new leases and renewals were signed on average at 2.6 per cent below December 2008 ERV whilst across the Thames Valley and the rest of the South of England deals were agreed, on average, at minus 4.3 per cent. It is only in the Midlands and North West where we have experienced much stronger downward pressure on rents and where, on average, deals were signed at 21.2 per cent below December 2008 ERV (on total rents of £2.0 million per annum). This can be attributed to the weaker performance of the regional economies in the Midlands and North West, the greater availability of cheap second hand space in those markets and the pragmatic approach we have taken to retain or sign customers who are themselves under severe cost pressure. Elsewhere in the country, we take heart from the fact that rental levels have held up remarkably well. Within the Brixton portfolio, since acquisition, new leasing transactions and lease renewals have, on average been agreed at 2.9 per cent below the June 2009 ERVs.



Jacobs building at Winnersh

Increased insolvencies but still at modest levels

Our UK business has a very diverse customer base, with our top 10 customers accounting for just 15 per cent of rental income. This diversification, combined with tight credit control procedures and close communication with customers who face financial difficulty, has helped to ensure our losses from insolvencies remained at manageable levels during 2009. We lost 38 (2008: 34) UK customers from insolvency during 2009, representing annualised income of £4.3 million (2008: £2.0 million), equating to 1.8 per cent of total annualised rental income, compared to 1.0 per cent in 2008. £2.1 million of this can be attributed to 3 large insolvencies, Visteon UK Ltd (£1.2 million), Transport Connections Ltd (£0.5 million) and Pinnacle Entertainment (£0.4 million). Excluding these 3 large insolvencies, our insolvency levels would have been in line with prior years. Of the space returned to us through insolvency, 21 per cent has already been re-let or occupied under short term arrangements.

In addition to the space taken back due to insolvency, there are currently 13 customers in administration but still in occupation representing approximately £1.1 million of rent per annum.

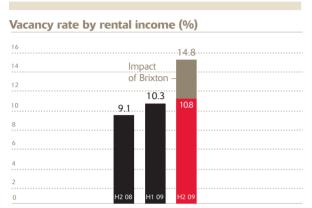
We are proud of the way in which we have worked with a number of customers facing difficult times in 2009, some of which have been restructured and now represent a stronger ongoing credit. The level of insolvencies has undoubtedly been assisted by the low interest rate environment and by a number of the banks taking a relatively pragmatic approach towards customers facing financial difficulty. Nonetheless, we are staying close to all our customers and remain vigilant.

Vacancy levels increased mainly due to Brixton, but the underlying rate still compares favourably with IPD

At year end our UK vacancy rate measured by rental value, excluding the Brixton portfolio, was 10.8 per cent compared to 10.3 per cent at June 2009 and 9.1 per cent at December 2008.

The increased vacancy rate reflects the competitive leasing environment referred to above and the increased level of takebacks, including insolvencies. Notwithstanding this increase, our UK vacancy rate (excluding Brixton) stands well below the IPD Industrial index equivalent of 15.2 per cent, reflecting the quality and location of our assets, the relatively small exposure we have to the over-supplied UK logistics sector, and the proactive and pragmatic approach we take to leasing empty space.

The vacancy rate in the Brixton portfolio was 22.1 per cent as at 31 December 2009 compared with 20.6 per cent at June 2009. The decline reflects the impact of selling the well-let Great Western Industrial Estate, Southall, and net takebacks referred to earlier.



BUYING SMART, ADDING VALUE AND SELLING WELL

Despite the extraordinary market conditions, we have achieved our objectives of 'buying smart, adding value and selling well' in a number of different ways in 2009.

Buying Smart – Brixton Acquisition

The well-timed Brixton acquisition completed in August 2009 increased our UK portfolio by approximately 50 per cent, and provided us with a portfolio of high-quality, well-located assets, strengthening our position in each of our core clusters. A further attraction of the acquisition was the potential income upside from letting up the relatively high level of vacancy in the Brixton portfolio, while the land bank also provides an opportunity to add value over time for selective development.

We completed the integration process ahead of schedule in 2009, delivering annual cost savings of £12.8 million per annum, ahead of the £12.0 million per annum anticipated at the time we made the offer. This was achieved at a one off cost of £10.7 million.

Whilst it may take some time before the full benefits of the Brixton acquisition are realised in terms of income growth, the general increase in capital values across the UK real estate market in the second half of 2009 already suggests we have followed our strategy to 'buy smart'.

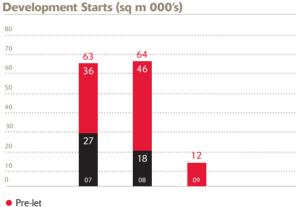
Adding Value

Adding value to our business comes from two main sources – from asset and customer management and from development.

The good leasing performance, the lease retention rates, low insolvency levels and the modest declines in rental levels across most of our UK portfolio provide the evidence of our success in 2009 in terms of working with our customers to add value to our portfolio despite the adverse market conditions.

For development, we took a conscious decision in 2008 and 2009 to minimise any speculative development

exposure in light of the weak market conditions and to focus on pre-let developments. We started only 12,000 sq m of pre-let development in 2009, at Treforest in Cardiff, which has now completed, and on the Slough Trading Estate, which was still under construction at the year end. In addition, we completed a number of pre-let projects in 2009, including 19,500 sq m of office buildings for Jacobs and Harris Systems at Winnersh Triangle near Reading, together with a 3,700 sq m industrial building for Blanco at Radlett. All of these were completed on time and to budget.



Our total development completions during the year amounted to 37,000 sq m of which 86 per cent (by net rental income) was either let or sold by 31 December 2009, compared with 53,000 sq m of development completions in 2008. In addition, our UK business has 39,000 sq m of assets in the course of construction at year end, of which 74 per cent are pre-let or pre-sold.

Development completions

Speculative

Project	Space completed sq m	Let space sq m	Estimated rental value £m	Contracted income £m
Yeovil Road – Slough	4,022	474	0.5	0.1
Winnersh – Reading	2,954	2,954	0.7	0.7
Parkbury – Radlett	7,899	3,737	0.8	0.4
Treforest – Cardiff	1,489	1,489	0.2	0.2
Winnersh – Reading	7,001	7,001	1.8	1.9
Winnersh – Reading	12,462	12,462	3.4	3.4
Winnersh – Reading	1,530	_	0.4	0.0
	37,357	28,117	7.8	6.7
		75%		86%

Selling Well

During 2009, we disposed of £316 million of stabilised and non core directly owned investment assets, at an average net initial yield of 8.6 per cent. Of this £218 million were asset disposals from SEGRO's own portfolio at a discount of 21 per cent to their valuation at 31 December 2008, while the remainder constituted the disposal of a Brixton asset at a 7.5 per cent premium to its valuation at the point of acquisition. In addition, we disposed of £1 million of land, £2 million of trading assets, and our stake in the retail joint venture with Tesco for net proceeds of £25 million. Whilst investment market conditions were weak through the first half of the year, we sought to take advantage of the opportunity to sell properties where acceptable prices could be achieved in order to realise funds from optimised assets or assets that were outside our strategic clusters or product focus.

The largest disposals are set out in the table below:

Asset	Month of disposal	Net Disposal Proceeds £m	Net Initial Yield %	Premium/ Discount to 31 December 2008 valuation %
Argos building, Heywood	May 09	21.4	8.2	(12.3)
Peterborough	May 09	8.4	11.0	(25.0)
Western Avenue Business Park, London	June 09	22.0	8.0	(10.6)
Package sale – Colndal Road, Grand Union, Woodside, Bilton Way	e Aug 09	98.0	10.1	(26.6)
Shopping Centre Ltd – 50% JV with Tesco	Dec 09	25.1	6.3	14.0

FINANCIAL PERFORMANCE

Gross Rental Income from the UK portfolio grew by 6.4 per cent in 2009 to £207 million (2008: £195 million). The movement in gross rental income during the year significantly benefited from the acquisition of Brixton (£29 million impact in the last four months of the year) and was also impacted by substantial asset disposals.

Like-for-like rental income		
Asset	2009 £m	2008 £m
Completed properties owned throughout 2008 and 2009	151.0	153.4
Development lettings	6.6	1.5
Properties taken back for redevelopment	0.3	1.5
Gross rental income pre acquisitions/disposals	157.9	156.4
Properties acquired	31.1	_
Properties sold	12.3	28.8
Rent from trading properties	1.3	_
Gross rental income before surrenders, dilapidations and exchange	202.6	185.2
Lease surrenders and dilapidations	4.4	9.3
Gross rental income per accounts	207.0	194.5

On a like-for-like basis, excluding the impact of acquisitions, disposals and developments, gross rental income remained relatively flat compared with 2008.

PORTFOLIO VALUATION

The existing UK investment property portfolio (excluding land and developments, trading properties, joint ventures and the Brixton portfolio) showed a valuation decline of 6.3 per cent across the full year. This compares favourably with the IPD All Property and IPD Industrial quarterly indices declines of 5.6 per cent and 4.5 per cent, respectively.

The performance by half year shows a very marked difference between the two periods. In the first half of 2009, we reported a decline in value of 13.7 per cent whereas the second half showed a 9.8 per cent recovery in capital values. This trend reflects the experience seen elsewhere across the real estate market with the IPD All Property and All Industrial monthly indices reporting a second half recovery in values of 8.7 per cent and 7.1 per cent, respectively. It also reflects the general evidence we are seeing in the market with recent transactions.

Within our investment portfolio, the best performing estates in the second half were Winnersh Triangle (Reading) and Premier Park (Park Royal) with valuation gains of 17.5 per cent and 13.1 per cent, respectively. The valuation gain at Winnersh Triangle reflected 19,500 sq m of long term lettings of office space, while, Premier Park benefited from strong investment demand for the prime end of multi-let industrial estates.

Portfolio Valuation Top 10 Holdings

Location	Lettable space sq m	Passing rent at 31.12.09 £m	Valuation at 31.12.09 £m	Valuation surplus/(deficit) %	Equivalent yield %
Slough Trading Estate, Slough	621,093	67.6	892.8	(5.4)	8.3
Winnersh Triangle, Reading	129,028	10.9	197.4	0.9	8.4
Premier Park, Park Royal	78,475	8.2	127.0	8.2	7.0
Heywood Distribution Park, Manchester	208,438	7.3	100.5	(11.1)	8.9
Trafford Park, Manchester	250,221	6.3	99.4	5.3	10.0
Greenford Park, Greenford	78,568	4.8	96.2	6.3	7.8
North Feltham Trading Estate, Feltham	54,454	5.7	88.4	(6.2)	7.0
Crawley	34,497	5.0	81.2	4.0	7.3
Metropolitan Park, Greenford	71,399	4.9	75.1	5.3	8.0
West Cross Industrial Park, Brentford	46,703	5.5	73.2	7.5	8.0

On the other hand, Treforest (Cardiff) and X2 (Heathrow) underperformed with valuation declines of 7.4 per cent and 5.1 per cent, respectively. The valuation decline at Treforest was reflective of the lagging investment market for secondary assets while, the valuation decline at X2 reflected its void level and a reduction of base.

Overall, industrial yields typically moved out by approximately 75 basis points in the first half of the year whereas they have contracted by 70 basis points in the second half (source: IPD). UK ERVs have typically declined by around 4 per cent across the year.

Within the Brixton portfolio, the investment property values increased by 7.1 per cent since the date of acquisition, broadly in line with the rest of our portfolio and the wider market.

OUTLOOK AND FUTURE POTENTIAL

The occupier market remains challenging throughout the UK and is likely to recover only after we have seen a pick up in the wider UK economy. With significant levels of voids across the wider market, this in turn is likely to keep downward pressure on rents and incentives for some time to come. Staying close to our customers and maintaining retention levels, therefore, remains a priority. We expect new letting enquiries to remain depressed during 2010, but we also expect to maintain our high conversion rates by remaining both flexible and competitive on lease terms. As and when markets recover, our UK portfolio offers substantial upside potential.

We expect the investment market to remain active, at least through the first half of the year, but weakness in the occupier market may affect asset values further out, where the differential between fully-let prime stock and assets with vacancies may provide opportunities for selective investment. We remain well-placed to take advantage of investment opportunities and will continue to be selective about their quality and location.

The greatest near-term opportunity is from letting up vacant space, particularly within the Brixton portfolio. The current level of vacancy within the UK portfolio represents a potential £44 million per annum of additional rent and whilst it is not realistic to expect all of this space to become occupied, there is an added incentive of avoiding empty property costs.

In addition, our 130 hectares of UK land bank offers both design-and-build and speculative development opportunities. The pre-let market is showing signs of renewed activity after a slow 2009 and we are well-positioned to provide solutions to office and industrial markets.

CONTINENTAL EUROPE

Our Continental European business operates in 9 countries and Whilst we provide a wide variety of different building types to comprises approximately 2.1 million sq m of investment properties, approximately 320 customers, over 50 per cent of our portfolio comprises of logistics warehouses. with a year end valuation of £1.3 billion and a cash passing rent roll of £94 million as at 31 December 2009. In addition we have In 2009 we further streamlined and simplified our organisation approximately 400 hectares of development land with a value of in Continental Europe into three strategic business units centred £175 million, £312 million of trading properties and assets held within joint ventures of approximately £40 million (Group's share around our three largest countries of France, Germany and Poland. of the underlying assets). 60 per cent of the Continental Europe portfolio is concentrated in our 10 largest estates. The majority of our properties are located in the principal economic and business centres across Europe or concentrated around important logistics hubs such as major ports, international airports and key strategic motorway intersections. VARSAW POZNAÑ AMSTERDAM BERLIN BREQUETLAAN LÓDZ DORTMUND ROTTERDAM DÜSSELDORF KATOWICE OSTRAVA PRAGUE NÜREMBERG Portfolio value PARIS BUDAPEST £1.8 billion MUNICH Cash passing rent* MILAN £94 million MARSEILLES Lettable space* (sq m) 2.6 million BARCELONA MADRID **Development land* (hectares)** VAI FNCIA No of customers* *Excluding joint ventures

Total portfolio

£1,787m



- Investment properties 71%
- Land and development 10%
- Trading properties 17%
- Group share of joint venture assets 2%

Investment properties

£1,259m



- Logistics warehousing 52%
- Industrial 34%
- Office 12%
- Retail 2%

Customer type

Over 320 customers



(Passing rent by customer industry)

- Agriculture and food 1%
- Automotive 3%
- Building and construction 1%
- Chemicals and commodities 3%
- Engineering and electrical 13%Information technology 12%
- Retail 25%
- Textiles and clothing 1%
- Timber, paper and printing 6%
- Transport 27%
- Utilities, services and other 7%
- Other 1%

Location split

3 business units



- Southern Europe (France, Spain, Italy) 35%
- Northern Europe (Belgium, Germany, The Netherlands) 48%
- Central Europe
- (Czech Republic, Hungary, Poland) 17%

Top 10 Customers

Customer	Location	Rental pa £m
Neckermann.de	Germany	13.5
Deutsch Poste	Belgium, France and the Netherlands	11.1
Antalis	Belgium, France, Italy, Spain and Germany	6.9
Alcatel – Lucent	Italy	6.4
Krauss – Maffei GmbH (MPM)	Germany	6.2

Customer	Location	Rental pa £m
Karstadt Quelle	Germany	6.0
Cisco Systems	Belgium	4.4
Conforama	France	1.8
STACI	France	1.7
Corning Cable Systems Polska	Poland	1.6

MARKET REVIEW

Investment market conditions deteriorated rapidly in the first half of the year as the wider global economic crisis saw investors desert the property sector. This led to a dearth of transactions in the market and rapid falls in asset prices. Whilst confidence began to return to the UK market in the second quarter of the year, aided by the weakness of sterling, it was later in the year before the Continental European investment market showed any pick up in activity, with most of the Euro zone economies starting to pull out of recession by the third quarter, a number of investors returned to the property market, although transaction volumes have remained low and have been focused mainly around prime assets with long term secure income.

The economic conditions in Europe resulted in occupier markets weakening over the course of 2009 as companies saw trade volumes fall, put expansion plans on hold and cut costs where possible. We anticipate the occupier market will remain challenging for some time as companies manage their cost base more carefully and, with the uncertainty that still persists for many corporates, postpone their future growth plans.

We expect the existing overhang of available space in the market will be gradually absorbed over the course of the next 12-24 months. This will lead to a more limited supply of new and high quality stock, as a result of the dearth in speculative development over the last few years, and will enable rental values to recover to more healthy levels for buildings which are sustainable, well located and flexible.

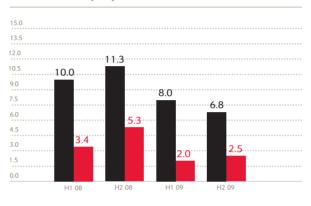
Good leasing levels in a difficult occupier market

GOOD OPERATING PERFORMANCE

We delivered £14.8 million of annualised new rental income in 2009, from the letting up of 306,000 sq m, compared to £21.3 million of annualised new rental income in 2008 from letting up of 343,000 sq m. Of this 2009 letting total, £8.5 million was generated from new developments, whilst £6.3 million was delivered from re-letting of existing space. The corresponding amounts for 2008 were £16.0 million and £5.3 million, respectively, with much greater volumes of development activity being the key difference between the two years. After taking account of space returned of £4.5 million (2008: £8.7 million), Continental Europe's annualised rent roll increased by £10.3 million, compared with a net increase of £12.6

We were pleased with our second independent customer survey in Continental Europe which revealed an increase in our customer satisfaction performance from 66 per cent to 68 per cent, reflecting our efforts to work more closely with our customers and deliver even better value for money.

Annualised rental income from lettings less takebacks (£m)



- Lettings
- Takebacks

With the downturn in occupier markets, completing leasing transactions requires more effort and time from initial interest to signature than previous years, although we did see a noticeable improvement in both enquiries and viewings in the second half of the year.

million in 2008.



Major lettings in 2009

Customer	Dates	Building type	Location	Rent pa £m	Sq m
Athletic International	Jan and April 09	Logistics	Nadarzyn, Poland	0.9	24,486
SAP	Dec 09	Industrial	Vimercate, Italy	0.8	6,019
Plastic Omnium	May 09	Logistics	Gliwice, Poland	0.7	14,300
Getronics	Dec 09	Office	Pegasus Park, Belgium	0.6	5,680
STACI	April 09	Logistics	Marly La Ville, France	0.5	10,129

Letting highlights included the delivery of several pre-let developments, which in total represented 36 per cent of our total letting activity in the year. These included 14,300 sq m to Plastic Omnium, in Gliwice, Poland 24,500 sq m to Athletic International in Warsaw, and we also completed a 11,000 sq m office development in Milan, of which 6,000 sq m was pre-let to SAP.

We also achieved significant lettings within our existing portfolio, including 21,000 sq m of recently completed warehousing at our logistics campus, Central Space,

in Marly La Ville to the north of Paris to the logistics company STACI and bathroom fittings supplier, Aurlane, in two separate transactions generating a combined annualised rent of £0.9 million. At our Krefelder Logistics campus near Dusseldorf airport in Germany we let 10,200 sq m to Interseroh Pool System and a further 11,000 sq m to Oettinger Brauerei GmbH, generating a total of £0.9 million annualised rental income.

Rental values showing some declines in line with occupier market conditions

In Continental Europe, the impact of the recession has varied by country with rental value movements ranging from falls of 5 per cent to 10 per cent overall for larger warehousing and logistics buildings, whereas rents for smaller light industrial units have remained flat or only suffered small declines due to limited supply.

In France we saw rental falls of between 5 per cent and 10 per cent for logistic warehousing around Paris and of 5-6 per cent around Lyon where there is typically a six month lag in price movements compared to Paris. In Germany there were regional variations with Düsseldorf and Hamburg suffering declines of 5 per cent to 10 per cent in the rentals achieved for logistics space whereas Berlin experienced rental falls of up to 15 per cent. In both France and Germany rents for light industrial units held up well, with no significant rental decline.

In Poland, pockets of oversupply and last year's fall in currencies have added to downward pressure on headline rental values (which are commonly set in euros). Logistics assets have experienced falls in rental value of approximately 5 per cent, although in certain areas of excess supply such as Poznan, this was as much as 10 per cent. However, in the Czech Republic rents have been relatively resilient and we have only seen declines of 2 per cent to 3 per cent in the Prague area.

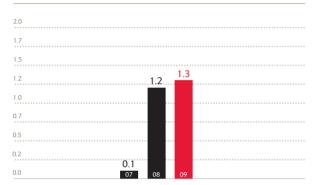
In Belgium and The Netherlands, the logistics market also continued to resist the economic downturn quite well due to the limited availability of good quality and well located logistics stock and we saw rental falls of 2 per cent to 4 per cent in The Netherlands and 4 per cent to 5 per cent in Belgium. In comparison, the light industrial market in Belgium suffered a rental decline of around 7 per cent in the latter half of the year, and the office market has seen quite steep falls due to a large oversupply. At Pegasus Park in Brussels we experienced falls in rental levels of as much as 17 per cent from 2008 although we believe that rents for good quality office accommodation have now reached a trough.



Insolvencies lower than expected

We have over 320 customers in our portfolio, operating across a number of sectors. When a customer is likely to experience financial stress, our commercial teams work closely with that customer to provide pragmatic solutions. We lost 11 customers (2008: 6 customers) from insolvency during 2009, representing annualised income of £1.6 million in line with 2008. This equates to 1.3 per cent of the total annualised rental income, compared to 1.2 per cent in 2008. Of the space returned to us through insolvency, 95 per cent has already been re-let. We continue to monitor closely the financial health of our entire customer base and react quickly where payment difficulties become apparent.

Annualised rental income relating to insolvencies as % of headline annualised rental income¹



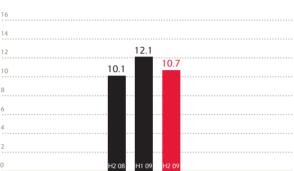
1 Passing rent at 31 December 2009 including value of rent frees

In addition to the space already taken back due to insolvency, there was currently one insolvent customer still in occupation on 31 December 2009, Karstadt/Quelle (part of the Arcandor Group which went into administration in June 2009) which in total represents £6.0 million of annualised rental income. Quelle went into liquidation in October 2009, whilst Karstadt is consolidating its operations and property space. As a result, 164,000 sq m occupied by Karstadt/Quelle across 7 properties will be returned between January and March 2010, representing £5.1 million of annualised rental income at risk. Of this total space, 15 per cent will be immediately re-let to the current sub-tenant, whilst we are already seeing market interest in the remaining stock. The majority of the Arcandor properties are well located, with good prospects for re-letting.

Vacancy levels have fallen since mid year

At year end our vacancy rate by rental value was 10.7 per cent compared to 12.1 per cent at 30 June 2009 and 10.1 per cent at the end of 2008. The increased vacancy in the first half of the year reflected a number of development completions whilst the reduction in the vacancy rate since June, reflects lettings progress particularly in Belgium, Czech Republic, France and Poland. As at year end, the vacancy rate ranged from 16.2 per cent in Belgium to 5.6 per cent in Germany although we expect the latter to increase in 2010 due to anticipated takebacks of Karstadt/ Quelle properties. As discussed further above the reduction of vacancy levels will be an ongoing priority in 2010.

Vacancy rate by rental income (%)



BUYING SMART, ADDING VALUE AND SELLING WELL

Despite the extraordinary market conditions, we have continued to successfully operate with our business model of 'buying smart, adding value and selling well'.

Buying Smart

Although we have continued to monitor potential opportunities during the year, we have not felt the time has been right for acquiring further investments in Continental Europe. We did however, make two small but strategically important land acquisitions in Germany. Firstly we acquired 34 hectares at the new BBI Berlin Schoenefeld airport for £32.0 million, with the capacity to build 160,000 sq m of business and logistics space at what will be Germany's principal airport from 2013. The second land acquisition was a 9 hectare site close to Düsseldorf city centre for £17.7 million, with the capacity to build up to 47,000 sq m of flexible business space.

Adding Value

Adding value to our properties comes from asset management and selective development.

In 2009 we took advantage of the volatile market conditions to re-gear many of our leases, particularly on our larger holdings. For example, at Poznan in Poland, we restructured and extended a lease on a 23,527 sq m logistics warehouse due to expire in September 2015 by a further 6 years, also achieving a rental increase of 3.2 per cent on annualised income of £1.1 million. At Strykow, in Central Poland, we restructured and extended a lease on a 10,000 sq m logistics warehouse due to expire in March 2011 by a further 3 years, achieving a rental increase of 1.5 per cent effective from 2010.

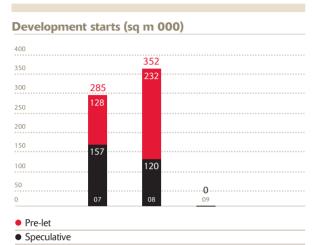
Development completions				
	Space completed	Let space	Estimated rental	Contracted
Project	sqm	sqm	value £m	income £m
Belgium – Kontich ¹	13,858	13,858		
Czech Republic – Ostrava B	6,990	5,710	0.3	0.2
Czech Republic – Ostrava C	3,974	2,207	0.2	0.1
Czech Republic – Hostivice B	50	50	_	_
Czech Republic – Hostivice C	13,460	13,058	0.7	0.7
France – Gonesse Aeropark Phase 1	20,081	3,321	1.5	0.2
Germany – Aachen II Phase 1	2,264	2,264	0.5	0.2
Germany – Aachen II Phase 2	3,386	_	0.3	_
Germany – Frankfurt Am Martinszehnten II Phase 2	6,015	1,673	0.5	0.2
Germany – Wilich II	3,172	_	0.2	_
Italy – Energy Park Vimercate bld B3	10,936	6,019	1.4	0.8
Netherlands – Rijnlanderweg 766 Phase 1A	6,257	6,257	0.5	0.5
Netherlands – Rijnlanderweg 766 Phase 1B	3,181	3,181	0.3	0.3
Netherlands – Rijnlanderweg 766 Phase 2	9,646	4,999	1.0	0.4
Poland – Komorniki Poznan bld E	14,746	9,821	0.5	0.4
Poland – Silesia Gliwice – DC 04	41,916	16,668	1.6	0.5
Poland – Silesia Gliwice – DC 05	14,300	14,300	0.7	0.7
Poland – Warsaw – Nadarzyn – DC 1	50,335	40,349	1.9	1.5
Spain – Velilla, Madrid	4,431	4,431	0.2	0.2
	228,998	148,166	12.3	6.9
		65%		56%

¹ Sold following development completion

In both cases, we achieved these significantly improved leasing terms through the granting of rent free periods of up to 4 months phased over the new lease terms. By working closely with our existing customers in this way we have been able to secure rental income for longer periods and maintain the underlying value of the assets whilst compensating occupiers for their loyalty with incentives during the market downturn.

We have also listened to new and potential customers about their needs and priorities and have adapted our products accordingly. Many occupiers are focused on reducing costs and, at the Energy Park in Vimercate, Milan, we have managed to achieve this with SAP. We have developed a new building which costs 37 per cent less to heat and cool than a standard building through a combination of using better insulation materials, new technology in ground source heating and quality design.

In terms of development, we took steps to cut our exposure to speculative development risk, in response to the weaker market conditions. Our development activity in 2009 was driven by the completion of developments started in 2008, with no new projects started in 2009. Development completions included 56,000 sq m in Gliwice, 50,000 sq m in Warsaw, and 14,000 sq m in Kontich, Belgium, all of which comprised logistics warehousing. The Kontich development was subsequently sold, fully let, following development completion. In addition 19,000 sq m of industrial space was completed near Schiphol Airport in De Hook Noord, The Netherlands, of which 75 per cent was let by year end.



Our total development completions during the year amounted to 229,000 sq m of which 56 per cent (by net rental income) were either let or sold by 31 December 2009, compared with 317,000 sq m of development completions in 2008. The largest completion was the Nadarzyn development in Poland which was 79 per cent (by net rental income) let by year end.

There were no assets in the course of construction at year end.

Selling Well

In 2009 we saw a gradual improvement in the investment markets which started to gather momentum in the second half of the year. As a result of these improved conditions we disposed of £78 million of stabilised or non core investment assets, at an average net initial yield of 6.7 per cent and an average discount of 4.8 per cent to their valuation at 31 December 2008. In addition, we disposed of £8 million of land, £5 million of trading assets, and £1 million of JV assets (Group share).

The largest disposals are set out in the table below:

Asset	Month of disposal	Net disposal proceeds £m	Net initial yield %	Valuation (deficit)/ surplus %
Nanterre – France	Feb 09	20.4	6.8	(0.2)
Kontich – Belgium	June 09	7.5	6.2	7.1
E&Y building Pegasus Park – Belgium	Sept 09	31.2	6.7	(10.3)
Frankfurt – Germany	Sept 09	10.8	8.2	(10.7)
Bonneuil sur Marne – France	Oct 09	6.5	6.6	3.5

In France we disposed of an office building in Nanterre, Paris for £20.4 million, representing a net initial yield of 6.8 per cent and an industrial building in Bonneuil to the east of Paris leased to DHL, to a neighbouring owner for £6.5 million at an initial yield of 6.6 per cent. In Belgium we sold the recently completed office building on Pegasus Park to German Fund GLL for £31.2 million, representing an initial yield of 6.7 per cent, and also a recently completed logistics building in Kontich to KBC for £7.5 million, at a net initial yield of 6.2 per cent.

In Germany we achieved sale proceeds of £10.8 million, for a recently completed light industrial park at Silostrasse in Frankfurt representing an initial yield of 8.2 per cent to a private investor. We also exited our non core market of Portugal, with the sale of a property bought as part of the Antalis portfolio, which was sold to a private investor for just over £1.0 million.

FINANCIAL PERFORMANCE

Gross rental income from the Continental European portfolio grew by 19.4 per cent in 2009 to £121 million (2008: £102 million) mainly as a result of new lettings of existing space, new development lettings, the full year impact of German acquisitions from 2008 and exchange movements. Excluding exchange movements, the year-on-year growth would have been 6.2 per cent.

On a like-for-like basis, excluding the impact of foreign exchange, acquisitions, disposals and developments, gross rental income remained flat compared with 2008.

Like-for-like rental incom	е	
	2009 £m	2008 £m
Completed properties owned throughout 2008		
and 2009	76.3	77.0
Development lettings	11.1	3.5
Gross rental income pre acquisitions/disposals	87.4	80.5
Properties acquired	9.9	7.4
Properties sold	3.3	7.1
Rent from trading properties	20.8	18.0
Gross rental income before surrenders, dilapidations and exchange	121.4	113.0
Lease surrenders and dilapidations	_	1.3
Exchange movements	_	(12.7)
Gross rental income per accounts	121.4	101.6
accounts	121.4	101.0

PORTFOLIO VALUATION

Top 10 Holdings					
	Lettable	Passing rent at 31.12.09	Valuation at	Valuation	Equivalent
Location	space sqm	31.12.09 £m	31.12.09 £m	(deficit)/surplus %	yield %
Pegasus Park, Belgium	81,643	10.8	151.6	(9.3)	6.6
Frankfurt, Hanauer Landstrasse, Germany	268,049	10.8	125.6	(11.8)	8.5
Vimercate – Italy	58,999	6.2	93.8	(4.0)	7.1
München, Krauss-Maffei-Str, Germany	154,137	4.9	65.7	(3.4)	6.8
Strykow, Poland	163,097	4.4	63.1	(15.3)	8.7
Marly La Ville, Paris, France	119,150	4.1	58.2	(18.7)	8.7
Gliwice, Poland	114,245	2.7	49.0	(9.3)	9.0
Poznan, Komorniki, Poland	112,530	4.0	48.3	(14.2)	8.9
Blanc Mesnil, Paris, France	37,847	3.5	44.4	4.2	7.7
Hostivice, Czech Republic	70,893	3.0	34.9	(17.7)	9.7

PORTFOLIO VALUATION

Continental Europe has experienced less dramatic valuation falls since mid 2007 than those seen in the UK. During 2009, the Continental European portfolio of investment properties (excluding assets in the course of construction, land, trading properties and Group share of assets held within joint ventures) showed a valuation decline of 9.9 per cent across the full year, comprising a deficit of 7.2 per cent in the first half and a more modest 3.1 per cent deficit in the second half with some early signs of yield stabilisation. Land valuation also fell in value by 16.2 per cent.

During the year, we have seen investment yields soften to varying degrees across Continental Europe. Ranging from 52 basis points in Germany to 90 basis points in France and Poland and 161 basis points in Czech Republic. Our Western European portfolio of investment properties had valuation deficit ranging from 8.6 per cent in the Netherlands to 15.4 per cent in Spain. In Belgium the valuation deficit was 9.7 per cent, whilst in France and Germany, they were 10.3 per cent and 9.6 per cent, respectively. In Central Europe deficits ranged from 11.3 per cent in Poland to 17.7 per cent in Czech Republic.

OUTLOOK AND FUTURE POTENTIAL

We expect the vacancy rate to increase in the near term due to the takeback of space from Karstadt – Quelle in Germany. Reducing the vacancy rate will be the key priority in the coming year. Longer term, as market conditions become more conducive we have the opportunity to develop out our land bank across Europe which totals 400 hectares and has the potential to deliver over 1.5 million sq m of new space equivalent to rental

income of some £108 million when fully built and let. We have already started to see renewed demand for pre-let product from third party logistics suppliers and retailers, many of whom are existing customers, in response to a growing trend by major manufacturers and corporates to outsource more of their supply chain. Much of our land bank is already zoned and has major infrastructure in place, which will enable us to respond quickly to demand for new space requirements.

We are beginning to consider limited speculative development of light industrial accommodation in our core markets of Paris and Düsseldorf, where low levels of quality supply exists and occupier activity is starting to strengthen. As 2010 progresses, we will keep our plans under review and if we still consider conditions to be favourable, we will commence construction to deliver new product in the early part of 2011.

We also expect to explore opportunities to enhance our market position through the acquisition of attractive assets or portfolios that become available. To ensure we have available capital for such opportunities, we will continue our active recycling philosophy ('sell well').

Meanwhile, we will remain vigilant to further tenant insolvencies, particularly amongst the top 10 customers where there is a concentration of risk.

In what have been some of the most challenging market conditions experienced for many years, our simple but straightforward policy of staying close to customers, managing costs carefully and limiting exposure to development risk have protected our Continental European business and we are now well positioned for growth as markets recover.

SUSTAINABILITY = VALUE

Sustainability is fundamental to the way in which we do business. For SEGRO, it is about managing and balancing environmental, social and economic issues to add value to our business and reduce costs, so that SEGRO continues to be attractive to existing and prospective customers, employees and investors.

HIGHLIGHTS 2009

240 tonnes of carbon saved

310,000 kWh of clean power were generated by photovoltaic panels on our properties, saving 240 tonnes of carbon.

20,000 sq m green roof

Our new green roof at De Hoek Business Park in Amsterdam will reduce flood risk, improve insulation and encourage biodiversity.

24,000 tonnes recycled

We reused or recycled 96 per cent of development waste, diverting more than 24,000 tonnes from landfill.

£1.1 million

SEGRO invested more than £1.1 million in charities and in local communities where we have a presence.

Safety award

SEGRO won a British Safety Council International Safety Award.

81% customer satisfaction

81 per cent of our Continental European customers rated SEGRO's performance as 'good' or 'excellent', an increase from 72 per cent in 2008.

Sustainability Framework

We applied our new Sustainability Framework to all our major development and refurbishment projects.

Sustainability award

SEGRO became one of the first developers to be awarded Haute Qualité Environnementale for a logistics asset.

www.SEGRO.com/sustainability09

OUR STRATEGY

As part of our business plan, last year we developed a five-year sustainability strategy which focuses on opportunities to add value and reduce costs across six key areas:

- Resource efficiency: To use energy, water and materials responsibly, reducing, reusing and recycling.
- Regeneration: To make a positive contribution to communities where SEGRO has a presence.
- Safety: To maintain an excellent health and safety record by implementing robust management controls and careful auditing procedures.
- Accessibility: To ensure our properties are accessible by more than one mode of transport.
- Stakeholders: To listen to our stakeholders and respond to their feedback to meet their needs.
- Flexibility: To construct buildings that can be used by at least two kinds of occupier without significant structural alteration.

Our strategy was informed by an independent survey of our customers, discussions with our employees and major stakeholders, consultation with experts and a review of our Sustainability Framework carried out by consultants. Our Head of Sustainability, Claudine Blamey, continues to update the Board on sustainability regularly, reviewing performance and exploring material issues.

OUR TARGETS

We report against our sustainability targets annually. These comprise five-year targets for resource efficiency, regeneration and accessibility, as well as annual targets for safety, customer satisfaction and human resources employees. By 2014, we aim to:

- Construct buildings with 30 per cent better energy efficiency than base-build.
- Construct buildings with 20 per cent better water efficiency than base-build.
- Reduce water use by 20 per cent.
- Improve energy efficiency by 30 per cent.
- Reduce construction and demolition waste to landfill by 70 per cent.
- · Invest in all communities where we have a major presence.
- · Implement Green Travel Plans where we have a major presence.
- · Engage with customers to improve sustainability.



RESOURCE EFFICIENCY

This year, we became one of the first developers to introduce Green Leases for industrial buildings in Europe. We are also working with a number of our existing occupiers on Green Memoranda of Understanding as part of our efforts to save precious natural resources and reduce costs for our occupiers. For more detail on our performance data and progress against targets, please visit www.SEGRO.com/sustainability09

In 2009, our developments were forecast to achieve 36 per cent better energy efficiency on average than current standards, exceeding our target. We achieved savings by specifying energy-efficient design features and renewable energy sources such as ground-source heating and cooling at Winnersh Triangle near Reading and Energy Park Vimercate near Milan. This will cut costs for our occupiers and protect capital value, as well as being good for the environment.

Our new developments are set to use 14 per cent less mains water on average than standard offices, thanks to the installation of water-saving design features such as dual-flush toilets and low-flow taps, as well as rainwater-harvesting schemes. At Marly La Ville, La Courneuve and Gonesse near Paris, new rainwater-harvesting systems reduced water use by more than 10 per cent.

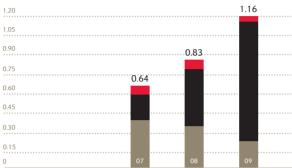
We continue to improve energy efficiency by replacing traditional lightbulbs with energy-efficient alternatives, improving building insulation, and installing motion and daylight sensors. From 2013, SEGRO will be required to start purchasing carbon credits to offset emissions from energy use, through the CRC Energy Efficiency Scheme. We are working with our sustainability consultants to analyse and understand energy use across our portfolio during 2009, and will be reporting data during 2010.

In 2009, we recovered more than 24,000 tonnes of development waste in the UK and Continental Europe. We also recycled 334 tonnes from minor works at our properties.

SUSTAINABILITY = VALUE

- Lean energy use = lower energy costs
- Lean water use = lower water costs
- Lean materials use = less waste





- Cash
- Property and premises
- Employee time

REGENERATION

In 2009, we actively supported a number of local communities where we have a major presence, including Birmingham, Heathrow, Manchester, Portsmouth and Slough.

At the end of 2009, our employees chose ActionAid as our Charity of the Year for 2010 and will carry out a range of fundraising events to support India's street children. We will match funds up to £50,000 for this deserving cause.

We donated £199,984 to registered charities in the UK, as well as providing them with use of space valued at £921,753. We made no political donations during the year, in line with our policy not to contribute to political parties.

In October 2009, SEGRO was given the go-ahead for the first phase of plans to regenerate the Slough Trading Estate. Of local people surveyed, 94 per cent stated that they supported our 20-year Masterplan, which is expected to create more than 4,000 new jobs and will contribute £100 million to the local economy each year. We are also developing a skills, training and recruitment facility to help local people to benefit from these jobs.



The SEGRO Young Artists Programme entered its second year in 2009, with the number of schools involved rising from five to ten. Students and teachers benefited from the experience of working with a professional artist as they prepared artworks on a 'world of work' theme. These were then exhibited at the RSA in London.

SUSTAINABILITY = VALUE

- Local investment = protect local capital value
- Local training = fewer skills gaps for occupiers

SAFETY

We take our commitment to health and safety very seriously. We review our policies, procedures and standards on a regular basis to ensure that our properties and developments offer a safe environment for our employees, customers and suppliers, as well as for other visitors. In 2009, our high standards in managing health and safety risks were recognised with a British Safety Council International Safety Award.

During the year, we expanded our Health and Safety Management System to include Continental Europe. This system has been designed to be accredited to ISO 18001 standards, and was audited by our health and safety advisers, with any minor issues addressed in an action plan. We also completed the rollout of our internet-based training programme, extending it to employees in Continental Europe and to all new employees.

In 2009, we visited our health and safety advisers in all those countries in which we operate, to identify opportunities to raise performance for the people who work at our properties and developments. We also continued to work closely with our suppliers during development and refurbishment, as these represent the greatest risk area of our business operations. Suppliers providing high risk services are only admitted to our approved supplier list if they meet our high health and safety standards.

We continue to measure work-related fatalities, reportable incidents and instances of non-compliance with health and safety legislation in accordance with local regulations.

Total incidents for SEGRO employees

	2007 (UK only)	2008 (Group-wide)	(Group-wide)
RIDDOR*	1	1	2
Non-RIDDOR	10	7	5
TOTAL	11	8	7

^{*} RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations)

UK Accident Incident Rate¹

	2007	2008	2009
Employees	455	455	952
Construction sites	2,500	1,102	280

[†] Accident Incident Rate = Number of reportable incidents per year x 100,000

Average number of employees / personnel on-site

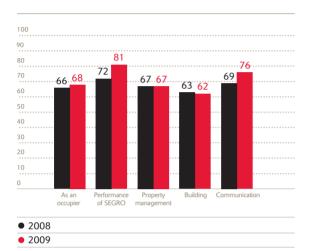
ACCESSIBILITY

In 2009, a number of our major properties and developments implemented Green Travel Plans including Heywood Distribution Park near Manchester, Slough Trading Estate and Winnersh Triangle near Reading. As part of our redevelopment of the Slough Trading Estate, we will be introducing a new transport hub, a dedicated Transport Manager and incentives to encourage cycling and car sharing. Proposed initiatives include additional bus services around the Estate, and to local stations and residential areas, as well as new pedestrian routes and enhanced cycle networks.

SUSTAINABILITY = VALUE

- Accessible properties = lettable properties
- Safe workplace = safe workforce

Continental European customers rating 'good' or 'excellent' (%)*



* There will be a further independent survey of our Continental European customers in 2011.

STAKEHOLDERS

Customers

We are pleased to report that our second independent customer survey in Continental Europe revealed an increase in satisfaction. This reflects our efforts to raise property management standards, work more closely with our customers and improve consistency between countries. We have also delivered service charge savings of more than 6 per cent on average, by renegotiating contracts with our suppliers. We will continue our efforts to understand – and meet – our customers' needs.

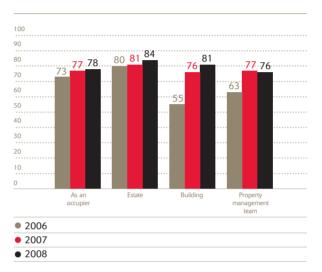
In the UK, we were ranked in the top quartile of the RealService Best Practice Index, for the third consecutive year. We introduced a specific role in each business unit focused on driving even better service charge value for our customers. We also appointed new Operations Managers to provide customers with a single point of contact for their day-to-day requirements.

We engaged with more than 50 customers on sustainability during the year, hosting workshops and discussion groups, as well as carrying out sustainability audits at a number of our properties.

Investors

We continue our efforts to maintain the highest standards in investor relations, encouraging open dialogue and building long term relationships to meet investors' needs. In 2009, we held more than 130 sessions with investors, attending road shows and conferences in the UK, Continental Europe and the USA.

UK customers rating 'good' or 'excellent' (%)†



[†]There will be a further independent survey of our UK customers in 2010.

Employees

We are committed to equality of opportunity in all of our employment practices. We welcome applications for employment by people with disabilities, considering each applicant on the basis of their merit and ability to carry out the function required. If an employee became disabled, we would make every effort to ensure that their employment with us continued, arranging appropriate adaptation and training. Promotion and training opportunities for people with disabilities are consistent with our Group-wide policy on equal employment opportunities, diversity and inclusiveness.

We keep employees informed about issues affecting their employment and our performance by regular email and monthly briefings from the Chief Executive and other Executive Directors. We believe that open employee-manager discussions on performance develop both employee potential and business results.

Employees are encouraged to participate in training courses to further their own development. In 2009, we provided our employees with 3,410 training hours, equivalent to more than one day per person. We also carried out a six-month Ecoficiency campaign to encourage our people to think and act sustainably.

Periodically, we conduct employee surveys to measure employee engagement and identify areas which may need improvement. There will be an employee engagement survey in 2010.

Employees can participate in our success through our all-employee share schemes and Group-wide employee bonus plan.



EXECUTIVE DIRECTORS

1. Nigel Rich CBE

Chairman (Aged 64)

Chairman of the Nomination Committee Appointed a Non-Executive Director on 1 July 2006 and became Chairman on 1 October 2006. He is chairman of Xchanging Ltd, a non-executive director of Bank of the Philippine Islands (Europe) plc, Matheson & Co Ltd, Pacific Assets Trust and Castle Asia Alternative PCC Ltd. He was previously chairman of Exel PLC, CP Ships and Hamptons Group Ltd and in his career he was managing director of Hongkong Land and then Jardine Matheson. He is a fellow of the Institute of Chartered Accountants in England and Wales.

2. Ian Coull

Chief Executive (Aged 59)

Member of the Nomination Committee Appointed Chief Executive on 1 January 2003. He is also on the London regional board of Royal & SunAlliance and chairs the British Property Federation's (BPF) REITs task force, having been president of the BPF from June 2005 until July 2006. He is also a board member of European Public Real Estate Association and a director of London Scottish International Ltd. Prior to joining SEGRO he was a director at J Sainsbury plc and held board and senior management positions at Ladbrokes, Texas Homecare and Cavenham Foods. He is a fellow of the Royal Institution of Chartered Surveyors.

3. David Sleath

Finance Director (Aged 48)

Appointed as Finance Director on 1 January 2006. Previously, he was finance director of Wagon plc, the international automotive engineering group from 1999 to 2005. From 1982 to 1999 he worked for Arthur Andersen, latterly as a partner and head of audit and assurance for the Midlands. He is a fellow of the Institute of Chartered Accountants in England and Wales and a non-executive director of Bunzl plc.

4. Ian Sutcliffe

Managing Director, UK (Aged 50)

Appointed an Executive Director on 1 July 2008. Previously, he was a director of Taylor Wimpey plc and chief executive of Taylor Wimpey UK and had held a number of senior international roles with Royal Dutch Shell plc, lastly as vice president retail for Shell Oil in the US. He was also retail director of Shell UK.

NON-EXECUTIVE DIRECTORS

5. Lord Blackwell

Senior Independent Non-Executive Director (Aged 57)

Member of the Audit, Nomination and Remuneration Committees

Appointed a Non-Executive Director on 1 April 2001. He is chairman of Interserve plc, senior independent director of Standard Life plc and a non-executive board member of OFCOM. He is also a board member and former chairman of the Centre for Policy Studies. He was previously a partner with McKinsey & Company, head of the Prime Minister's Policy Unit between 1995-97, director of group development at NatWest Group, a non-executive director of The Corporate Services Group plc, chairman of Smartstream Technologies Ltd and a board member of the Office of Fair Trading. He became a Life Peer in 1997.

6. Stephen L Howard

Non-Executive Director (Aged 56)

Chairman of the Remuneration Committee, Member of the Audit Committee

Appointed a Non-Executive Director on 16 May 2001. He holds memberships of the advisory councils of various private and non-profit organisations and is the chief executive of Business in the Community. He was previously non-executive director of Balfour Beatty plc, group chief executive of Cookson Group plc and then Novar plc.

7. Andrew Palmer

Non-Executive Director (Aged 56)

Chairman of the Audit Committee, Member of the Nomination and Remuneration Committees

Appointed a Non-Executive Director on 28 January 2004.

Formerly group finance director of Legal & General Group plc where he had also held a number of financial and operational roles in the asset management, insurance and international businesses. He is a member of the Financial Reporting Review Panel of the Financial Reporting Council. He is a fellow of the Institute of Chartered Accountants in England and Wales.

8. Chris Peacock

Non-Executive Director (Aged 64)

Member of the Nomination and Remuneration Committees

Appointed a Non-Executive Director on 28 January 2004. He is a director of Howard De Walden Estates Limited and a member of the advisory board to The Landon Trust. He was previously president and chief executive officer of Jones Lang LaSalle. He is a fellow of the Royal Institution of Chartered Surveyors.

9. Thom Wernink

Non-Executive Director (Aged 64)

Member of the Audit and Nomination Committees

Appointed a Non-Executive Director on 23 May 2005. He is a non-executive director on a number of property and investment companies based in Continental Europe. He was previously chairman of the European Public Real Estate Association and of Corio NV, a Netherlands-based property company with interests across Europe.

Director changes

Lesley MacDonagh, former Non-Executive Director, resigned from the Board on 31 December 2009.

Inès Reinmann, former Managing Director, Continental Europe, resigned from the Board on 11 January 2010.

MAINTAINING STANDARDS

The Board is committed to maintaining high standards of corporate governance and risk management in decision-making across the Group.

I am pleased to report to you on the activities of the Board and its Committees during 2009. Our report emphasises how the Board is committed to maintaining high standards of corporate governance and risk management in decision-making across the Group. These standards continued to be of fundamental importance especially during the corporate activities that occurred in the past year. Throughout 2009, the Company complied with the provisions of Part 1 of The Combined Code on Corporate Governance 2008 (the Code). It is important for the Board to be cognisant to any corporate governance recommendations including the recent Walker Report and Financial Reporting Council proposals. The Company's application of the principles of the Code is set out in this report and the Remuneration Report on page 68. The report also gives details of this year's Board evaluation process and matters that were considered of relevance to the Board and its principal Committees in 2009.

Nigel Rich CBE, Chairman

THE BOARD, BALANCE AND INDEPENDENCE

Details of the roles and biographies of the Directors who served during the year are shown on pages 60 and 61. At the date of this report, the Board comprises a Non-Executive Chairman, three Executive Directors and five independent Non-Executive Directors who are equally responsible for the proper stewardship and leadership of the Group.

The Board considers it is of appropriate size for the discharge of its duties and that the balance of skills and experience are suitable for the requirements of the business.

Taking into account the provisions of the Code, the Board has determined that each of the Non-Executive Directors is independent. The Chairman was considered independent on appointment.

Procedures have been put in place for managing Directors' conflicts of interest. Directors are required to submit any potential or actual conflicts they may have with the Company to the Board for approval.

Balance of Non-Executive and Executive Directors



- Executive Directors 3
- Non-Executive Chairman 1
- Independent Non-Executive Directors 5

Name	Board ³	Remuneration Committee	Audit Committee	Nomination Committee
Nigel Rich	12	N/A	N/A	3
Lord Blackwell	12	6	4	2
lan Coull	13	N/A	N/A	2
Stephen Howard	11	6	3	N/A
Lesley MacDonagh ¹	9	3	N/A	N/A
Andrew Palmer	11	N/A	4	N/A
Chris Peacock	12	6	N/A	3
Inès Reinmann ²	13	N/A	N/A	N/A
David Sleath	13	N/A	N/A	N/A
lan Sutcliffe	13	N/A	N/A	N/A
Thom Wernink	13	N/A	4	2
Total number of meetings	13	6	4	3

¹ Lesley MacDonagh resigned from the Board on 31 December 2009.

ATTENDANCE AT BOARD MEETINGS AND ROLE OF THE BOARD

All Directors are expected to attend each Board meeting and meetings of Board Committees of which they are members. On the few occasions when a Director is unable to attend, they will be provided with the papers and given an opportunity to discuss their comments with the Chairman prior to the meeting.

Board meetings are held on a regular basis, with additional meetings being arranged when necessary. The Chairman, with the assistance of the Company Secretary, is responsible for ensuring good information flows within the Board. Board papers are generally circulated one week in advance of Board meetings. In addition to the Board meetings, the Directors attend an annual Strategy Day to consider and review Group strategy.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring compliance with Board procedures. Directors have the right to seek independent professional advice at the Company's reasonable expense. The Company maintains directors and officers liability insurance which gives appropriate cover for any legal action brought against its Directors.

Throughout the year, the Chairman met with the Non-Executive Directors to discuss business matters and to consider any concerns they may wish to raise.

BOARD AND COMMITTEE STRUCTURE

The Board is responsible to shareholders for optimising financial returns. It also has a responsibility to the Group's employees, customers and suppliers.

There is a Schedule of Matters Reserved for Decision by the Board which was reviewed during the year. Matters requiring Board approval include:

- group strategy;
- group capital structure;
- · financial reporting including approval of results;
- · internal controls and risk management;
- · corporate governance;
- · major acquisitions and disposals; and
- · major capital investments.

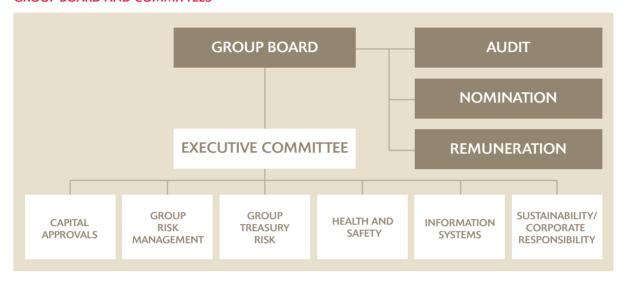
The Board has delegated a number of its responsibilities to the Audit, Remuneration and Nomination Committees, details of which are set out below. The Terms of Reference of these Committees, which are reviewed periodically by the Board, can be found in the investor section at www.SEGRO.com.

The division of responsibilities of the Chairman and Chief Executive are set out in writing and approved by the Board. The Board has appointed a Senior Independent Non-Executive Director who has a defined role and acts as a sounding board to the Chairman. The Chairman is primarily responsible for the leadership and effective working of the Board. He ensures a constructive

² Inès Reinmann resigned from the Board on 11 January 2010.

³ Due to the extent of corporate activity in 2009, there were an unusually high number of Board meetings, many called at short notice.

GROUP BOARD AND COMMITTEES



relationship exists between the Executive and the Non-Executive Directors. Responsibility for all operational matters, including the implementation of Group strategy, is delegated to the Chief Executive, who is supported by the Executive Committee.

The Executive Committee comprises the Executive Directors. It has its own Terms of Reference which are agreed by the Board and meets monthly to develop strategies and policies for recommendation to the Board. The Executive Committee delegates some of its responsibilities to a further six committees:

- Capital Approvals;
- · Group Risk Management;
- · Group Treasury Risk;
- Health and Safety;
- · Information Systems; and
- · Sustainability/Corporate Responsibility.

These Committees have their own separate Terms of Reference, membership and meet regularly.

BOARD PERFORMANCE EVALUATION

An external Board evaluation was conducted in 2008 and the Board proposes to conduct an external review periodically.

During the year, the Chairman with the assistance of the Company Secretary, led a formal review of the effectiveness of the Board and its Committees. Each Director completed a detailed appraisal questionnaire and an analysis of the findings was presented to the Board and the Chairmen of the Committees.

The Senior Independent Director, with the Non-Executive Directors, led a performance evaluation of the Chairman. Likewise, the Chairman with the Non-Executive Directors, conducted a performance evaluation of the Chief Executive. The Chief Executive undertook reviews of the performance of the Executive Directors. His conclusions were presented to the Chairman and the Non-Executive Directors.

The results were positive and action plans were agreed on the few points that were identified. The Board agreed to regularise the process for post-investment reviews, to spend more time with regional management teams, to continue to hold off-site strategy days and to review the succession planning process.

In last year's Board evaluation the following actions were recommended to improve performance including, holding Board meetings at different locations across the Group, site visits for the Non-Executive Directors and for the Chairman to hold private meetings with the Directors. During the year progress was made on each of these actions.

BOARD DEVELOPMENT

Directors are encouraged to continually update their professional skills, capabilities and their knowledge of the business. Internal specialists and external advisers presented to the Board during the year on a wide range of subjects including the outlook for the property market, the economic climate and risk. A Board Strategy Day was held during the year at which the Directors received presentations from the Company's financial advisors and economic analysts and considered the Company's long term strategy. One Board meeting was held in Paris which was followed by a meeting with the French management team and a tour of the local property portfolio. The Board also visited sites around West London to view the recently acquired Brixton portfolio. In the forthcoming year further site visits are planned.

RE-ELECTION

In accordance with the Articles of Association, one-third (rounded down) of the Directors are required to retire by rotation at each Annual General Meeting (the AGM) together with the Directors appointed by the Board since the last AGM.

The Directors retiring by rotation at the 2010 AGM and offering themselves for re-election are lan Coull, David Sleath and Thom Wernink. The Nomination Committee has confirmed that the Directors subject to re-election continue to perform effectively and demonstrate commitment to their respective roles.

The appointment and replacement of the Directors is subject to shareholder approval at the AGM and is in accordance with the Code, the Companies Acts and other prevailing legislation as well as the Company's Articles of Association.

THE REMUNERATION COMMITTEE

The composition of the Remuneration Committee, its activities during 2009 and the way it applied the principles of the Code are described in the Remuneration Report on pages 68 to 77.

NOMINATION COMMITTEE

The Nomination Committee is chaired by Nigel Rich. The other members of the Nomination Committee are Lord Blackwell, Ian Coull, Chris Peacock and Thom Wernink. In January 2010, Andrew Palmer was appointed a member of the Nomination Committee.

The Nomination Committee has responsibility for making recommendations for new appointments to the Board and for ensuring that the process is formal, rigorous and transparent.

During the year, the Nomination Committee reviewed the composition of the Board and succession planning for the senior executives. It concluded that the Board comprises the appropriate mix of skills and experience for running the Group.

In 2010, both Norman Blackwell and Stephen Howard will have served 9 years as Non-Executive Directors and will retire at the AGM. Although the Board still considers both of them to be independent, it was deemed appropriate to undertake a search process. Following a competitive tender, Egon Zehnder was appointed by the Nomination Committee to undertake this.

The Nomination Committee has considered both the skills and capabilities necessary for the new roles and the future roles of the existing Non-Executive Directors. It was decided that Andrew Palmer would succeed Norman Blackwell as Senior Independent Director and Chris Peacock would replace Stephen Howard as Chairman of the Remuneration Committee, once successors have been appointed. The selection process is advanced and it is expected that the appointments will be confirmed shortly. The Committee has concluded that it will not replace Lesley MacDonagh, who retired at the end of the year.

RISK MANAGEMENT

The Board has overall responsibility for Group risk management. It regularly reviews significant risks and actions being taken to mitigate them. The Board has delegated responsibility for the assurance of the risk management process and the review of controls over key risks to the Audit Committee.

The Group Risk Management Committee oversees management of risk and implements the Group risk management policy. The Group Risk Management Committee is chaired by Ian Coull and attended by the Executive Directors and senior managers who have functional responsibility for managing risk. The Group Risk Management Committee reports to the Audit Committee on the processes utilised for monitoring risks and to the Board on the most significant risks and actions being taken to mitigate them.

CORPORATE GOVERNANCE CONTINUED

Risks and opportunities associated with the country, region and overall Group business objectives are reviewed twice a year. This review begins with an assessment of over 60 risk factors. Within each area of the business, the risks are considered in terms of impact and likelihood, taking into account the unmitigated risk (assuming controls fail) and residual risk (with controls operating normally). Identifying these two risk measures allows the Group Risk Management Committee to monitor the most important controls and prioritise risk management activities.

The most significant risks are detailed in a Risk Register with identified managers assigned to develop action plans intended to manage or mitigate individual risks to an agreed position.

Between the six-monthly reviews, new and emerging risks are considered at the Group Risk Management Committee quarterly meetings. In addition, the Executive Committee regularly reviews emerging risks and considers actions to mitigate them as they arise.

The principal risks and uncertainties facing the Group are set out on pages 34 to 37.

INTERNAL CONTROL AND INTERNAL AUDIT

The Audit Committee, on behalf of the Board, is responsible for reviewing the internal control framework across the Group. This review is consistent with the Code and covers all material areas of the business including financial, operational and compliance controls and risk management. The framework and internal controls system are designed to manage but not to eliminate the risk of failure of the Group to meet its business objectives and as such only provide reasonable but not absolute assurance against material misstatement or loss.

In order to monitor the effectiveness of the framework, at each meeting the Audit Committee receives written and verbal reports from the Finance Director and representatives of the internal auditors and the external auditors on progress with internal control activities.

These reports include:

- reviews of business processes and activities, including action plans to address any identified control weaknesses or recommendations for improvements in controls or processes;
- management's own assessments of the strengths and weaknesses of the overall control environment in their area of responsibility and the action plans to address the weaknesses;
- · the results of the internal audits;

- internal control recommendations made by the external auditors; and
- follow-up actions of previous internal control recommendations.

The Audit Committee also receives reports from senior managers on specific business activities. During 2009, these included presentations from the Group Financial Controller, the Continental European Finance Director and the Group IT Manager.

The Board and the Audit Committee monitor management's action plans designed to implement improvements in internal controls which have been identified as a result of the above procedures. The Board confirms that it has not been advised of any failings or weaknesses which it regards to be significant.

The Audit Committee reviews the effectiveness of the internal auditors' activities. The internal audit function is performed by KPMG LLP. A performance questionnaire on KPMG LLP was completed by the members of the Audit Committee and senior management. The results were presented to the Audit Committee and it was agreed that KPMG LLP provided services to a satisfactory standard.

RELATIONS WITH SHAREHOLDERS

The Board is accountable to shareholders for the Company's continued success and takes a proactive approach to communicating with shareholders. The Chief Executive and Finance Director are the Company's principal spokesmen with investors, fund managers, analysts, the press and other interested parties. The Board regularly receives reports on the Group's investor relations activities including periodic reports from the Company's brokers and copies of analysts' reports.

The regular announcements of significant events affecting the Group, and frequent updates on current trading, emphasises the Board's commitment to keeping the Company's investors informed. The Company also arranges site visits for investors. Following the acquisition of Brixton, the Company arranged tours for major institutional shareholders and analysts to view the Group's enlarged West London portfolio.

The Chief Executive and Finance Director attended meetings with the Company's major institutional investors to discuss both the rights issue and the acquisition of Brixton.

The Chairman and Senior Independent Non-Executive Director are available to shareholders, should they have concerns which contact through the usual channels

has failed to resolve or is otherwise inappropriate. The Chairman or the Senior Independent Non-Executive Director attend the financial results presentations. The Board is kept informed about any such discussions with shareholders.

CONSTRUCTIVE USE OF THE AGM

The Notice of AGM is dispatched to shareholders at least 20 working days before the meeting. The Company proposes separate resolutions on each substantially separate issue. A presentation is made on the progress and performance of the Group prior to the formal business of the meeting.

All Directors are encouraged to attend the AGM and be available to answer shareholders' questions either during or after the meeting. All of the Directors attended the 2009 AGM.

For each resolution, shareholders have the option to direct their vote either for or against a resolution or to withhold their vote. At the 2009 AGM, voting was conducted by a poll. The Board believes this enhances shareholder democracy, as all shares voted at the meeting as well as proxy votes lodged prior to the meeting, are counted.

Following the meeting, the results of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Company's website.

AUDIT COMMITTEE REPORT

The past year has been particularly eventful for the Audit Committee (the Committee). In addition to monitoring the Company's financial statements, the Committee played an integral role in reviewing the recent corporate transactions taking into account both risk management and internal control procedures. The Committee has been active in assessing the financial integration plan for incorporating the Brixton business into the SEGRO Group including financial reporting arrangements.

Andrew Palmer,

Chairman of the Audit Committee

The Committee comprised Andrew Palmer, who is the Chairman, Lord Blackwell, Stephen Howard and Thom Wernink. Andrew Palmer, as a member of the Financial Reporting Review Panel of the Financial Reporting Council and former Finance Director of a FTSE 100 company, has recent and relevant financial experience.

At the invitation of the Committee Chairman, there are a number of regular attendees at each meeting including the Chairman of the Company, the Chief Executive, the Finance Director, the Group Financial Controller and representatives of the internal auditors and external auditors. The Committee or the

Chairman also periodically meets with the external auditors without management being present.

Deloitte LLP were appointed external auditors of the Group in 2007 following a competitive tender process. During the year, the Committee considered the appointment, compensation and independence of the external auditors.

The Committee has a policy for the use of the external auditors for non-audit services. This policy was re-confirmed during the year. The policy recognises that there are certain services where, due to their knowledge of the Company, Deloitte LLP will be in the best position to perform non-audit services. Similarly, the policy has a non-exhaustive list of functions that Deloitte LLP should not provide as it could be detrimental to their independence as external auditors.

The Committee keeps under review the ratio of audit fees to non-audit fees charged by the external auditors to ensure that their independence and objectivity is not put at risk. The audit fee was £0.9 million. The statutory and regulatory filing fees to Deloitte LLP totalled £1 million, with £0.4 million being the costs associated with the rights issue, £0.5 million being the costs associated with the acquisition of Brixton and the

related placing and open offer and £0.1m in respect of the review of the SEGRO half-yearly report. The non-audit fee for taxation advisory services was £0.5 million. Assuming a reduced level of corporate activity, the Committee would expect the fees paid to Deloitte LLP will reduce in 2010.

Deloitte LLP have provided written confirmation of their independence to the Committee. A performance evaluation questionnaire on Deloitte LLP was completed by the members of the Committee and senior management. The results show that Deloitte LLP provide a satisfactory audit service. The Committee has recommended that the reappointment of Deloitte LLP be proposed to shareholders at the 2010 AGM.

The Committee reviews the clarity and completeness of the disclosures made in the financial statements of the Company and considers significant accounting policies, any changes to them and any significant judgements and estimates.

During the year, the Committee also reviewed the arrangements put in place whereby employees may raise, in confidence, any concerns which they may have in respect of financial reporting or other matters and the arrangements for the independent investigation of those matters.

REMUNERATION POLICY AND FRAMEWORK

I am pleased to present the Remuneration Report of SEGRO plc. It is the responsibility of the Remuneration Committee (the Committee) to set a remuneration policy which attracts, motivates and retains high-calibre senior executives and aligns their reward with the creation of long-term shareholder value. The Committee has reviewed this policy against the backdrop of an uncertain economic environment and in light of the transformational change that the Board led the Group through during 2009. A number of changes have been made to ensure that the remuneration policy continues to support the Group strategy in the current economic climate and that the policy does not encourage inappropriate risk taking.

The Committee considered a number of changes to the components of the Executive Directors' remuneration in 2009 and for the coming year. In order to retain the close alignment of the Long Term Incentive Plan (LTIP) performance conditions with shareholder value, the Committee adjusted the calculation of earnings per share (EPS) to take into account the impact of the rights issue. The Committee consulted with major shareholders prior to making this change and none of the adjustments to EPS were applied retrospectively to existing awards.

The 2010 Bonus Scheme will be amended, and should a bonus be paid in respect of 2010, it will be partly comprised of shares which will be subject to a further three-year holding period. Full details of the 2010 Bonus Scheme are set out on page 69. In light of the trading environment in early 2009, the Committee determined that none of the Executive Directors would be awarded increases in base salary at the 2009 annual salary review. Following a subsequent market review, David Sleath was awarded a pay rise which was effective from October 2009. For the 2010 annual salary review, the Committee has again determined that it would be inappropriate for the Executive Directors to be awarded increases in base salary. The remuneration policy and the activities of the Committee during the year are described in greater detail below.

Stephen Howard,

Chairman of the Remuneration Committee

GOVERNANCE AND ACTIVITIES IN 2009

During 2009, the Committee comprised Stephen Howard who is Chairman of the Committee, Lord Blackwell, Chris Peacock and, until her retirement from the Board, Lesley MacDonagh. Andrew Palmer was appointed as a member of the Committee in February 2010. The Chairman, Chief Executive and the HR Director for the Corporate Centre may be invited to attend meetings except when their own remuneration is discussed. The Terms of Reference for the Committee are reviewed periodically and are available on the Company's website. During 2009, the key issues which the Committee considered were:

- the structure of the 2009 and 2010 Bonus Schemes;
- the vesting and allocation of awards under the Long Term Incentive Scheme (LTIS) and LTIP; and
- the impact of the rights issue and the share consolidation on the operation of the Group's share schemes.

ADVICE

Towers Watson, independent remuneration consultants, provided advice to the Committee throughout the year. To ensure a consistent approach to remuneration across the Group. Towers Watson also provided advice to the Company in respect of matters relating to the remuneration of all employees. Lovells LLP provided advice to the Committee and the Company on all-employee share schemes, the LTIP and a range of other legal matters during the year. Deloitte LLP provided advice to the Company, which was considered by the Committee, on the adjustments to the share schemes in respect of the rights issue and the share consolidation. Hewitt Associates Limited provided information to the Committee and the Company in respect of pension related matters. The Committee has access to the advice and services of the General Counsel and Group Company Secretary.

REMUNERATION POLICY AND FRAMEWORK

In order to align the interests of the Executive Directors and other senior executives with shareholders, the Committee aims to set a remuneration policy which achieves an appropriate balance between fixed and variable pay (Chart 1). Accordingly, a significant proportion of remuneration depends on the achievement of stretching short and long term performance targets. These targets are structured to encourage behaviours which create long term shareholder value and so as not to encourage inappropriate risk taking.

In setting remuneration policy, the Committee takes into consideration amongst other matters, the levels of remuneration across the Group, the maximum amount of remuneration the Executive Directors could receive should all targets be met, the Group KPIs and investor guidelines. The Committee retains the discretion to withhold bonus payments or share awards should such payments be deemed inappropriate.

With the assistance of Towers Watson, the Committee undertakes an annual review of the remuneration of the Executive Directors. The remuneration package of each Executive Director is benchmarked against a weighted combination of Executive Director pay in peer group UK listed property companies, Towers Watson's Executive Reward Survey and the UK listed twenty companies (excluding investment trusts) above and below the Company by market capitalisation. The Committee does not consider that benchmarking and market capitalisation alone are justification for increases in executive remuneration. The criteria for establishing the comparator group companies remains unchanged from previous years.

The Executive Directors are encouraged to build a shareholding in the Company to one times the value of their annual salary within five years of joining the Group. The Chief Executive is encouraged to hold shares to the value of one and a half times his annual salary.

Chart 1 Relative Proportions of Remuneration

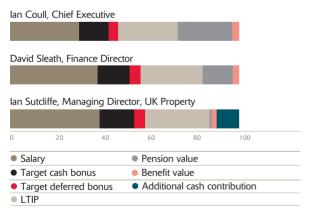


Chart 1 indicates the relative proportions of remuneration utilising target levels of LTIS, LTIP and bonus.

COMPONENTS OF EXECUTIVE REMUNERATION

Base Salary and Benefits

The salaries of the Executive Directors may be adjusted above or below the benchmark to reflect their responsibilities, experience and performance. Along with senior management, the Executive Directors receive a company car or cash allowance in lieu, life assurance and private medical insurance. The UK based Executive Directors may participate in Sharesave and the Share Incentive Plan (SIP). In consideration of the ongoing economic conditions, the Committee determined that none of the Executive Directors would be awarded an increase in base salary in the 2010 annual salary review.

Bonus Scheme

The Bonus Scheme extends to all employees including the Executive Directors. In light of the unprecedented financial circumstances experienced during the year, an Executive Element was introduced to the Executive Directors' Bonus Scheme for 2009 only. The Executive Element comprised of a number of stretching objectives designed to protect the Company's balance sheet and to ensure the continuance of dividend payments to shareholders. The Committee believes that the 2009 arrangements were no less stretching than those previously in place. The maximum bonus opportunity in respect of 2009 was unchanged from 2008. Details of the 2009 Bonus Scheme performance criteria are provided in Chart 2.

In order to strengthen the link between the bonus payments and the long-term shareholder value, 25 percent of any bonus paid in respect of the 2010 Bonus Scheme will be in the form of deferred ordinary shares. These shares will only vest three years after the cash bonus payment is made. The maximum bonus opportunity will be increased from 100 percent to 120 percent for the Chief Executive and from 80 percent to 100 percent for the other Executive Directors. The Committee believes that the targets set for achieving maximum payment under the 2010 Bonus Scheme are more stretching than those to achieve maximum payment under the 2009 Bonus arrangements.

Given the then existing economic climate in 2009, Ian Coull, Inès Reinmann and David Sleath waived their bonuses in respect of 2008. Ian Sutcliffe's 2008 bonus was fixed as part of the contractual terms agreed at the time of his appointment.

LTIP AND LTIS (THE SCHEMES)

The LTIS was replaced by a new LTIP scheme, which was approved by shareholders in 2008. No further awards will be made under the LTIS. The LTIP award is determined by the Committee on the basis of individual performance. Awards are made annually and are subject to stretching three-year performance conditions. Vesting of awards is subject to final approval by the Committee. For the LTIP award which will be made in 2010, the achievement of the performance conditions will be assessed three years after grant. If the performance conditions are met, participants will have an 18-month period in which to elect to receive the shares. Details of awards granted to the Executive Directors under the Schemes are set out in the table on page 75.

Chart 2

Conditions for Performance Related Pay

Scheme	Year of Allocation	Maximum Allocation	Performance Conditions		Performance Period and weighting of performance conditions
LTIP	2008 and 2009	Chief Executive - up to 175% of salary. Other Executive Directors - up to 140% of salary.	EPS – Shares vest on a straight line basis between 25% and 100% of the allocation, based on a minimum adjusted diluted EPS growth per annum of 4%. 100% of the allocation vesting on achievement of adjusted diluted EPS growth of 10% per annum. TPR – Shares under this part of the allocation vest on a straight line basis between 25% and 100% of the allocation. 25% of the allocation vesting where TPR is equal to the IPD Index and 100% of the allocation vesting where TPR is 1.5% per annum above the IPD.	>	EPS 60% TPR 40%, measured over a three-year period.
LTIS	2006 and 2007	Chief Executive - up to 175% of salary. Other Executive Directors - up to 140% of salary.	EPS –Shares vest on a straight line basis between 20% and 100% of the allocation, based on a minimum adjusted diluted EPS growth per annum of 4%. 100% of the allocation will vest on the achievement of adjusted diluted EPS growth of 11% per annum. NAV – Shares vest on a straight line basis between 20% and 100% of the allocation, based on a minimum adjusted NAV of 4%. 100% of the allocation will vest on the achievement of adjusted diluted NAV growth of 8% per annum.		EPS 60% NAV 40% measured over a three-year period.
Bonus Scheme	2009	Chief Executive - up to 100% of salary. Other Executive Directors - up to 80% of salary.	Chief Executive and Finance Director -Executive Element - 50% Group profit adjusted for one-off and certain other items, new rental income and cash -50% Other Executive Directors – Executive Element 25% Group profit adjusted for one-off and certain other items, new rental income and cash -75%		Based on performance for the financial year. Bonus payments, are paid following the year end.

The performance conditions of the Schemes are detailed in Chart 2 and, in respect of the LTIP, are also illustrated in Chart 3 and 4. Total Property Return is measured in relation to the IPD. EPS is calculated according to the EPRA guidelines, excluding valuation gains/losses and exceptional items. In order to maintain close alignment between shareholder value and LTIP performance conditions, the EPS calculation for the 2009 LTIP award will also exclude trading profits/losses and will be notionally adjusted as if the financial restructuring carried out in early 2009 had occurred as at 1 January 2008.

Adjusted diluted net asset value (NAV) is only utilised in relation to the remaining LTIS award. Actual performance for NAV and EPS is calculated from the published figures in the Report and Accounts. These calculations are checked by the Auditors and are submitted to the Committee.

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

Sharesave

Sharesave is an HMRC, all employee savings-related share option plan. UK employees can save on a monthly basis, over a three-year or five-year period, to purchase shares in the Company, at a price which is fixed at the beginning of the savings period. This price is usually set at a 20 per cent discount to the market price.

SIP, Global Share Incentive Plan (GSIP) and the Brixton SIP

UK employees may participate in the SIP, which is an HMRC approved all-employee share plan. Eligible

employees are awarded shares not only in relation to their salary, but also by reference to the Company's prior-year performance. Participating employees may be awarded shares annually up to a maximum of seven per cent of gross annual salary or £3,000, whichever is the lower. The GSIP is designed on a similar basis to the SIP, but is not HMRC approved and is operated for non-UK employees.

No award was made under SIP or GSIP during 2009 because the performance target was not achieved. The Executive Directors' holdings under the SIP are included in the table showing Directors' interests in shares on page 74.

As a result of the Brixton Scheme of Arrangement the shares held in the Brixton SIP were exchanged for SEGRO plc shares. The current intention is that no further contributions will be made to the Brixton SIP. No Directors participate in the Brixton SIP.

2009 Rights Issue and Share Consolidation – Share Plans Adjustments

Following the rights issue and the share consolidation, adjustments were made to the Group's share plans to ensure that the value of the all-employee and executive share plans was preserved but that participants did not benefit from these changes to the Company's capital structure. LTIS, LTIP, the legacy executive share option scheme and Sharesave were adjusted in accordance with formulae approved by HMRC. The GSIP was adjusted on the basis of a cashless exercise of the rights available under the rights issue and on a one for ten basis in respect of the share consolidation. No adjustments were made in respect of the SIP. Details of the adjustments made are provided in note 25 to the Accounts.

Chart 3



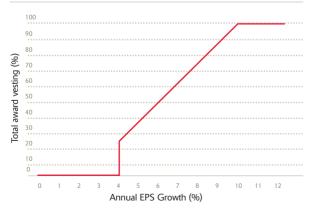


Chart 4

LTIP TPR Relative Performance Thresholds



Total Shareholder Return

Chart 5 below shows total shareholder return for the Company for each of the last five financial years compared to the FTSE 100 Index, the FTSE 250 Index and the EPRA / NAREIT UK Index. The Company is a constituent of the FTSE 100 Index and during the year, was a constituent of the FTSE 250. The FTSE 350 Real Estate Index, was previously used as a comparator but was withdrawn in October 2009. The Committee has determined that the FTSE EPRA / NAREIT UK Index is an appropriate replacement as a number of the Company's peers in the property sector are constituents and as such it provides a good indication of relative performance.

Chart 5

Total Shareholder Return – value of a hypothetical £100 holding of shares



POLICY ON EXTERNAL APPOINTMENTS

Executive Directors are encouraged to take one non-executive directorship outside the Group as these roles can broaden the experience brought to the Board. Such appointments require Board approval and the time commitment the appointment may require will be considered. Executive Directors may retain fees for external appointments. During the year lan Coull was a Non-Executive Director of the London Regional Board of Royal & SunAlliance. David Sleath was a Non-Executive Director of Bunzl plc. Details of the fees paid in respect of these appointments are disclosed on page 73.

POLICY ON SERVICE CONTRACTS

Executive Directors

The contracts are on a 12-month rolling basis and do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. In determining compensation, it will take into account the best practice provisions of the Code and will take legal advice on the Company's liability to pay compensation.

Non-Executive Directors

The Non-Executive Directors and the Chairman have letters of appointment which set out their duties and anticipated time commitment. The Non-Executive Directors' letters of appointment contain a three-month notice and the Chairman's contains a six-month notice period.

The fees payable to Non-Executive Directors are set by reference to those paid by other companies and reflect the time commitment and responsibilities of the role. Fees for the Non-Executives are reviewed periodically by the Executive Directors and the Chairman. Fees for the Chairman are set by the Remuneration Committee. The Chairman and Non-Executive Directors do not participate in any of the Company's share based incentive schemes nor do they receive any other benefits or rights under the pension schemes.

AUDITED INFORMATION

Thom Wernink

Total

Directors' emoluments and appointment date

Name	Date of Appointment	Salary/fees £000	Payments	Scheme £000	Bonus £000	2009 £000	2008 £000
Chairman							
Nigel Rich	1 July 2006	220	_	_	_	220	220
Executive Directors							
lan Coull Chief Executive	1 January 2003	575	_	53	433	1,061	616
Inès Reinmann ¹	1 November 2008	357	-	13	83	453	55
David Sleath	1 January 2006	393	-	37	259	689	405
lan Sutcliffe ²	1 July 2008	480	125	26	256	887	700

Additional

ian Sutcliffe ²	1 July 2008	480	125	26	256	887	700
Non-Executive Directors –	Fees						
Lord Blackwell Senior Independent Director	1 April 2001	55	-	-	-	55	52
Stephen Howard Chairman of the Remuneration Committee	16 May 2001	50	_	_	_	50	49
Andrew Palmer Chairman of the Audit Committee	28 January 2004	50	_	_	_	50	49
Lesley MacDonagh ³	1 January 2007	45	_	_	_	45	43
Chris Peacock	28 January 2004	45	_	_	_	45	43

¹ Inès Reinmann resigned from the Company on 11 January 2010. Her termination arrangements were governed by French labour law and collective bargaining agreements. She received a payment of £194,286 in respect of her resignation and will receive £103,714 in lieu of notice and contractual holidays not taken. She will receive up to £17,857 in respect of outplacement entitlements. (sterling euro exchange rate 1.12.)

2,315

45

125

129

1,031

23 May 2005

lan Coull was paid a fee of £1,300 in respect of his services as a Non-Executive Director of the London Regional Board of Royal & SunAlliance. David Sleath was paid a fee of £68,000 as a Non-Executive Director of Bunzl plc.

45

3,600

43

2,275

² Ian Sutcliffe receives a cash supplement equivalent to 26% of his base salary with which he may supplement his pension.

³ Lesley MacDonagh resigned from the Company on 31 December 2009.

Directors' Interests in Shares

The interests of the Directors and their immediate families in the ordinary shares of the Company at 1 January 2009 and 31 December 2009 were:

Repeticial interests

		Beneficial interests
Number of Ordinary Shares	31.12.2009 Ordinary 10p shares	01.01.2009 Ordinary 27 ¹ / ₁₂ p shares
Nigel Rich ²	93,931	45,271
Lord Blackwell	13,864	5,807
lan Coull	317,558	211,829
Stephen Howard	9,942	6,923
Lesley MacDonagh	7,181	5,000
Andrew Palmer	5,302	3,692
Chris Peacock	11,449	7,972
Inès Reinmann	_	_
David Sleath	69,768	46,002
lan Sutcliffe		_
Thom Wernink	13,388	9,230

¹ Beneficial interests in the table above represent shares beneficially held by each Director; this includes any ordinary shares held on behalf of the Executive Directors by the Trustees of the SIP and shares beneficially owned by spouses and children under 18 of the Directors. Between 31 December 2009 and 24 February 2010 there were no changes in respect of the Directors' shareholdings.

As at 31 December 2009, 1,188,808 shares (2008: 1,829,028 shares) were held by the Trustees of the 1994 SEGRO plc Employees' Benefit Trust, there were no further changes in this holding from 31 December 2009 to 24 February 2010. The Trustees of the SIP held non-beneficial interest in 39,938 and 285,340 shares as at 31 December 2009 and 1 January 2009 respectively. 37,324 shares were held as at 24 February 2010. As with other employees, the Directors are deemed to have a potential interest in these shares, being beneficiaries under the trusts. Details in the changes to the Company's share capital are provided in note 25 to the Accounts.

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

Name	No. of shares under award 01.01.09 ¹	No. of shares lapsed / not released	No. of shares over which awards granted ²	Market value of shares on grant (pence)	No. of shares released	Market value on date of release (pence)	No. of shares under award 31.12.09	End of performance period over which performance conditions have to be met
lan Coull								
25.05.06 LTIS	74,793	61,480		1,051.58	13,313	364.9		
29.06.07 LTIS	94,240			1,093.57			94,240	31.12.09
30.06.08 LTIP	166,139			706.61			166,139	31.12.10
20.10.09 LTIP			209,090	380.10			209,090	31.12.11
Total	335,172						469,469	
Inès Reinmann ³								
26.11.07 LTIS	29,229			748.81			29,229	31.12.09
30.06.08 LTIP	49,946			706.61			49,946	31.12.10
20.10.09 LTIP			132,629	380.10			132,629	31.12.11
Total	79,175						211,804	
David Sleath								
25.05.06 LTIS	35,224	28,955		1,051.58	6,269	364.9		
29.06.07 LTIS	45,692			1,093.57			45,692	31.12.09
30.06.08 LTIP	86,147			706.61			86,147	31.12.10
20.10.09 LTIP			156,363	380.10			156,363	31.12.11
Total	167,063						288,202	
lan Sutcliffe ⁴								
30.06.08 LTIP	168,777			706.61			168,777	31.12.10
20.10.09 LTIP			124,675	380.10			124,675	31.12.11
Total	168,777						293,452	

^{1.} Vested and unvested LTIS and LTIP allocations are shown, for comparative purposes, as if the adjustments made during the year in respect of the rights issue and share consolidation, were made simultaneously, as at 1 January 2009. To reflect the dilutive effect of the rights issue, allocations were multiplied by a factor of 6.92. To reflect the share consolidation, allocations were divided by ten. For comparative purposes, the market price at date of award is also adjusted.

^{2.} In 2009, the Committee was precluded from making an LTIP award in the first half of the year, as is usual practice, due to extended close periods resulting from the rights issue and the acquisition of Brixton.

The Committee will consider making an award under the LTIP in the first half of 2010.

^{3.} Inès Reinmann's awards under the LTIP and LTIP will be subject to performance conditions and her awards under the LTIP will be time appointed to her date of leaving the Company.

^{4.} As part of the terms agreed in respect of the appointment of lan Sutcliffe, he was awarded shares under the 2008 LTIP award to the value of 200% of his base salary, a proportion of which were not subject to performance conditions. Following the adjustments in respect of the rights issue and the share consolidation, 118,144 shares are subject to the performance conditions described above and the remaining 50,633 are not subject to any performance conditions.

Sharesave Options

Name	No. of shares under option 01.01.09 ¹	Options granted during the year	Date of Grant	Option price (pence) ¹	Options lapsed during the year	No. of shares under option at 31.12.09 ^{2,3}	Period in which options can be exercised
lan Coull	4,726	_	06/04/04	372.4	4,726	_	_
	_	5,027	19/05/09	182.0	_	5,027	01/06/12-31/12/12
David Sleath	3,982	_	26/09/07	411.2	3,982	_	_
	_	8,598	19/05/09	182.0	_	8,598	01/06/14-31/12/14
Inès Reinmann	_	_	_	_	_	_	_
lan Sutcliffe	_	5,027	19/05/09	182.0	_	5,027	01/06/12-31/12/12

- 1. As all options held as at 1 January 2009, were cancelled and no adjustments were made in respect of the rights issue and share consolidation.
- 2. The 2009 Sharesave award was granted after the rights issue and therefore adjusted in respect of the share consolidation only.
- 3. Between 31 December 2009 and 24 February 2010 there were no changes in these holdings.

No Directors held options under any of the Company's legacy executive option schemes during 2009. There were no aggregate gains made on the exercise of options during the year.

The market price of the shares as at 31 December 2009 was 344.6 pence. The highest and lowest market prices of ordinary shares during the financial year were 528.84 pence and 146.35 pence. The share prices have been adjusted, as appropriate, to reflect the capital restructuring carried out during the year.

PENSION AND RETIREMENT BENEFITS

The Pension policy for Executive Directors was not changed during 2009. Ian Coull and David Sleath are members of the defined benefit section of the SEGRO Pension Scheme (the Scheme) which is registered with the HMRC and the Pensions Regulator. It is contracted out of the State Second Pension. Benefits under the Scheme for members are generally subject to 'Deemed Revenue Limits' which mirror the HMRC limits which existed before 6 April 2006, with an allowance for notional increases.

lan Coull will be entitled to retire at age 62 with a total pension of two-thirds final salary less any retained benefits from previous employment. Pension in respect of salary over the Deemed Revenue Limits is provided by an Unfunded Unapproved Retirement Benefits Scheme (UURBS). The UURBS will provide the balance of the total pension over and above the pension provided by the Scheme less any retained benefits from previous

employment. In 2010, gilts to the value of the UURBS benefit (as valued under IAS19) will be purchased by the Company and an independent trustee will have security over the gilts. Should the Company default in respect of its promise under the UURBS, the independent trustee will pay benefits to lan Coull from the proceeds of the security.

David Sleath will be entitled to retire under the Scheme at age 62 with a total pension which broadly targets two-thirds final salary less any retained benefits from previous employment. Upon reaching the target, David Sleath may then accrue a pension of 1/60th of final pensionable salary for every completed year of subsequent service.

lan Sutcliffe participates in the defined contribution section of the Scheme on the same basis as other UK employees. He contributes six per cent of his pensionable salary and the Company makes a contribution of 12 per cent of his pensionable salary. Pensionable salary is defined as his base salary up to the Deemed Revenue Limits.

Inès Reinmann participated in the French social security and mandatory supplementary pension arrangements. The Company provided an additional pension contribution of 5.75 per cent of salary up to eight times the social security ceiling under a voluntary collective retirement plan for senior executives in France. Inès Reinmann did not contribute to the voluntary collective retirement plan. Her pension arrangements were not altered on appointment to the Board on 1 November 2008.

Defined Benefit Schemes

Name	$ \begin{array}{c} Additional\\ accrued pension\\ earned in the year\\ \pounds \ p.a. \end{array}$	Accrued pension at 31.12.09 £ p.a.	Transfer value at 31.12.08 £	Transfer value at 31.12.09 £	transfer value less Directors' contributions £
lan Coull	34,537	188,405	2,588,525	3,781,730	1,158,705
David Sleath	13,876	45,732	327,085	625,642	275,757

The values given include the effect of inflation. Transfer values have been calculated in accordance with the SEGRO Pension Scheme transfer value basis applicable at relevant dates. They do not represent sums payable to individual Directors. The accrued pension entitlement is the amount of retained benefit that the Executive Directors would be entitled to if they left service at the year end. Retained benefits are payable from normal retirement age.

	Additional	Transfer value
	accrued pension	of increase in
	in the year	accrued pension
	excluding	less Directors'
	inflation	contributions
Name	£p.a.	£
lan Coull	26,844	471,087
David Sleath	12,283	144,489

The values given exclude the effect of inflation from their calculation.

Defined Contribution Schemes

Name	Company Contributions
Inès Reinmann	£40,728
lan Sutcliffe	£14,652

PENSION ENTITLEMENT IN THE EVENT OF SEVERANCE

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

FORMER DIRECTORS

Lord MacGregor, a former Director, was appointed as a Company nominated Trustee of the SEGRO Pension Scheme on 1 June 2006 and is Chairman of the Trustees. He received fees from the Company of £36,000 (2008: £31,000). Richard Kingston, a former Director, was appointed as a Company nominated Trustee of the SEGRO Pension Scheme on 1 January 2007. He received fees from the Company of £15,000 (2008 £15,000). Ex-gratia payments to former Directors and their dependants £65,410 (2008: £65,230).

Walter Hens was paid £19,643 by the Company during 2009, under the terms of a 12-month consultancy agreement.

This report was approved by the Board on 24 February 2009 and signed on its behalf by.

Stephen Howard,

Chairman of the Remuneration Committee

24 February 2010

OTHER STATUTORY INFORMATION

SHARE CAPITAL

The authorised and issued share capital for the year is set out in note 25 to the Accounts.

There is one class of share in issue and there are no restrictions on the voting rights attached to these shares or the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regard to control of the Company and all shares are fully paid.

DIRECTORS' INDEMNITIES

Directors are entitled to be indemnified by the Company against any liability, loss or expenditure incurred in connection with their duties, powers or office, to the extent permitted by statute.

The contracts of employment or letters of appointments of the Directors and employees of the Company do not provide for compensation for the loss of office that occurs because of takeover.

PAYMENT OF SUPPLIERS

It is the Group's payment policy, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders and suppliers are made aware of these payment conditions. The Group's trade creditors as a proportion of amounts invoiced by suppliers represented 14 days at 31 December 2009 (2008: 23 days). The Directors do not consider that there is any one supplier (or person) with whom the Company has a contractual arrangement which is essential to the business.

AUDITORS TO THE COMPANY

A resolution to re-appoint Deloitte LLP as auditors of the Company is to be proposed at the forthcoming AGM.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

By order of the Board

Elizabeth Blease,

General Counsel and Group Company Secretary

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 22 February 2010 the following major interests (3 per cent or more) in the ordinary share capital had been notified to the Company:

Shareholder	Direct Voting Rights	Indirect Voting Rights	Aggregate Voting Rights	Percentage
APG Algemene Pensioen Groep and its subsidiaries	41,391,058	_	41,391,058	5.64%
The AXA Group and its subsidiaries	22,373,462	4,256,191	26,629,653	3.63%
BlackRock, Inc and its subsidiaries	60,633,496	_	60,633,496	8.26%
Legal & General Group and its subsidiaries	28,670,499	4,344,872	33,015,371	4.50%
Prudential Group and its subsidiaries	40,654,384	-	40,654,384	5.54%
Issued capital at 22 February 2010				734,335,304

STATEMENT OF DIRECTORS' RESPONSIBILITIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, 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; and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Ian Coull,David Sleath,Chief ExecutiveFinance Director24 February 201024 February 2010

We have audited the financial statements of SEGRO plc for the year ended 31 December 2009 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement contained within the Financial Review in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Mark Beddy (Senior Statutory Auditor)

For and on behalf of Deloitte LLP Chartered Accountants and Statutory Auditors London, UK 24 February 2010

	Notes	2009 £m	2008 £m
Revenue	5	365.5	414.7
Gross rental income ²	5	328.4	296.1
Property operating expenses ²		(59.0)	(51.2)
Net rental income		269.4	244.9
Administration expenses	7	(48.1)	(42.6)
Share of profit/(loss) from joint ventures after tax	9	4.6	(7.4)
Property losses ³	8	(342.0)	(986.5)
Gain on sale of investment in joint ventures	9	12.9	_
Other investment (loss)/income	6	(8.0)	1.7
Gain arising from bargain purchase	4	8.6	_
Operating loss		(102.6)	(789.9)
Finance income	10	13.6	15.1
Finance costs	11	(159.1)	(164.4)
Loss before tax		(248.1)	(939.2)
Tax	12	14.0	1.1
Loss after tax		(234.1)	(938.1)
Attributable to equity shareholders		(233.1)	(938.1)
Attributable to minority interests		(1.0)	_
·		(234.1)	(938.1)
Earnings per share ⁴			
Basic and diluted loss per share	14	(41.3p)	(312.2p)

Notes

- 1. All activities during the year are derived from continuing operations.
- 2. Service charge income was presented within gross rental income in prior years, however at 31 December 2009 it is presented net against property operating expenses. Prior period comparables also have been adjusted. Further information is included in note 1.
- 3. Property losses includes valuation deficits on investment and development properties. Previously, development properties were accounted for under IAS 16, but are now accounted for under IAS 40. This change has meant that with effect from 1 January 2009, revaluation surpluses and deficits on development properties are now recognised in the income statement rather than equity. There is no impact on previously reported figures in respect of this change, as prior year comparatives are not required to be restated.
- 4. Comparative earnings per share have been restated following the rights issue on 7 April 2009 and share consolidation effective from 31 July 2009. Further information on this is included in note 14.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

		2009	2008
Loss for the year	Notes	(234.1)	(938.1)
Other comprehensive income		(==,	(/
Foreign exchange movement arising on translation of international operations		(35.5)	64.8
Valuation surplus on development properties (prior to 1 January 2009)	8	_	18.0
Valuation deficit on owner occupied properties	8	(2.0)	(2.1)
Actuarial loss on defined benefit pension schemes	24	(3.8)	(17.2)
Decrease in value of available-for-sale investments	17	_	(3.8)
Tax on items taken directly to equity		1.9	(0.5)
Net (loss)/gain recognised directly in equity		(39.4)	59.2
Transfer to income statement on sale and impairment of available-for-sale investments		(1.9)	(1.4)
Total comprehensive loss for the year		(275.4)	(880.3)
Attributable to equity shareholders		(274.4)	(881.6)
Attributable to minority interests		(1.0)	1.3
Total comprehensive loss for the year		(275.4)	(880.3)

		2009	Group 2008	2009	Company 2008	
	Notes	£m	£m	£m	£m	
Assets						
Non-current assets						
Goodwill		1.0	1.0	_	-	
Investment and development properties	15	4,825.3	4,311.1	_	-	
Owner occupied properties		8.1	11.1	_	-	
Plant and equipment		7.5	9.1	1.7	-	
Investments in subsidiaries	9	-	_	4,990.3	3,840.4	
Investments in joint ventures	9	79.3	67.5	_	5.5	
Finance lease receivables	16	8.9	10.2	_	_	
Available-for-sale investments	17	25.9	41.9	_	_	
Deferred tax asset		-	-	-	4.3	
Current assets		4,956.0	4,451.9	4,992.0	3,850.2	
Trading properties	15	337.8	357.8	_	_	
Trade and other receivables	18	109.2	136.2	32.9	22.1	
Cash and cash equivalents	19	112.7	165.8	18.3	1.3	
Tax recoverable	.,	3.6	1.2	-	_	
Finance lease receivables	16	-	0.2	_	_	
Thatree rease receivables		563.3	661.2	51.2	23.4	
Total assets		5,519.3	5,113.1	5,043.2	3,873.6	
Liabilities						
Non-current liabilities						
Borrowings	20	2,187.6	2,575.3	1,592.7	1,724.9	
Deferred tax provision	22	56.9	78.2	_	_	
Other provisions for liabilities and charges	22	16.3	7.1	11.0	6.6	
Trade and other payables	23	15.4	17.5	416.4	352.3	
Compant linkilities		2,276.2	2,678.1	2,020.1	2,083.8	
Current liabilities	20	345.2	07.3	273.3		
Borrowings	20		86.3		102	
Tax liabilities	22	41.2	25.6	5.4	10.2	
Trade and other payables	23	263.5 649.9	313.9	46.0 324.7	117.0 127.2	
Total liabilities			425.8		2,211.0	
		2,926.1	3,103.9	2,344.8		
Net assets		2,593.2	2,009.2	2,698.4	1,662.6	
Equity	25	70.5	1100	70.5	1100	
Share capital	25	73.5	118.3	73.5	118.3	
Share premium	26	1,047.6	370.6	1,047.6	370.6	
Capital redemption reserve	27	113.9	- (10.1)	113.9	(40.4)	
Own shares held	27	(13.5)	(13.4)	(13.5)	(13.4)	
Revaluation reserve		0.1	438.4	2177	-	
Other reserves		196.8	36.6	217.7	48.6	
Retained earnings		1,174.1	1,057.0	1,259.2	1,138.5	
Total shareholders' equity		2,592.5	2,007.5	2,698.4	1,662.6	
Minority interests		0.7	1.7	_		
Total equity		2,593.2	2,009.2	2,698.4	1,662.6	
Net assets per ordinary share ¹						
Basic and Diluted	14	354p	668p			

The financial statements of SEGRO plc (registered number 167591) on pages 81 to 120 were approved by the Board of Directors and authorised for issue on 24 February 2010 and signed on its behalf by:

ID Coull DJR Sleath Directors

Note:

^{1.} Comparative net assets per ordinary share have been restated following the rights issue on 7 April 2009 and share consolidation effective from 31 July 2009. Further information on this is included in note 14.

GROUP	Balance 1 January 2009 £m	Exchange movement £m	Retained loss £m	Items taken directly to reserves £m	Shares (cancelled)/ issued £m	Other £m	Dividend paid £m	Transfers ³ £m	Balance 31 December 2009 £m
	1100				(44.0)				72.5
Ordinary share capital	118.3	_	_	_	(44.8)	_	_	_	73.5
Share premium	370.6	_	-	-	677.0	_	_	_	1,047.6
Capital redemption reserve	(42.4)	_	_	_	113.9	(0.1)	_	_	113.9
Own shares held	(13.4)	-	_	- (4.0)	_	(0.1)	_	-	(13.5)
Revaluation reserve	438.4	(11.1)		(1.2)				(426.0)	0.1
Other reserves:								(= 1)	
Share based payments reserve	3.9	- -	-	-	-	1.1	-	(2.4)	2.6
Fair value reserve for AFS ²	8.1	(0.7)	_	_	-	(2.6)	_	_	4.8
Translation and other reserves	24.6	(3.5)	-	-	-	_	_	(8.0)	20.3
Merger reserve	_	-	-	-	169.1	_	_	_	169.1
Total other reserves	36.6	(4.2)	-	-	169.1	(1.5)	-	(3.2)	196.8
Retained earnings	1,057.0	(20.2)	(233.1)	(3.8)		-	(55.0)	429.2	1,174.1
Total equity attributable to equity									
shareholders	2,007.5	(35.5)	(233.1)	(5.0)	915.2	(1.6)	(55.0)	_	2,592.5
Minority interests	1.7	-	(1.0)	_	-	_	-	-	0.7
Total equity	2,009.2	(35.5)	(234.1)	(5.0)	915.2	(1.6)	(55.0)		2,593.2
For the year ended 31 December 2008									
•	Balance 1 January	Exchange	Retained	Items taken directly to	Shares		Dividend		Balance 31 December
GROUP	2008 £m	movement £m	loss	reserves	issued	Other £m	paid £m	Transfers ³	2008 £m
Ordinary share capital	118.1			£m	0.2		-	-	118.3
Share premium	368.9	_	_	_	1.7	_	_	_	370.6
Own shares held	(16.8)	_	_	_	-	3.4	_	_	(13.4)
Revaluation reserve ¹	1,535.7	42.6	_	14.0	_	J.¬	_	(1,153.9)	438.4
Other reserves:	1,555.7	72.0		17.0				(1,133.7)	T.00.T
Share based payments reserve	9.8	_	_	_	_	(5.2)	_	(0.7)	3.9
Fair value reserve for AFS ²	9.6	2.3	_	(2.4)	_	(1.4)		(0.7)	8.1
Translation and other reserves	46.6	(22.0)	_	(2.4)	_	(1.4)	_	_	24.6
Total other reserves	66.0	(19.7)		(2.4)		(6.6)		(0.7)	36.6
	917.1	41.9	(938.1)	. ,		` '	(100.0)	. ,	36.6 1,057.0
Retained earnings	917.1	41.9	(938.1)	(17.2)			(100.0)	1,153.3	1,057.0
Total equity attributable to equity	2,000,0	640	(020.1)	(F ()	1.0	(2.2)	(100.0)	(1.2)	2 007 5
shareholders	2,989.0	64.8	(938.1)	(5.6)	1.9	(3.2)	(100.0)	(1.3)	2,007.5
Minority interests	0.7	-	(000.4)	(5.4)	-	(0.3)	- (4.00.0)	1.3	1.7
Total equity	2.989.7	64.8	(938.1)	(5.6)	1.9	(3.5)	(100.0)	_	2,009.2

^{1.} The revaluation reserve is shown net of deferred tax.

^{2.} AFS is the term used for 'Available-for-sale investments' and is shown net of deferred tax.

^{3.} Revaluation movements on development properties, now under IAS 40, are taken through the income statement. Following this change in treatment it is considered more appropriate and consistent for cumulative revaluation movements on investment and development properties to be presented in retained earnings rather than revaluation reserve. A transfer to effect this reclassification has been made during the period accordingly.

COMPANY	Balance 1 January 2009 £m	Retained profit £m	Items taken directly to reserves £m	Shares (cancelled)/ issued £m	Other £m	Dividend paid £m	Balance 31 December 2009 £m
Ordinary share capital	118.3	_	_	(44.8)	-	-	73.5
Share premium	370.6	_	_	677.0	_	_	1,047.6
Capital redemption reserve	_	_	_	113.9	-	_	113.9
Own shares held	(13.4)	_	_	_	(0.1)	-	(13.5)
Other reserves:							
Share based payments reserve	1.2	_	_	_	-	-	1.2
Translation and other reserves	47.4	_	_	_	-	_	47.4
Merger reserve	_	_	_	169.1	-	_	169.1
Total other reserves	48.6	_	_	169.1	-	_	217.7
Retained earnings	1,138.5	180.6	(4.9)	_	_	(55.0)	1,259.2
Total equity attributable to equity shareholders	1,662.6	180.6	(4.9)	915.2	(0.1)	(55.0)	2,698.4
For the year ended 31 December 2008							
Tor the year chaca 31 December 2000	Balance		Items taken				Balance
COMPANY	1 January 2008	Retained loss	directly to reserves	Shares issued	Other	Dividend paid	31 December 2008
	£m	£m	£m	£m	£m	£m	£m
Ordinary share capital	118.1	_	_	0.2	_	_	118.3
Share premium	368.9	_	_	1.7	-	_	370.6
Own shares held	(16.8)	_	_	_	3.4		(13.4)
Other reserves:	2.2				(2.0)		4.0
Share based payments reserve	3.2	_	_	_	(2.0)	_	1.2
Translation and other reserves	47.4	_	_			_	47.4
Total other reserves	50.6	-		_	(2.0)	-	48.6
Retained earnings	1,497.3	(241.9)	(17.2)		0.3	(100.0)	1,138.5
Total equity attributable to equity shareholders	2,018.1	(241.9)	(17.2)	1.9	1.7	(100.0)	1,662.6

Cash flows from operating activities

Dividends received

Interest paid

Bank overdrafts

Cash and cash equivalents per cash flow

Tax paid

Interest received on deposits and loans

Net cash received from/(used in) operating activities

2009 £m

3.7

12.9

(148.4)

(11.0)

79.3

(0.8)

111.9

(3.3)

162.5

222.1

32(i)

2008 £m

226.0

(174.3)

(59.1)

13.3

14.2

6.5

2009

4.9

76.3

137.5

(89.0)

129.7

2008

(52.7) 99.9

86.1

(0.3)

(10.0)

(143.0)

18.3

(0.3)

1.0

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The financial statements have been prepared on a going concern basis. This is discussed in the Financial Review on page 33.

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

Management believes that the judgements, estimates and associated assumptions used in the preparation of the financial statements are reasonable, however actual results may differ from these estimates. Critical judgements, where made, are disclosed within the relevant section of the financial statements in which such judgements have been applied. The key estimates and assumptions relate to the property valuations applied by the Group's property valuers, the actuarial assumptions used in calculating the Group's retirement benefit obligations, valuation of share options granted under share-based payment schemes, the valuation of available-for-sale investments and the fair value of the assets and liabilities of Brixton at acquisition and are described in more detail in the accounting policy notes below, or the applicable note to the financial statements.

During 2009 the Group has adopted the IASB's Annual Improvements of IFRSs as they relate to development properties, IFRS 8 'Operating Segments' and IAS 1 'Presentation of Financial Statements' (revised 2007).

Previously, development properties were accounted for under IAS 16, but are now accounted for under IAS 40. This change has meant that with effect from 1 January 2009, revaluation surpluses and deficits on development properties are now recognised in the income statement rather than in equity. There is no impact on previously reported figures in respect of this change, as prior year comparatives are not required to be restated.

IFRS 8 'Operating Segments' is effective from 1 January 2009, resulting in a change to presentation and disclosure of the Group's segmental analysis, whereby business segments are no longer shown.

IAS 1 (revised 2007) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a statement of changes in equity for each period is presented.

The amendments to IFRS 7 'Financial Instruments: Disclosures' expand the disclosures required in respect of fair value measurements and liquidity risk.

The Group also adopted IAS 23 (revised 2007), Borrowing Costs and IFRIC 15, Agreements for the Construction of Real Estate, neither of which materially impact the current or prior year reported results.

Following the rights issue and share consolidation the comparative earnings per share and net assets per share calculations have been restated as discussed in more detail in note 14. This restatement has not impacted the income statement or balance sheet and therefore, since it has not changed from the previously presented figures, a balance sheet at 31 December 2007 has not been shown.

The following published standards and interpretations to existing standards that are not yet effective (and in some cases have not been adopted by the EU) have not been adopted early by the Group:

- IFRS 1 (amended)/IAS 27 (amended), Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- IFRS 2 (amended), Share-based Payment Vesting Conditions and Cancellations;
- IFRS 3 (revised 2008), Business Combinations;
- IAS 27 (revised 2008), Consolidated and Separate Financial Statements;
- IAS 28 (revised 2008), Investments in Associates;
- IAS 32 (amended), Classification of Rights Issues;
- IAS 39 (amended), Financial Instruments: Recognition and Measurement: Eligible Hedged Items;
- IFRIC 12, Service Concession Arrangements;
- IFRIC 14, (amended), Prepayments of a Minimum Funding Requirement;
- IFRIC 17, Distributions of Non-cash Assets to Owners;
- IFRIC 18, Transfer of Assets from Customers;
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments; and
- Improvements to IFRSs (April 2009).

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group except for the treatment of acquisition of subsidiaries and associates when IFRS 3 (revised 2008), IAS 27 (revised 2008) and IAS 28 (revised 2008) come into effect for business combinations for which the acquisition date is on or after 1 January 2010.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and the Group, plus the Group's share of the results and net assets of the joint ventures. The Company holds investments in subsidiaries and joint ventures at cost. A joint venture is a contract under which the Group and other parties undertake an activity or invest in an entity, under joint control. The Group uses equity accounting for such entities, carrying its investment at cost plus the movement in the Group's share of net assets after acquisition, less impairment.

Business combinations

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

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

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Foreign currency transactions

Foreign currency transactions are translated into sterling at the exchange rates ruling on the transaction date. Foreign exchange gains and losses resulting from settling these, or from retranslating monetary assets and liabilities held in foreign currencies, are booked in the Group income statement. The exception is for foreign currency loans that hedge investments in foreign subsidiaries, where exchange differences are booked in equity until the investment is realised.

Consolidation of foreign entities

Assets and liabilities of foreign entities are translated into sterling at exchange rates ruling at the balance sheet date. Their income, expenses and cash flows are translated at the average rate for the period or at spot rate for significant items. Resultant exchange differences are booked in reserves and recognised in the income statement when the operation is sold.

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

Balance sheet: £1 = €1.13 (31 December 2008: £1 = €1.05)

Income statement: £1 = 1.12 (2008: £1 = 1.26)

Investment properties

These properties comprise freehold and leasehold properties and are first measured at cost (including transaction costs), then revalued to market value at each reporting date by professional valuers. Leasehold properties are shown gross of the leasehold payables (which are accounted for as finance lease obligations). Valuation gains and losses in a period are taken to the income statement. As the Group uses the fair value model as per IAS 40, no depreciation is provided.

Development properties

These comprise properties acquired to be developed for future use as investment properties and are initially measured at cost including capitalised interest where applicable. Development properties are held at fair value on the same basis as investment properties with revaluation movements being booked in the income statement.

Trading properties

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

Property purchases and sales

Property purchases and sales are recognised on the date of unconditional exchange, or, where exchange is conditional, on the date that the conditions have been satisfied.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases where substantially all of the risks and rewards of ownership are transferred to the lessee, are classified as finance leases. All others are deemed operating leases. Under operating leases, properties leased to tenants are accounted for as investment properties. In cases where only the buildings part of a property lease qualifies as a finance lease, the land is shown as an investment property.

Revenue

Revenue includes rent, income from service charges and proceeds from the sale of trading properties.

Rental income

This includes net income from managed operations. Rentals from properties let as operating leases are recognised on a straight-line basis over the lease term. Lease incentives and initial costs to arrange leases are capitalised, then amortised on a straight-line basis over the lease term. For properties let as finance leases, 'minimum lease receipts' are apportioned between finance income and principal repayment, but receipts that were not fixed at lease inception (e.g. rent review rises), are booked as income when earned. Surrender premiums received in the period are included in rental income.

Service charges and other recoveries from tenants

These include income in relation to service charges, directly recoverable expenditure and management fees. Revenue from services is recognised by reference to the state of completion of the relevant services provided at the reporting date. Service charge income was previously presented within gross rental income, however it is now presented against property operating expenses at 31 December 2009 in order to be more consistent with industry practice. This change in presentation has also been reflected in the 31 December 2008 year comparatives with £25.3 million being reclassified in order to present results on a consistent basis. The change has had no net impact on net rental income.

Financial instruments

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest rate method.

Gross borrowing costs relating to direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowing. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

Derivative financial instruments

The Group uses derivatives (especially interest rate swaps) in managing interest rate risk, and does not use them for trading. They are recorded, and subsequently revalued, at fair value, with revaluation gains or losses being immediately taken to the income statement. The exception is for derivatives qualifying as hedges, when the treatment of the gain/loss depends upon the item being hedged. None of the Group's interest rate derivatives qualify as a hedge. However, there are USD and Euro forward currency sales that have been designated as effective net investment hedges.

Trade and other receivables and payables

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

Available-for-sale (AFS) investments

AFS investments are initially measured at cost, and then revalued to market value based on quarterly reports received from the fund manager, or other market evidence where publicly traded. Gains and losses arising from valuation are taken to equity, and then recycled through the income statement on realisation. If there is objective evidence that the asset is impaired, any cumulative loss recognised in equity is removed from equity and recognised in the income statement.

Pensions - Defined benefit schemes

The schemes' assets are measured at fair value, their obligations are calculated at discounted present value, and any net surplus or deficit is recognised in the balance sheet. Operating and financing costs are charged to the income statement, with service costs spread systematically over employees' working lives, and financing costs expensed in the period in which they arise. Actuarial gains and losses are recognised through equity in the statement of comprehensive income. Where the actuarial valuation of the scheme demonstrates that the scheme is in surplus, the recognisable asset is limited to that for which the Group can benefit in the future. Professional actuaries are used in relation to defined benefit schemes and the assumptions made are outlined in note 24.

Share-based payments

The cost of granting share options and other share-based remuneration is recognised in the income statement at their fair value at grant date. They are expensed straight-line over the vesting period, based on estimates of the shares or options that will eventually vest. Charges are reversed if it appears that performance will not be met. Options are valued using the Black-Scholes model.

2. ADJUSTED PROFIT BEFORE TAX		
	2009 £m	2008 £m
Loss before tax	(248.1)	(939.2)
Adjustments:		
Exceptional administration expenses	7.8	2.6
Loss on sale of investment and development properties	54.7	34.8
Valuation deficit on investment and development properties	271.8	975.6
Gain on sale of investment in joint ventures	(12.9)	_
Adjustments to the share of profit/(loss) from joint ventures after tax ¹	(6.1)	17.3
Gain arising from bargain purchase	(8.6)	_
Fair value gain on interest rate swaps and other derivatives	(8.4)	(3.8)
Fair value loss on interest rate swaps and other derivatives	26.3	36.6
Total adjustments	324.6	1,063.1
Adjusted profit before tax – previous reporting basis	76.5	123.9
Additional adjustments:		
Profit on sale of trading properties	(0.6)	(27.9)
Increase in provision for impairment of trading properties	16.1	4.0
Additional adjustments to the share of profit/(loss) from joint ventures after tax ¹	4.3	(9.0)
Other investment loss/(income)	8.0	(1.7)
Total additional adjustments	27.8	(34.6)
•		7
Adjusted profit before tax – recurring rental profits	104.3	89.3

^{1.} A detailed breakdown of the adjustments and additional adjustments to the share of profit/(loss) from joint ventures are included in note 9.

The adjustments outlined above arise from adopting the recommendations of the Best Practices Committee of the European Public Real Estate Association (EPRA) as appropriate or relate to exceptional items that are disclosed separately due to their size or incidence to enable better understanding of performance. The EPRA adjusted profit measure is included to enable comparison between European property companies.

'Adjusted profit before tax – previous reporting basis' relates to the Group's profit before tax adjusting for investment, development and owner occupied property gains and losses (whether realised or unrealised), fair value of derivatives gains or losses and excluding exceptional items. This approach is consistent with adjusted profit as reported in prior periods.

'Adjusted profit before tax – recurring rental profits' includes additional adjustments for trading property gains and losses (whether realised or unrealised) and other investment income. In March 2009, the Group revised its dividend policy such that, from 2009 onwards, dividends will be based upon underlying recurring rental earnings which excludes trading property gains/losses and other investment income. This approach is therefore consistent with the new dividend policy and relates to the Group's core property rental business. It is intended to adopt this approach as the Group's core 'Adjusted profit' metric for reporting purposes going forward.

3. SEGMENTAL ANALYSIS

Adoption of IFRS 8, Operating Segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has resulted in only geographical segments being disclosed on a consistent basis with prior year.

		ited Kingdom		inental Europe	2000	Group
Geographical segments	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Segment revenue	219.8	218.8	145.7	195.9	365.5	414.7
Gross rental income – investment properties	205.7	194.5	100.6	85.6	306.3	280.1
 trading properties 	1.3	_	20.8	16.0	22.1	16.0
Gross rental income	207.0	194.5	121.4	101.6	328.4	296.1
Property operating expenses – investment properties	(40.8)	(38.5)	(15.0)	(9.0)	(55.8)	(47.5)
 trading properties 	(0.2)	(0.2)	(3.0)	(3.5)	(3.2)	(3.7)
Property operating expenses	(41.0)	(38.7)	(18.0)	(12.5)	(59.0)	(51.2)
Net rental income – investment properties	164.9	156.0	85.6	76.6	250.5	232.6
 trading properties 	1.1	(0.2)	17.8	12.5	18.9	12.3
Net rental income	166.0	155.8	103.4	89.1	269.4	244.9
Administration expenses (excluding exceptional items)	(24.5)	(21.3)	(15.8)	(18.7)	(40.3)	(40.0)
Share of joint ventures' recurring rental profit after tax	2.6	1.9	0.2	(1.0)	2.8	0.9
Adjusted operating profit before interest and tax	144.1	136.4	87.8	69.4	231.9	205.8
Net finance costs	(86.9)	(63.1)	(40.7)	(53.4)	(127.6)	(116.5)
Adjusted profit before tax – recurring rental profits	57.2	73.3	47.1	16.0	104.3	89.3
Exceptional administration expenses	(7.8)	(2.6)	_	_	(7.8)	(2.6)
Adjustments to the share of profit/(loss) from joint ventures after tax ¹	1.8	(17.7)	_	9.4	1.8	(8.3)
Loss on sale of investment and development properties	(52.2)	(34.8)	(2.5)	_	(54.7)	(34.8)
Valuation deficit on investment and development properties	(100.2)	(925.5)	(171.6)	(50.1)	(271.8)	(975.6)
Gain on sale of investment in joint ventures	12.9	_	_	_	12.9	_
(Loss)/profit on sale of trading properties	(0.1)	4.0	0.7	23.9	0.6	27.9
(Increase)/decrease in provision for impairment of trading properties	(0.3)	0.6	(15.8)	(4.6)	(16.1)	(4.0)
Gain arising from bargain purchase	8.6	_	_	_	8.6	_
Other investment (loss)/income	(8.0)	1.7	_	_	(8.0)	1.7
Net fair value loss on interest rate swaps and other derivatives	(9.4)	(18.3)	(8.5)	(14.5)	(17.9)	(32.8)
Loss before tax	(97.5)	(919.3)	(150.6)	(19.9)	(248.1)	(939.2)
Summary balance sheet						
Total property assets	3,423.7	2,607.7	1,747.5	2,072.3	5,171.2	4,680.0
Net borrowings	(1,090.7)	(1,220.7)	(1,329.4)	(1,275.1)	(2,420.1)	(2,495.8)
Other net (liabilities)/assets	(425.4)	(105.1)	267.5	(69.9)	(157.9)	(175.0)
Segment net assets	1,907.6	1,281.9	685.6	727.3	2,593.2	2,009.2
Capital expenditure in the year	143.2	105.7	98.0	358.4	241.2	464.1

^{1.} A detailed breakdown of the adjustments to the share of profit/(loss) from joint ventures are included in note 9.

4. ACQUISITIONS

Brixton plc

On 24 August 2009, the Group acquired 100 per cent of the voting equity in Brixton, in a share for share exchange for £186.8 million. Brixton was previously an investor in industrial and warehousing property in the UK, listed on the London Stock Exchange. The benefits of the transaction are discussed more fully in the Financial Review on page 27.

The acquisition has been accounted for in accordance with IFRS 3, Business Combinations. A gain arose on acquisition which has been immediately credited to the income statement, shown separately as gain arising from bargain purchase. Details of the book values and the fair values of the assets and liabilities at the date of the acquisition, after making the necessary adjustments described below, are summarised as follows:

		Fair value	Fair value
	Book values £m	adjustment £m	Total £m
Non-current assets – investment properties	1,143.7	_	1,143.7
Non-current assets – other	43.7	(0.8)	42.9
Receivables	21.0	(12.1)	8.9
Cash	67.7	_	67.7
Derivatives	(134.3)	_	(134.3)
Other current liabilities	(65.0)	_	(65.0)
Non-current liabilities – debt	(873.9)	15.9	(858.0)
Deferred tax liability	(4.6)	_	(4.6)
Other non-current liabilities	(5.9)	_	(5.9)
Net assets at date of acquisition	192.4	3.0	195.4
Total consideration for net assets acquired			(186.8)
Gain arising on bargain purchase			8.6

Fair value adjustments arise on debt, receivables and non-current assets. The book value of Brixton bonds was based on amortised cost at acquisition and therefore adjusted to fair value. Fair value was ascertained using comparable instruments actively traded. Receivables have been adjusted in respect of tenant incentive balances for rent free periods and letting fees paid prior to acquisition being written off. Receivables are stated net of £0.8 million bad debt provision. The non-current assets adjustment is in relation to the carrying value of joint ventures where tenant incentive balances have been adjusted as described above and the write off of Group's share of capitalised finance costs.

The enterprise value of the acquisition is £1,111.4 million and is calculated by adding back net debt and derivatives to total consideration for net assets acquired.

Consideration is made up as follows:

	£m
Market value of shares issued in exchange for net assets	173.8
Expenses paid	13.0
Total consideration for net assets acquired	186.8
Less non-cash consideration	(173.8)
Less cash acquired	(67.7)
Net cash inflow arising on acquisition	(54.7)
Settlement of bank borrowings	245.0
Buy back of bonds	262.7
Settlement of derivatives	126.3
Net cash outflow arising on closing out Brixton debt and derivatives	634.0

4. ACQUISITIONS (CONTINUED)

If the acquisition had been made at the beginning of the year, the results of continuing operations would have been as follows:

	Continuing		
	Group results*	Pre-acquisition	Total
	£m	£m	£m
Revenue	365.5	52.5	418.0
Loss before tax	(248.1)	(403.3)	(651.4)
Tax	14.0	(13.6)	0.4
Loss after tax	(234.1)	(416.9)	(651.0)

^{*} The Group results include the post-acquisition results of Brixton. The profit before tax of Brixton, since the date of acquisition to 31 December 2009, amounts to £100.0 million. There were no recognised gains or losses in the period other than the profit attributable to shareholders.

5. REVENUE		
	2009 £m	2008 £m
Rental income received from investment properties	295.8	264.0
Rental income from short term licences	0.5	0.9
Rent averaging	5.7	4.9
Surrender premiums	3.6	9.5
Interest received on finance lease assets	0.7	8.0
Investment property rental income	306.3	280.1
Trading property rental income	22.1	16.0
Gross rental income	328.4	296.1
Service charge income	30.2	25.3
Proceeds from sale of trading properties	6.9	93.3
Total revenue	365.5	414.7

6. OTHER INVESTMENT (LOSS)/INCOME		
	2009 £m	2008 £m
Net (loss)/profit on available-for-sale investments	(2.0)	0.3
Transfer of fair value surplus realised on sale of available-for-sale investments	3.0	1.2
Impairment of available-for-sale investments – in the year	(8.0)	_
 recycled from reserves 	(1.0)	_
Dividends from available-for-sale investments	_	0.2
Total other investment (loss)/income	(8.0)	1.7

7. ADMINISTRATION EXPENSES

7(i) - Total administration expenses

	2009 £m	2008 £m
Directors' remuneration	3.6	3.7
Depreciation	2.1	2.0
Other administration expenses	34.6	34.3
Administration expenses – excluding exceptional items	40.3	40.0
Exceptional administration expenses	7.8	2.6
Total administration expenses	48.1	42.6

Exceptional administration expenses in 2009 relate to one-off integration costs in relation to the acquisition of Brixton. Exceptional administration expenses in 2008 relate to costs incurred as a result of the business restructure that occurred in September of that year.

The full 2009 depreciation charge, including amounts charged under other headings, is £2.8 million (2008 £3.1 million), and relates to assets owned by the Group. Other administration expenses include the cost of services of the Group's auditor, as described below.

7(ii) - Fees in relation to audit and other services

Services provided by the Group's auditor

	2009	2008
	£m	£m
Audit services:		
Parent company	0.5	0.4
Subsidiary undertakings	0.4	0.2
	0.9	0.6
Amounts for statutory and regulatory filings	1.0	0.1
Audit and audit related services	1.9	0.7
Other services:		
Taxation	0.5	0.7
Other	_	0.7
Total fees in relation to audit and other services	2.4	2.1

Amounts for statutory and regulatory filings in 2009 include fees in respect of work performed in relation to the rights issue and acquisition of Brixton.

Other services in 2008 include fees of £0.6 million for services provided by Deloitte that were contracted prior to their appointment as auditor and relate primarily to assistance with internal system projects. The policy regarding non-audit fees is discussed further in the Corporate Governance Report on page 67.

7(iii) - Staff costs

Employees' staff costs were:

	2009	2008
	£m	£m
Wages and salaries	25.6	26.1
Social security costs	4.3	4.3
Pension costs	1.6	2.4
Share scheme costs	1.0	(1.4)
Termination benefits	4.7	2.3
Total	37.2	33.7
Average number of Group employees	318	348

Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement and those specified by the Financial Services Authority are included on pages 68 to 77 in the Remuneration Report and form part of these financial statements.

The aggregate remuneration of employees of the Company is £3.6 million (2008 £3.7 million). All the Executive Directors are employees of SEGRO plc.

8. PROPERTY (LOSS)/GAIN 2009 2008 Loss on sale of investment and development properties (54.7)(34.8)Valuation deficit on investment and development (from 1 January 2009) properties (271.2)(975.5)Valuation deficit on owner occupied properties (0.6)(0.1)Profit on sale of trading properties 0.6 27.9 Increase in provision for impairment of trading properties (4.0)(16.1)Total property loss per income statement (342.0)(986.5)Valuation surplus on development properties (prior to 1 January 2009) 18.0 Valuation deficit on owner occupied properties (2.0)(2.1)Total property (loss)/profit – other comprehensive income (2.0)15.9 Total property loss (344.0)(970.6)

8. PROPERTY (LOSS)/GAIN (CONTINUED)

Total property loss is broken down between realised and unrealised as follows:

	2009	2008
	£m	£m
Realised loss	(54.1)	(6.9)
Unrealised loss	(289.9)	(963.7)

Previously, development properties were accounted for under IAS 16, but are now accounted for under IAS 40. This change has meant that with effect from 1 January 2009, revaluation surpluses and deficits on development properties are now recognised in the income statement rather than equity. There is no impact on previously reported figures in respect of this change, as prior year comparatives are not required to be restated.

For further details on the Group's portfolio, including details of the property gains and losses, please refer to the Property Analysis booklet available at www.SEGRO.com/SEGRO/investors. The information on the Property Analysis booklet is unaudited and does not form part of the financial statements.

9. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

9(i) - Share of profit/(loss) from joint ventures after tax

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

	Helio Slough Limited £m	Shopping Centres Limited £m	Colnbrook Industrial Ltd Partnership £m	Heathrow Big Box Industrial and Distribution Fund £m	Other £m	2009 £m	2008 £m
Gross rental income	0.4	5.7	0.8	2.5	3.5	12.9	9.4
Property operating expenses	(1.4)	(0.4)	(0.1)	(0.1)	(0.6)	(2.6)	(2.2)
Net rental income	(1.0)	5.3	0.7	2.4	2.9	10.3	7.2
Net finance costs	(0.7)	(2.9)	_	(0.9)	(1.6)	(6.1)	(5.6)
Adjusted profit/(loss) before tax	(1.7)	2.4	0.7	1.5	1.3	4.2	1.6
Tax on adjusted operating profit/(loss)	_	(0.7)	_	_	(0.7)	(1.4)	(0.7)
Adjusted profit/(loss) after tax	(1.7)	1.7	0.7	1.5	0.6	2.8	0.9
Adjustments – previous reporting basis							
Profit on sale of investment and development properties	_	_	_	_	1.7	1.7	_
Valuation surplus/(deficit) on investment							
and development properties	_	_	(0.5)	5.3	(0.3)	4.5	(20.5)
Net fair value (loss)/gain on interest rate swaps							
and other derivatives	_	_	_	(0.5)	0.2	(0.3)	_
Tax on adjustments	_	_	_	_	0.2	0.2	3.2
Total adjustments – previous reporting basis	-		(0.5)	4.8	1.8	6.1	(17.3)
Additional adjustments							
(Loss)/profit on sale of trading properties	(0.3)	_	_	_	0.1	(0.2)	16.7
Increase in provision for impairment of trading properties	(4.0)	_	_	_	(0.1)	(4.1)	(3.3)
Tax on additional adjustments	_	_	_	_	_	_	(4.4)
Total additional adjustments	(4.3)	_	_	_	_	(4.3)	9.0
Total adjustments	(4.3)	_	(0.5)	4.8	1.8	1.8	(8.3)
Profit/(loss) after tax	(6.0)	1.7	0.2	6.3	2.4	4.6	(7.4)

Trading properties held by joint ventures were externally valued resulting in an increase in the provision for impairment of £4.1 million (2008 £3.3 million). Based on the fair value at 31 December 2009, the Group's share of joint ventures' trading property portfolio has an unrecognised surplus of £5.0 million (2008 £10.7 million).

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

	Helio Slough	SAS Portes	Colnbrook Industrial Ltd	Box Industrial and Distribution			
	Limited £m	de France £m	Partnership £m	Fund £m	Other £m	2009 £m	2008 £m
Investment and development properties	-	_	11.3	84.1	4.9	100.3	94.5
Total non-current assets	-	_	11.3	84.1	4.9	100.3	94.5
Trading properties	7.8	_	_	_	34.9	42.7	47.2
Other receivables	0.1	0.3	0.2	0.7	7.6	8.9	8.7
Cash	-	1.1	0.4	1.2	0.7	3.4	29.7
Total current assets	7.9	1.4	0.6	1.9	43.2	55.0	85.6
Total assets	7.9	1.4	11.9	86.0	48.1	155.3	180.1
Borrowings	_	_	_	45.0	0.7	45.7	76.8
Deferred tax	-	_	_	_	1.3	1.3	8.6
Other liabilities	1.6	_	_	_	6.3	7.9	0.3
Total non-current liabilities	1.6		_	45.0	8.3	54.9	85.7
Borrowings	_	_	_	1.0	13.0	14.0	4.3
Other liabilities	1.2	1.1	0.3	2.2	2.3	7.1	22.6
Total current liabilities	1.2	1.1	0.3	3.2	15.3	21.1	26.9
Total liabilities	2.8	1.1	0.3	48.2	23.6	76.0	112.6
Group's share of net assets	5.1	0.3	11.6	37.8	24.5	79.3	67.5
9(iii) - Investments by the Group							
					_	2009 £m	2008 £m
Cost or valuation at 1 January						67.5	73.4
Exchange movement						(3.4)	7.6
Acquisition						42.4	_
Disposals						(12.2)	(0.5)
Loan (repayments)/additions						(6.7)	0.7
Dividends received						(12.9)	(6.3)
Share of profit/(loss) after tax						4.6	(7.4)
Cost or valuation at 31 December						79.3	67.5

Heathrow Big

The amount of loans advanced by the Group to joint ventures is £152.0 million (2008 £49.5 million). The Group's investment (50 per cent stake) in Shopping Centres Limited was sold in December 2009 for net proceeds of £25.1 million, resulting in a profit on sale of £12.9 million.

9(iv) - Investments by the Company

	Subsidiaries 2009 £m	Joint ventures 2009 £m	Subsidiaries 2008 £m	Joint ventures 2008 £m
Cost or valuation at 1 January	3,840.4	5.5	3,800.8	5.5
Exchange movement	(18.6)	_	123.4	_
Additions	490.7	_	203.2	_
Disposals	_	(5.5)	_	_
Net loan movement	650.3	_	(69.1)	_
Decrease/(increase) in provision for investments and loans in the income statement	27.5	_	(217.9)	_
Cost or valuation at 31 December	4,990.3	_	3,840.4	5.5

10. FINANCE INCOME		
	2009 £m	2008 £m
Interest received on bank deposits	3.7	10.2
Fair value gain on interest rate swaps and other derivatives	8.4	3.8
Return on pension assets less unwinding of discount on pension liabilities	_	1.0
Exchange differences	1.5	0.1
	13.6	15.1

11. FINANCE COSTS

	2009 £m	2008 £m
Interest on overdrafts and loans	139.5	134.2
Unwinding of discount on the pension liabilities less return on assets	0.2	0.1
Total borrowing costs	139.7	134.3
Less amounts capitalised on the development of properties	(6.9)	(6.5)
Net borrowing costs	132.8	127.8
Fair value loss on interest rate swaps and other derivatives	26.3	36.6
Total finance costs	159.1	164.4

The interest capitalisation rates for 2009 were: UK 6.25 per cent (2008 6.25 per cent) and in Continental Europe, rates ranging from 1.7 per cent to 5.0 per cent (2008 3.33 per cent to 6.07 per cent). Interest is capitalised gross of tax relief.

12. TAX

12(i) - Tax on loss

	2009 £m	2008 £m
Tax on		
Adjusted profit before tax – recurring rental profits	1.5	3.3
Trading property sales and impairment and other investment income	0.2	0.7
Investment property sales and revaluations and fair value of derivatives	(15.7)	(5.1)
Total tax credit	(14.0)	(1.1)
Current tax		
United Kingdom		
Adjustments in respect of earlier years	_	0.1
	_	0.1
International		
Current tax charge	3.1	3.4
SIIC conversion charge	_	1.2
Adjustments in respect of earlier years	1.1	_
	4.2	4.6
Total current tax charge	4.2	4.7
Deferred tax		
Released on conversion to SIIC/REIT in respect of investment properties	_	(1.1)
Origination and reversal of temporary differences	6.4	5.4
Released in respect of property disposals in the year	(4.4)	(0.6)
On valuation movements	(22.7)	(7.1)
Total deferred tax in respect of investment properties	(20.7)	(3.4)
Other deferred tax	2.5	(2.4)
Total deferred tax credit	(18.2)	(5.8)
Total tax credit on loss on ordinary activities	(14.0)	(1.1)

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

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

	2009 £m	2008 £m
Loss on ordinary activities before tax	(248.1)	(939.2)
Add back valuation deficit in respect of UK properties not taxable	100.2	925.4
	(147.9)	(13.8)
Multiplied by standard rate of UK corporation tax of 28 per cent (2008 28.5 per cent)*	(41.4)	(3.9)
Effects of:		
Release of deferred tax provision on conversion to SIIC/REIT	_	(1.1)
SIIC/REIT conversion charge	_	1.2
Exempt SIIC & REIT losses/(gains)	11.5	(0.9)
Permanent differences	(0.1)	(8.0)
(Profit)/loss on joint ventures already taxed	(1.2)	2.1
Higher tax rates on international earnings	2.7	(0.6)
Adjustments in respect of earlier years and assets not recognised	14.5	2.9
Total tax credit on loss on ordinary activities	(14.0)	(1.1)

^{*} The UK corporation tax rate is 28 per cent for the year to 31 December 2009. The UK corporation tax rate changed from 30 per cent to 28 per cent on 1 April 2008 and a blended rate has been used for the full year to 31 December 2008.

12(iii) – 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.

13. DIVIDENDS

	2009 £m	2008 £m
Ordinary dividends paid	Lill	
Interim dividend for 2009 @ 4.6 pence per share	31.6	_
Final dividend for 2008 @ 5.4 pence per share	23.4	_
Interim dividend for 2008 @ 8.3 pence per share	_	36.1
Final dividend for 2007 @ 14.7 pence per share	_	63.9
	55.0	100.0

The Board has proposed a final dividend for 2009 of 9.4 pence (2008 5.4 pence) which will result in further distribution of £69.0 million (2008 £23.4 million). The total dividend paid and proposed per share in respect of the year ended 31 December 2009 is 14.0 pence (2008 13.7 pence). The comparative per share data is based on the actual number of shares in issue at the time.

14. EARNINGS AND NET ASSETS PER SHARE

The earnings per share calculations use the weighted average number of shares and the net assets per share calculations use the number of shares in issue at year end. Both earnings per share and net assets per share calculations exclude 1.3 million shares held on trust for employee share schemes (2008 1.5 million).

On 7 April 2009, the Company issued 5,240.7 million new ordinary shares (pre-share consolidation) through a rights issue. The rights issue was offered at 10 pence per share and represented a discount to the fair value of the existing shares. The number of shares used for prior year calculations of earnings per share and net assets per share shown below have been adjusted for the discounted rights issue in order to provide a comparable basis for the current year. An adjustment factor of 6.92 has been applied based on the Company's share price of 136.5 pence per share on 20 March 2009, the day before the new shares commenced trading on the London Stock Exchange and the theoretical ex-rights price at that date of 19.73 pence per share. In addition, the impact of the 10 for 1 share consolidation has also resulted in an adjustment to the prior period comparables. Note 25 provides further detail on the rights issue and the share consolidation. As discussed in note 1, these adjustments to comparative earnings per share and net assets per share calculations have not impacted the income statement or balance sheet and therefore, since it has not changed from the previously presented figures, a balance sheet at 31 December 2007 has not been shown.

14. EARNINGS AND NET ASSETS PER SHARE (CONTINUED)

14(i) – Earnings per ordinary share

		2009			2008	
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	(233.1)	563.8	(41.3)	(938.1)	300.5	(312.2)
Dilution adjustments:						
Share options and save as you earn schemes	_	0.2	_	_	_	_
Diluted EPS	(233.1)	564.0	(41.3)	(938.1)	300.5	(312.2)
Adjusted EPS				-		
Adjustments to profit before tax*	324.6		57.6	1,063.1		353.8
SIIC conversion charge	_		_	1.2		0.4
Deferred tax on investment and development property which						
does not crystallise unless sold	(14.4)		(2.6)	(3.4)		(1.1)
Other deferred tax	(1.8)		(0.3)	(1.7)		(0.6)
Other current tax	0.5		0.1	_		_
Minority interest on adjustments	(0.4)		(0.1)	0.4		0.1
Adjusted EPS – previous reporting basis – diluted	75.4		13.4	121.5		40.4
Additional adjustments *	27.8		4.9	(34.6)		(11.5)
Tax on additional adjustments	0.2		_	0.7		0.2
Adjusted EPS – recurring rental profits – diluted	103.4	564.0	18.3	87.6	300.5	29.1

^{*} See note 2 for explanation of basis of adjustments.

The adjusted EPS calculation is the same for both diluted and basic for the previous reporting basis and the recurring rental profits basis.

14(ii) – Net assets per share

14(II) - Net assets per stidie					2000	
	Equity attributable to ordinary shareholders £m	Shares million	Pence per share	Equity attributable to ordinary shareholders £m	2008 Shares million	Pence per share
Basic NAV	2,592.5	733.0	354	2,007.5	300.7	668
Dilution adjustments:						
Share options and save as you earn schemes	_	0.2	_	_	_	_
Diluted NAV	2,592.5	733.2	354	2,007.5	300.7	668
Adjusted NAV						
Adjustments for deferred tax on investment properties:						
– depreciation	54.6		7	53.6		18
 valuation surpluses 	5.5		1	33.8		12
Adjusted diluted NAV	2,652.6	733.2	362	2,094.9	300.7	698
Adjusted basic NAV	2,652.6	733.0	362	2,094.9	300.7	698
Triple net NAV (NNNAV)						
Fair value adjustment in respect of debt	38.0		5	409.0		136
Tax effect of fair value adjustment in respect of debt	(10.6)		(1)	(116.6)		(39)
Deferred tax in respect of depreciation	(54.6)		(7)	(53.6)		(18)
Deferred tax in respect of valuation surpluses	(5.5)		(1)	(33.8)		(12)
Fair value adjustment in respect of trading properties	27.1		4	50.2		17
Diluted triple net NAV (NNNAV)	2,647.0	733.2	362	2,350.1	300.7	782
Basic triple net NAV (NNNAV)	2,647.0	733.0	362	2,350.1	300.7	782

As noted above, the number of shares used in the prior period net assets per share calculations have been adjusted for the rights issue (using an adjustment factor of 6.92) and the share consolidation. Net assets per share previously reported at 31 December 2008 were 462 pence and 482 pence for diluted and adjusted diluted, respectively. On a pro forma basis adjusting for the effects of the rights issue as if it had occurred on 31 December 2008, net assets per share at that date would be 443 pence and 459 pence for diluted and adjusted diluted, respectively.

15(i) – Investment and development properties			
	Investment £m	Development £m	Total £m
At 1 January 2008	4,450.5	276.4	4,726.9
Exchange movement	314.4	59.1	373.5
Acquisitions	118.6	22.3	140.9
Additions	125.0	97.4	222.4
Disposals	(234.7)	_	(234.7)
Transfers between investment and development properties	78.1	(78.1)	_
Transfer from trading properties	_	(1.9)	(1.9)
Revaluation deficit during the year	(916.9)	(40.6)	(957.5)
At 31 December 2008	3,935.0	334.6	4,269.6
Add tenant lease incentives, letting fees and rental guarantees	41.5	_	41.5
	3,976.5	334.6	4,311.1
At 1 January 2009	3,935.0	334.6	4,269.6
Reclassification	(105.9)	105.9	_
Exchange movement	(101.3)	(18.6)	(119.9)
Acquisitions arising from business combinations	1,105.4	36.8	1,142.2
Other acquisitions	-	49.7	49.7
Additions	9.0	152.3	161.3
Disposals	(445.3)	(8.0)	(453.3)
Transfers to investment property on completion of development	191.4	(191.4)	_
Revaluation deficit during the year	(204.6)	(66.6)	(271.2)
At 31 December 2009	4,383.7	394.7	4,778.4
Add tenant lease incentives, letting fees and rental guarantees	46.9	_	46.9
	4.430.6	394.7	4.825.3

For further details on the Group's portfolio, please refer to the Property Analysis booklet available at www.SEGRO.com/SEGRO/investors. The information in the Property Analysis booklet is unaudited and does not form part of the financial statements.

Investment, development and owner occupied properties are stated at market value as at 31 December 2009 based on external valuations performed by professionally qualified valuers. In prior periods, the Group's wholly owned property portfolio was valued by DTZ Debenham Tie Leung ("DTZ") and CB Richard Ellis, however DTZ were appointed as sole external valuer of the wholly owned portfolio for the 31 December 2009 valuations. Valuations for some of the joint venture properties within the UK portfolio were performed by King Sturge and Colliers CRE at 31 December 2009 (consistent with prior years). The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties.

DTZ, CB Richard Ellis, Colliers CRE and King Sturge also undertake some professional and letting work on behalf of the Group, although this is limited in relation to the activities of the Group as a whole. All four firms have advised us that the total fees paid by the Group represent less than 5 per cent of their total revenue in any year.

From 1 January 2009, all development properties are accounted for under IAS 40 (see note 1). As a result, properties under development that were previously classified as investment property have been reclassified to development property so that all properties being developed are grouped together.

Development properties includes land available for development, land under development and construction in progress.

The historical cost of investment and development properties was £4,660.4 million (2008 £3,732.9 million) and the cumulative valuation surplus at 31 December 2009 amounted to £164.9 million (2008 £578.2 million).

Long-term leasehold values within investment properties amount to £9.8 million (2008 £11.2 million). All other properties are freehold.

Net rental income in the period from rented investment properties was £290.7 million (2008 £236.6 million).

Prepaid operating lease incentives at 31 December 2009 were £32.7 million (2008 £31.1 million).

15. PROPERTIES (CONTINUED)

15(ii) - Trading properties

	UK £m	Continental Europe £m	Total £m
2009		-	
Completed properties	9.0	240.3	249.3
Development properties	16.4	72.1	88.5
At 31 December 2009	25.4	312.4	337.8
2008			
Completed properties	10.9	271.8	282.7
Development properties	0.9	74.2	75.1
At 31 December 2008	11.8	346.0	357.8

Development properties include land available for development, land under development and construction in progress.

Trading properties were externally valued resulting in an increase in the provision for impairment of £16.1 million (2008 £4.0 million). Based on the fair value at 31 December 2009, the portfolio has an unrecognised surplus of £22.1 million (2008 £39.5 million).

16. FINANCE LEASE RECEIVABLES

The Group has leased out a number of investment properties under finance leases. These are presented as finance lease receivables rather than investment properties. A reconciliation between finance lease receivables and the present value of the minimum lease payments receivable at the balance sheet date is as follows:

	Minimu	Minimum lease payments		alue of minimum
	2009	2008	2009	2008
	£m	£m	£m	£m
Amounts receivable under finance leases:				
Within one year	0.7	1.0	_	0.2
In the second to fifth years inclusive	3.1	3.6	0.4	0.6
Later than five years	21.3	25.2	8.5	9.6
	25.1	29.8	8.9	10.4
Less unearned finance income	(16.2)	(19.4)	n/a	n/a
Present value of minimum lease payments receivable	8.9	10.4	8.9	10.4
Analysed as :				
Non-current finance lease receivables	24.4	28.8	8.9	10.2
Current finance lease receivables	0.7	1.0	_	0.2
	25.1	29.8	8.9	10.4

The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at 31 December 2009 is 7.8 per cent (2008 7.7 per cent).

At 31 December 2009, the fair value of the Group's finance lease receivables is £8.9 million (2008 £10.4 million), while the unguaranteed residual values of assets leased under finance leases are estimated at £1.8 million (2008 £2.4 million).

17. AVAILABLE-FOR-SALE INVESTMENTS		
	2009	2008
	£m	£m
Valuation at 1 January	41.9	39.5
Exchange movement	(3.7)	11.0
Additions	2.3	3.8
Fair value movement – Income statement	(8.0)	_
 Other comprehensive income 	_	(3.8)
Disposals and return of capital	(6.6)	(8.6)
Valuation at 31 December	25.9	41.9

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

18. TRADE AND OTHER RECEIVABLES

		Group	C	Company
	2009 £m	2008 £m	2009 £m	2008 £m
Current				
Trade receivables	53.2	54.4	0.1	0.6
Other receivables	12.0	27.9	_	_
Prepayments and accrued income	26.4	40.4	_	_
Fair value of interest rate swaps – non hedge	_	0.7	_	_
Fair value of forward foreign exchange contracts – non hedge	8.2	0.1	8.2	0.2
Fair value of forward foreign exchange contracts – hedge	_	0.1	_	_
Amounts due from subsidiaries	_	_	6.3	10.4
Amounts due from related parties	9.2	12.4	18.3	10.9
	109.0	136.0	32.9	22.1
Non-current				
Other receivables	0.2	0.2	_	_
Total trade and other receivables	109.2	136.2	32.9	22.1

Group trade receivables are net of provisions for doubtful debts of £3.8 million (2008 £2.7 million).

19. CASH AND CASH EQUIVALENTS

		Group	Company		
	2009 2008		2009	2008	
	£m	£m	£m	£m	
Bank balance	53.6	39.4	0.3	0.3	
Call deposits	59.1	126.4	18.0	1.0	
Cash and cash equivalents	112.7	165.8	18.3	1.3	

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.

20. BORROWINGS

20(i) - Borrowings by type

20(i) – borrowings by type		Group		Company
	2009 £m	2008 £m	2009 £m	2008
Secured Borrowings:	£M	£M	£M	£m
Euro mortgages (repayable within 1 year)	30.7	38.9	_	_
Euro mortgages 2011 to 2014	24.4	25.9	_	_
Euro mortgages 2015 to 2027	39.6	44.0	_	_
Total secured (on land, buildings and other assets)	94.7	108.8	-	_
Unsecured Borrowings:				
Bonds				
6.0% bonds 2010	17.3	_	_	_
7.125% bonds 2010	124.9	124.7	124.9	124.7
5.25% bonds 2015	134.7	_	_	_
6.25% bonds 2015	148.6	148.5	148.6	148.5
5.5% bonds 2018	198.3	198.1	198.3	198.1
6.0% bonds 2019	198.8	_	_	_
5.625% bonds 2020	247.3	247.1	247.3	247.1
6.75% bonds 2021	296.2	_	296.2	_
7.0% bonds 2022	148.9	148.9	148.9	148.9
6.75% bonds 2024	221.1	221.0	221.1	221.0
5.75% bonds 2035	198.0	198.0	198.0	198.0
Notes				
6.0% unsecured loan notes 2010	5.2	5.2	_	_
6.417% euro notes 2011	44.1	47.6	_	_
	1,983.4	1,339.1	1,583.3	1,286.3
Bank loans and overdrafts	454.4	1,213.4	282.7	438.6
Preference shares held by subsidiary	0.3	0.3	_	_
Total unsecured	2,438.1	2,552.8	1,866.0	1,724.9
Total borrowings	2,532.8	2,661.6	1,866.0	1,724.9

The maturity profile of borrowings is as follows:

		Group	Company		
Maturity profile of debt	2009 £m	2008 £m	2009 £m	2008 £m	
In one year or less	345.2	86.3	273.3	_	
In more than one year but less than two	188.6	373.9	49.7	145.3	
In more than two years but less than five	167.2	995.5	84.6	418.0	
In more than five years but less than ten	718.6	389.4	346.9	346.6	
In more than ten years	1,113.2	816.5	1,111.5	815.0	
Total debt	2,532.8	2,661.6	1,866.0	1,724.9	

	Group		Company		
Maturity profile of undrawn borrowing facilities	2009 £m	2008 £m	2009 £m	2008 £m	
In one year or less	101.3	85.1	18.7	14.3	
In more than one year but less than two	173.7	28.7	173.7	20.0	
In more than two years	314.6	497.9	101.3	467.0	
Total available undrawn borrowing facilities	589.6	611.7	293.7	501.3	

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 32.

20(ii) – Borrowings by interest rates

The interest rate profile of Group and Company debt was as follows:

		31 December 2009						31 December 2008				
Interest rate profile – Group	Fixed Rate %	Fixed Period Years	Fixed Debt £m	Variable Debt £m	Total £m	Fixed Rate %	Fixed Period Years	Fixed Debt £m	Variable Debt £m	Total £m		
Borrowings	Weighte	d averag	ge after into	erest rate s	swaps	Weight	ed avera	ge after inte	erest rate si	waps		
Sterling	6.16	11.4	1,639.3	300.7	1,940.0	6.19	12.3	1,291.5	0.7	1,292.2		
Euros	5.24	3.8	339.6	227.8	567.4	4.56	2.7	1,074.5	284.1	1,358.6		
US dollars	_	_	_	25.1	25.1	_	_	_	10.5	10.5		
Subsidiary preference shares	_	_	0.3	_	0.3	_	_	0.3	_	0.3		
Total borrowings	6.00	10.1	1,979.2	553.6	2,532.8	5.45	8.0	2,366.3	295.3	2,661.6		
Cash and deposits												
Sterling				(41.7)	(41.7)				(100.6)	(100.6)		
Euros				(49.1)	(49.1)				(26.6)	(26.6)		
US dollars				(11.2)	(11.2)				(13.6)	(13.6)		
Canadian dollars				(1.6)	(1.6)				(1.7)	(1.7)		
Polish Zloty				(9.1)	(9.1)				(23.3)	(23.3)		
Total cash and deposits				(112.7)	(112.7)				(165.8)	(165.8)		
Net borrowings			1,979.2	440.9	2,420.1			2,366.3	129.5	2,495.8		

			31 December 2	009			31 December 2008			
	Fixed	Fixed	Fixed	Variable		Fixed	Fixed	Fixed	Variable	
Interest rate profile – Company	Rate %	Period Years	Debt £m	Debt £m	Total £m	Rate %	Period Years	Debt fm	Debt £m	Total £m
Borrowings	weighte	a averag	e after inte	rest rate	swaps	vveigr	ited avera	ge after inte	rest rate sv	waps
Sterling	6.21	12.4	1,283.4	300.0	1,583.4	6.20	12.3	1,286.3	_	1,286.3
Euros	2.62	5.0	44.2	213.5	257.7	4.43	2.6	425.7	2.4	428.1
US dollars	_	_	_	24.9	24.9	_	_	_	10.5	10.5
Total borrowings	6.08	12.1	1,327.6	538.4	1,866.0	5.76	8.8	1,712.0	12.9	1,724.9
Cash and deposits										
Sterling				(18.0)	(18.0)				(0.1)	(0.1)
Euros				(0.3)	(0.3)				(1.2)	(1.2)
Total cash and deposits				(18.3)	(18.3)				(1.3)	(1.3)
Net borrowings			1,327.6	520.1	1,847.7			1,712.0	11.6	1,723.6

21. FINANCIAL INSTRUMENTS AND FAIR VALUES

Categories of financial instruments

Financial assets in the Group comprise forward foreign exchange contracts which are categorised as derivatives designated as fair value through the income statement (non hedge). Financial assets also include finance lease receivables, available-for-sale investments and cash and cash equivalents, which are all classified as other financial assets.

Financial liabilities in the Group comprise interest rate swaps which are categorised as fair value through the income statement (non hedge). Financial liabilities also include secured bank loans, unsecured bond issues, unsecured loan notes, bank loans and overdrafts and preference shares, all of which are categorised as debt at amortised cost, and trade and other payables, provisions and current tax liabilities, which are classified as other financial liabilities.

The carrying values of these financial assets and liabilities approximate their fair value, with the exception of unsecured bond issues, secured bank loans and unsecured loan notes. At 31 December 2009 the fair value of £1,934.1 million of unsecured bond issues was £1,892.8 million (2008 £1,286.3 million compared to £875.8 million fair value), the fair value of £94.7 million of secured bank loans was £97.5 million (2008 £108.8 million compared to £109.2 million fair value), and the fair value of £49.3 million of unsecured loans was £49.8 million (2008 £52.8 million compared to £53.9 million fair value).

21. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

The fair values of financial assets and financial liabilities are determined as follows:

- Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair value of non-derivative financial assets and financial liabilities traded on active liquid markets are determined with reference to the quoted market prices. Unlisted investments, such as those classified as available-for-sale investments, are typically valued by the Fund Manager based on the amount at which the asset would be exchanged between knowledgeable, willing parties in an arms length transaction. The methodology used to estimate fair value will depend on the nature and facts and circumstances of the investment but use one of the following bases: transaction value, earnings multiple, net assets, price of recent investment and sale price, where appropriate a marketability discount will be applied.
- Financial guarantees are issued by the Parent entity to support bank borrowings of 100 per cent owned subsidiary companies domiciled overseas. The face value of these borrowings is already included in the Group balance sheet. As the borrowing entity will have unencumbered directly owned property assets exceeding the value of the guaranteed borrowings the probability of the Parent entity having to recognise any loss in respect to these guarantees is considered to be highly unlikely. Hence no fair value liability has been ascribed to these guarantees in the accounts of the Parent entity.

Fair value measurements recognised in the balance sheet

The Group and Company financial instruments that are measured subsequent to initial recognition at fair value are available-for-sale assets, forward exchange contracts and interest rate swaps as detailed in notes 17, 18 and 23. All of these financial instruments would be classified as Level 2 fair value measurements, as defined by IFRS 7, being those derived from inputs other than quoted prices (included within Level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There were no transfers between categories in the current or prior year.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns and as such it aims to maintain a prudent mix between debt and equity financing. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued capital, reserves and retained earnings as disclosed in the statement of changes in equity and notes 25 to 27. Debt primarily comprises long-term debt issues and drawings against medium-term committed revolving credit facilities from banks as disclosed in note 20.

The Group is not subject to externally imposed capital requirements.

Foreign currency risk management

The Group does not have any regular transactional foreign currency exposures as it does not have any regular business involving cross border currency flows. However, it does have operations in Europe which transact business denominated mostly in euros. Hence there is currency exposure caused by translating the local trading performance and local net assets into sterling for each financial period and at each balance sheet date.

The Group's approach to managing balance sheet translation exposure is described in the Foreign Currency Translation Exposure section in the Financial Review on page 33.

The Group's balance sheet translation exposure is summarised below:

Group	Euros £m	US dollars £m	Total £m	Euros £m	US dollars £m	Total £m
Gross currency assets	1,867.5	32.4	1,899.9	2,054.9	35.7	2,090.6
Gross currency liabilities	(1,315.8)	(24.9)	(1,340.7)	(1,791.0)	(27.6)	(1,818.6)
Net exposure	551.7	7.5	559.2	263.9	8.1	272.0
Company						
Gross currency assets	871.4	_	871.4	433.5	_	433.5
Gross currency liabilities	(870.4)	(24.9)	(895.3)	(859.6)	(27.6)	(887.2)
Net exposure	1.0	(24.9)	(23.9)	(426.1)	(27.6)	(453.7)

2009 gross currency liabilities include USD40.3 million (£24.9 million) designated as a net investment hedge.

2008 gross currency liabilities include EUR455.7 million (£434.0 million) and USD40.3 million (£27.6 million) designated as net investment hedges.

Foreign currency sensitivity analysis

The Group's main currency exposure is the euro. The blended sensitivity of the net assets of the Group to a 10 per cent change in the value of sterling against the relevant currencies is £62.1 million (2008 £30.2 million), with a sensitivity of £61.3 million against the euro (2008 £29.3 million) and £0.8 million against the US dollar (2008 £0.9 million).

For the Company, the blended sensitivity is £2.9 million (2008 £50.4 million) with a sensitivity of £0.1 million against the euro (2008 £47.3 million) and £2.8 million against the US dollar (2008 £3.1 million).

Forward foreign exchange contracts

In the current year, the Group has entered into various forward sales and currency swap contracts that are effectively cash flow hedges, using the surplus cash in one currency to temporarily fund paying off debt in another currency. These have not been designated as hedges and as a consequence their change in fair value is taken through the income statement.

The following table details the forward foreign exchange contracts outstanding as at the year end:

	Currency contract (local							
		e exchange rates		currency)		ontract value	Fair value	
	2009 rate	2008 rate	2009 m	2008 m	2009 £m	2008 £m	2009 £m	2008 £m
Group								
Cash flow hedges								
<u> </u>	4.44	1 20	(00 F	242.7	(00.4	221.1	0.0	(20.0)
Sell euros (buy sterling)	1.11	1.20	688.5	242.7	609.4	231.1	8.2	(28.0)
Net investment hedges								
Sell euros (buy sterling)	_	1.23	_	209.7	_	199.8	_	(29.1)
Sell US dollars (buy sterling)	_	1.45	_	25.0	_	17.1	_	0.1
sen es aenars (su) stermig,				20.0		.,,,,	8.2	(57.0)
Company							0.2	(37.0)
Company								
Cash flow hedges								
Sell euros (buy sterling)	1.11	1.21	688.5	452.4	609.4	430.9	8.2	(57.1)
Sell US dollars (buy sterling)	_	1.45	_	25.0	_	17.1	_	0.1
							8.2	(57.0)

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings. The current Group policy states that around 60 to 100 per cent of borrowings should be at fixed rate provided by long-term debt issues attracting a fixed coupon or from floating rate bank borrowings converted into fixed rate or hedged via interest rate swaps, forwards, caps, collars or floors or options on these products. Hedging activities require the approval of the Treasury Risk Committee and are evaluated and reported on regularly to ensure that the policy is being adhered to. The Group Board reviews the policy on interest rate exposure annually with a view to establishing that it is still relevant in the prevailing and forecast economic environment.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 per cent higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would decrease/increase by £5.5 million (2008 decrease/increase by £3.0 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits. Fixed rate debt issues are held at amortised cost and are not re-valued in the balance sheet to reflect interest rate movements.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to manage the interest rate risk of the Group's borrowings. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the yield curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

21. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

Economic cash flow hedges

Outstanding pay fixed, receive floating contracts are as follows:

	Average contract – fixed					
	interest rate		Notional principal amount		Fair value	
	2009	2008	2009	2008	2009	2008
	%	96	£m	£m	£m	£m
Group						
In one year or less	5.68	_	17.7	_	(0.7)	_
In more than one year but less than two	_	4.4	_	212.4	_	(4.7)
In more than two years but less than five	3.01	3.9	243.4	761.9	(7.1)	(30.2)
Total			261.1	974.3	(7.8)	(34.9)
Company						
In one year or less	_	4.3	_	123.8	_	(2.3)
In more than two years but less than five	2.62	4.0	44.2	423.8	(0.6)	(19.2)
Total			44.2	547.6	(0.6)	(21.5)

Economic fair value hedge (receivable)

Outstanding receive fixed, pay floating contracts are as follows:

	Average o	ontract – fixed				
	interest rate		Notional principal amount		Fair value	
	2009	2008	2009	2008	2009	2008
	%	%	£m	£m	£m	£m
Group						
More than 5 years	6.75	_	300.0	-	(7.6)	_
Company						
More than 5 years	6.75	_	300.0	_	(7.6)	_

The above cash flow and fair value hedges are effective economic hedges although the Group has not elected to adopt hedge accounting for them. Hence their change in fair value is taken direct to the income statement rather than to other equity.

The interest rate swaps settle on either a 3 month or 6 month basis with the floating rate side based on the EURIBOR or Sterling LIBOR rate for the relevant period. The Group will settle or receive the difference between the fixed and floating interest rate on a net basis.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential customers are evaluated for creditworthiness and where necessary collateral is secured. There is no concentration of credit risk within the lease portfolio to either business sector or individual company as the Group has a diverse customer base with no one customer accounting for more than 5 per cent of rental income. Trade receivables (which include unpaid rent and amounts receivable in respect of property disposals) were approximately 1 per cent of total assets at 31 December 2009 and at 31 December 2008. The Directors are of the opinion that the credit risk associated with unpaid rent is low. In excess of 95 per cent of rent due is generally collected within 21 days of the due date.

Aging of past due but not impaired receivables were as follows:	2009 £m
0 -30 days	11.6
30-60 days	3.5
60-90 days	0.6
90-180 days	1.0
180+ days	_
Past due but not impaired	16.7
Not due	36.5
Total receivables	53.2

No other receivables were considered impaired.

Investment in financial instruments is restricted to banks and short-term liquid funds with a good credit rating. Derivative financial instruments are transacted via ISDA agreements with counterparties with a good investment grade credit rating. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by having a policy that requires adequate cash and committed bank facilities remain available to cover and match all debt maturities, development spend, trade related and corporate cash flows forward over a rolling 12 month period. This is achieved by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk management is discussed in more detail in the Liquidity Position and Going Concern sections in the Financial Review on pages 32 and 33.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity profile for its financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	2009				2008							
	Weighted average interest rate %	Under 1 year £m	1 – 2 years £m	2 – 5 years £m	Over 5 years £m	Total £m	Weighted average interest rate %	Under 1 year £m	1 – 2 years £m	2 – 5 years £m	Over 5 years £m	Total £m
Group		-										
Non-derivative financial liabilities:												
Trade payables		178.2	15.6	0.1	2.2	196.1		221.1	22.7	0.1	1.8	245.7
Non-interest												
bearing liabilities		41.2	_	_	56.9	98.1		25.6	_	_	78.2	103.8
Variable rate debt												
instruments	3.2	209.8	152.7	183.1	-	545.6	4.3	107.6	298.4	997.7	_	1,403.7
Fixed rate debt									0.40.7	221 7	1 001 0	0.4740
instruments	6.2	271.7	162.7	358.1	2,652.2	3,444./	6.2	88.0	212.6	291./	1,881.9	2,474.2
Derivative financial												
instruments:		(2.0)	(1.0)	2.0	22.0	21.0		7.0	12.0	7.6		20.2
Net settled interest		(3.0)	(1.8)	2.8	23.0	21.0		7.8	12.8	7.6	_	28.2
rate swaps Gross settled												
foreign exchange –												
Forward contracts												
– Sold		(617.6)	_	_	_	(617.6)		(390.8)	_	_	_	(390.8)
Purchased		609.4	_	_	_	609.4		447.8	_	_	_	447.8
Total		689.7	329.2	544.1	2,734.3	4,297.3		507.1	546.5	1,297.1	1,961.9	4,312.6

21. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

Liquidity and interest risk tables (continued)

Elquidity and interest in	sk tabies (coi	itiliacaj		2009						2008		
	Weighted average interest rate %	Under 1 year £m	1 – 2 years £m	2 – 5 years £m	Over 5 years £m	Total £m	Weighted average interest rate %	Under 1 year £m	1 – 2 years £m	2 – 5 years £m	Over 5 years £m	Total £m
Company												
Non-derivative												
financial liabilities:												
Trade payables		37.8	416.4	_	_	454.2		31.1	358.9	_	_	390.0
Non-interest												
bearing liabilities		5.4	_	_	_	5.4		10.2	_	_	_	10.2
Variable rate debt												
instruments	3.7	154.1	54.6	87.9	-	296.6	4.4	18.9	18.9	446.8	_	484.6
Fixed rate debt												
instruments	6.3	221.3	91.9	275.6	2,219.1	2,807.9	6.2	80.5	206.3	214.9	1,848.9	2,350.6
Derivative financial												
instruments:												
Net settled interest		(- -)	(a =)									
rate swaps		(7.8)	(3.7)	3.0	23.0	14.5		4.1	7.7	5.0	_	16.8
Gross settled												
foreign exchange –												
Forward contracts								()				()
– Sold		(617.6)	-	_	_	(617.6)		(390.8)	_	_	_	(390.8)
Purchased		609.4	_			609.4		447.8	_	_	_	447.8
Total		402.6	559.2	366.5	2,242.1	3,570.4		201.8	591.8	666.7	1,848.9	3,309.2

22. DEFERRED TAX AND OTHER PROVISIONS

22(i) - Deferred tax

Movement in deferred tax was as follows:

6	Balance 1 January	Exchange movement	Recognised in income	On acquisition	Recognised in equity	Balance 31 December
Group – 2009	£m	£m	£m	£m	£m	£m
Valuation surpluses on properties	33.8	(2.1)	(25.5)	_	(0.8)	5.4
Accelerated tax allowances	53.6	(4.5)	4.8	_	_	53.9
Deferred tax asset on revenue losses	(8.8)	_	2.0	-	_	(6.8)
Others	(0.4)	8.0	0.5	4.6	(1.1)	4.4
Total deferred tax provision	78.2	(5.8)	(18.2)	4.6	(1.9)	56.9

At the balance sheet date, the Group has recognised revenue tax losses of £35.0 million (2008 £31.0 million) available for offset against future profits. Further unrecognised tax losses of £508.0 million also exist at 31 December 2009 (2008 £71.0 million) of which £41.0 million expires in 15 years.

22(ii) – Other provisions for liabilities and charges

Group	benefit schemes £m	Other liabilities £m	other provisions £m
Balance at 1 January 2009	6.6	0.5	7.1
Acquired	5.9	_	5.9
Charge to income statement	0.8	0.1	0.9
Charge to reserves	3.8	_	3.8
Paid	(1.4)	_	(1.4)
Balance at 31 December 2009	15.7	0.6	16.3

	Retirement benefit
Company	schemes £m
Balance at 1 January 2009	6.6
Charge to income statement	0.9
Charge to reserves	4.9
Paid	(1.4)
Balance at 31 December 2009	11.0

23. TRADE AND OTHER PAYABLES

		Group		Company
	2009 £m	2008 £m	2009 £m	2008 £m
Due within one year				
Trade payables	47.6	72.4	_	_
Non-trade payables and accrued expenses	200.5	148.7	37.8	31.1
Fair value of interest rate swaps – non hedge	15.4	35.6	8.2	28.7
Fair value of forward foreign exchange contracts – non hedge	_	29.1	_	57.2
Fair value of forward foreign exchange contracts – hedge	_	28.1	_	_
Total trade and other payables due within one year	263.5	313.9	46.0	117.0
Due after one year				
Obligations under finance leases	0.4	0.4	_	_
Other payables	15.0	17.1	_	_
Loans from subsidiaries	_	_	416.4	352.3
Total other payables due after one year	15.4	17.5	416.4	352.3

Group obligations under finance leases due after one year are payable as follows:

	Minimur	Minimum lease payments		e of minimum ayments
	2009 £m	2008 £m	2009 £m	2008 £m
Payable between second to fifth years	0.1	0.1	-	_
Payable after five years	2.2	2.2	0.4	0.4
	2.3	2.3	0.4	0.4
Less future finance charges	(1.9)	(1.9)	n/a	n/a
Present value of lease obligations	0.4	0.4	0.4	0.4

These are non-current finance lease liabilities on investment properties with a carrying value of £9.8 million (2008 £11.2 million). Lease agreements range between 99-150 years. There are no restrictions, and contingent rents are not payable, but leased assets revert to the lessor in the event of default.

24. RETIREMENT BENEFIT SCHEMES

Background

The Group has four defined benefit schemes in the UK, the Slough Estates (1957) Pension Scheme (the 'Slough scheme'), the Bilton Group Pension Scheme (the 'Bilton scheme') and two additional schemes following the acquisition of Brixton, the Brixton plc Pension Plan (the 'Brixton scheme') and the J Saville Gordon Group plc and Subsidiary Companies Retirement and Death Benefit Scheme (the 'Industrious scheme'). The assets of the schemes are held by Trustees separately from the assets of the employer. The Group also has a number of defined contribution schemes in the UK and Continental Europe.

All four defined benefit schemes are closed to new members. Valuation of the schemes has been based on the most recent actuarial valuations; 31 March 2007 for Slough, 5 April 2007 for Bilton, 31 December 2008 for Brixton and 30 June 2009 for Industrious and updated by the independent actuaries in order to assess the liabilities of the schemes at 31 December 2009.

The Company has an unfunded unapproved retirement benefit scheme (UURBS) for one employee, the Chief Executive. This arrangement is a defined benefit scheme in nature. The calculation of the value of this unapproved benefit promise uses assumptions which are consistent with those used for the Slough scheme. At 31 December 2009, there are no assets supporting this UURBS, however plans are in place to provide funding for this scheme in 2010.

The major assumptions used were as follows:	2009 %	2008 %
Discount rate for scheme liabilities	5.7	6.0
Rate of inflation	3.7	2.9
Rate of increase to pensions in payment in excess of GMP		
Before April 2003 (Slough/Bilton)	4.3 / 3.6	4.2 / 2.8
From April 2003 to October 2005	3.6	2.8
After October 2005	2.3	2.0
Rate of general long-term increase in salaries	5.7	4.9

	Expected return	Analysis of assets	Expected return	Analysis of assets
Composition of scheme assets	2009 %	2009 £m	2008 %	2008 £m
Equities	8.5	70.6	7.9	45.0
Gilts	4.5	29.8	4.0	33.1
Bonds	5.5	53.7	5.8	30.9
Property	9.0	8.0	6.9	0.9
Insured pensions	5.7	2.0	_	_
Other assets	1.0	0.7	2.8	0.2
Overall – Slough scheme	6.7	102.3	6.2	89.1
Overall – Bilton scheme	6.3	21.9	5.9	21.0
Overall – Brixton scheme	6.7	33.4	_	

The mortality rates used are as follows:			Life expectancy at age 65 (years)	
	Mortality table	Male	Female	
Current pensioners	PNxA00U2007MC with 1% p.a. underpin to future improvements	22.1	24.5	
Future pensioners	PNxA00U2007MC with 1% p.a. underpin to future improvements	23.6	25.9	

The expected return on plan assets is a blended average of projected long-term returns for the various asset classes. Asset class returns are based on a forward looking building block approach. Equity returns are developed based on the selection of an equity risk premium above the risk free rate which is measured in accordance with the yields on government bonds. Bond and gilt returns are selected by reference to the yields on government and corporate debt as appropriate to the schemes' holdings of these instruments.

Charges on the ba	asis of the assumptions were:	2009 £m	2008 £m
	Group income statement		
Operating profit:	Current service cost	1.4	2.5
	Past service costs	_	0.3
	Curtailments	(0.8)	(0.9)
Net finance costs:	Interest on pension liabilities	7.6	6.9
		(7.4)	(7.8)
Net charge to the	Group income statement	0.8	1.0
Charge to Group	statement of comprehensive income	3.8	17.2

All actuarial gains and losses are recognised immediately and relate to continuing operations. The cumulative recognised actuarial losses are £18.7 million (2008 £14.9 million).

Fair value of the assets and liabilities of the schemes

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

	2009 £m	2008 £m
Movement in assets		
1 January	110.2	117.0
Acquired in Brixton schemes	31.5	_
Expected return on scheme assets	7.4	7.8
Actuarial gains/(losses)	11.4	(24.1)
Employer cash contributions	1.6	15.5
Member cash contributions	0.2	0.6
Benefits paid	(4.7)	(6.6)
31 December	157.6	110.2
Movement in liabilities		
1 January	115.6	118.6
Acquired in Brixton schemes	37.4	_
Service cost	1.4	2.5
Curtailments	(0.8)	(0.9)
Past service cost	_	0.3
Interest cost	7.6	6.9
Actuarial gains/(losses)	16.4	(5.6)
Benefits paid	(4.7)	(6.6)
Other	0.4	0.4
31 December	173.3	115.6
Analysis of net liabilities:		
Market value of schemes' assets	157.6	110.2
Present value of funded schemes' liabilities	(170.0)	(112.9)
Net liabilities for funded schemes	(12.4)	(2.7)
Less Bilton surplus which cannot be utilised	-	(1.0)
Present value of UURBS' liabilities	(3.3)	(2.6)
Retirement benefit obligation recognised in the balance sheet	(15.7)	(6.3)

24. RETIREMENT BENEFIT SCHEMES (CONTINUED)

The Group did not recognise the surplus in the prior year in the Bilton scheme and consequently it has been reversed and the movement taken to the Other Comprehensive Income.

The actual return on the scheme assets in the period was a gain of £21.5 million (2008 loss of £16.3 million).

History of experience adjustments	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligations	(173.3)	(116.5)	(121.0)	(129.5)	(132.7)
Fair value of schemes' assets	157.6	110.2	117.0	112.3	103.6
Deficit in schemes	(15.7)	(6.3)	(4.0)	(17.2)	(29.1)
Experience adjustments on schemes' assets					
Amounts	11.4	(21.4)	(2.9)	0.3	10.2
Percentage of schemes' assets	7.2%	(19.4%)	(2.5%)	0.3%	9.8%
Experience adjustments on schemes' liabilities					
Amounts	1.2	(0.7)	1.7	(1.8)	(0.4)
Percentage of present value of schemes' liabilities	(0.7%)	0.6%	(1.4%)	1.4%	0.3%
Effect of changes in assumptions underlying the present value					
of the schemes' liabilities	15.2	6.3	7.9	12.3	(13.2)
Total amount recognised in the statement of other comprehensive income					
Amounts	(3.8)	(17.2)	6.8	10.2	(4.0)
Percentage of present value of schemes' liabilities	2.2%	14.8%	(5.6%)	(7.9%)	3.0%

The expected employer's contributions to be paid in the year ending 31 December 2010 is £1.8 million (2009 £2.0 million).

25. SHARE CAPITAL AND SHARE-BASED PAYMENTS

25(i) - Share capital

	Number of shares				Par value of shares				
Authorised	Shares of 1p each Ordinary Shares m	Shares of 10p each Ordinary Shares m	Shares of 26 1/12p each Deferred Shares m	Shares of 27 1/12p each Ordinary Shares m	Shares of 1p each Ordinary £m	Shares of 10p each Ordinary £m	Shares of 26 1/12p each Deferred £m	Shares of 27 1/12p each Ordinary £m	Total £m
Balance at 1 January 2009	_	_	_	541.3		_	_	146.6	146.6
Reclassifications	3,268.9	_	436.7	(541.3)	32.7	_	113.9	(146.6)	_
Additions	10,340.0	_	_	_	103.4	_	_	_	103.4
	13,608.9	_	436.7	_	136.1	_	113.9	_	250.0
Consolidation	(13,608.9)	1,360.9	_	_	(136.1)	136.1	_	_	_
Balance at 31 December 2009	_	1,360.9	436.7	_	_	136.1	113.9	_	250.0

	Number of shares				Par value of shares				
	Shares of	Shares of	Shares of	Shares of	Shares of	Shares of	Shares of	Shares of	
	1p each	10p each	26 1/12p each	27 1/12p each	1p each	10p each	26 1/12p each	27 1/12p each	
Issued and fully paid	Ordinary	Ordinary	Deferred	Ordinary	Ordinary	Ordinary	Deferred	Ordinary	Total
	Shares m	Shares m	Shares m	Shares m	£m	£m	£m	£m	£m
Balance at 1 January 2009	_	_	_	436.7	_	_	_	118.3	118.3
Reclassification	436.7	_	436.7	(436.7)	4.4	_	113.9	(118.3)	_
Rights issue	5,240.7	_	_	_	52.4	_	_	_	52.4
Cancellation	_	_	(436.7)	_	_	_	(113.9)	_	(113.9)
Consolidation	(5,677.4)	567.7	_	_	(56.8)	56.8	_	_	_
Placing and open offer	_	119.0	_	_	_	11.9	_	_	11.9
Share issue	_	47.6	_	_	_	4.8	_	_	4.8
Balance at 31 December 2009	_	734.3	_	_	_	73.5	_	-	73.5

On 7 April 2009, the Company issued 5,240.7 million new ordinary shares (pre share consolidation) at 10 pence per share on the basis of 12 new ordinary shares for every 1 existing ordinary share to raise £500 million (net of expenses).

The rights issue required certain resolution's to be passed at the General Meeting held on 20 March 2009 as follows:

- (a) a special resolution to sub-divide and reclassify each existing authorised but unissued ordinary share of 271/12 pence into new ordinary shares of 1 pence each;
- (b) a special resolution to sub-divide and reclassify each existing authorised issued ordinary share of 271/12 pence each into one new ordinary share of 1 pence and one deferred share of 261/12 pence each;
- (c) an ordinary resolution to increase the authorised share capital of the Company from £146,000,000 to £250,000,000 by the creation of 10,340,000,000 new ordinary shares of 1 pence each in the capital of the Company ranking pari passu with the existing new ordinary shares of 1 pence each in the capital of the Company;
- (d) an ordinary resolution that the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities of the Company up to an aggregate nominal value of £52,406,507 (5,240,650,704 new ordinary shares of 1 pence each in the capital of the Company) pursuant to a rights issue of 12 new ordinary shares of 1 pence each for each existing share of 271/12 pence each; and
- (e) a special resolution that the Company shall be irrevocably appointed as agent and/or attorney of the holders of the deferred shares and in such capacity shall be authorised to, inter alia, cancel and/or acquire all or any of the deferred shares. On 7 May 2009, the Company acquired and, subsequently, cancelled all deferred shares that were in issue.

At the General Meeting held on 28 July 2009;

- (a) an ordinary resolution was passed to conduct a share consolidation, consolidating and re-classifying 10 of each existing authorised and existing issued shares of the Company of 1 pence each into 1 share of 10 pence each. The purpose of the share consolidation was to reduce the number of the Company's shares in issue so that the likely share price is appropriate for a Company of SEGRO's size. The share consolidation took effect on 31 July 2009.
- (b) a special resolution was passed for the Company to issue 119,047,619 10 pence ordinary shares under the placing and open offer at an issue price of 210p per ordinary share. The shares began trading on 31 July 2009.

Pursuant to the acquisition of Brixton plc (discussed in more detail in note 4) on 24 August 2009, as detailed in the scheme of arrangement document dated 17 July 2009, the Company issued 47,548,742 ordinary shares to Brixton shareholders which began trading on 25 August 2009.

25(ii) - Share-based payments

With the exception of the share incentive plan (where no adjustments were made) and the global share incentive plan (which was adjusted on the basis of a cashless exercise of the rights available under the rights issue), the Group's employee share schemes were adjusted for the rights issue on the basis of a HMRC approved formula, whereby the number of shares under option or award were multiplied by 6.92 and the exercise price was multiplied by 0.14. As a result, participants of the various plans were no better or worse off as a result of the rights issue. The number of options or awards under the Group's employee share schemes were subsequently reduced by a factor of ten and the exercise price increased by the same factor for the share consolidation. Consequently, no additional expense was or will be recognised as a result of changes to the Group's employee share schemes. Prior year comparables have been restated to reflect adjustments outlined above. In addition, movements in allocations from 1 January 2009 to 31 July 2009 and the corresponding weighted average exercise price have also been adjusted to reflect the rights issue and share consolidation, as appropriate.

25(iii) - Executive share option plan (ESOP)

The options in the executive share option plan are exercisable after three years but before ten years, subject to performance conditions. The employee would normally have to remain with the Group for the three year period. If the performance conditions have not been met by the third anniversary of the date of the grant, the options lapse. The performance conditions are based on an increase in adjusted diluted earnings per share by the Retail Price Index (RPI) plus 3 per cent per annum over the three year period. At 24 February 2010, the number of ordinary shares under option in respect of the 1994 approved scheme was 3,746 at an option price of 515.3p and in respect of the 2002 approved and unapproved schemes were 8,704 and 214,930 respectively, with option prices ranging from 419.2p to 689.2p expiring on various dates up to 28 April 2015. The last grant under these schemes was made in 2005.

		2009		2008
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
At 1 January	461,859	661.7p	586,669	615.6p
Options exercised	_	_	(124,155)	444.2p
Options expired/lapsed	(234,479)	601.0p	(655)	515.3p
At 31 December	227,380	685.0p	461,859	661.7p

25. SHARE CAPITAL AND SHARE-BASED PAYMENTS (CONTINUED)

25(iii) - Executive share option plan continued

The options outstanding at 31 December 2009 were exercisable between 419.2p and 689.2p per share. The grants made since 7 November 2002 have been fair valued using the Black-Scholes model. The main assumptions are as follows:

Date of grant	28-mar-01	20-Mar-03	29-Apr-05
Exercise price/market price	515.3p	419.2p	689.2p
Risk-free interest rate	n/a [*]	5.1%	4.8%
Dividend yield	n/a [*]	4.8%	4.0%
Volatility	n/a [*]	21.3%	21.0%
Exercisable between	2004-2011	2006-2013	2008-2015
Fair value per share	n/a [*]	61p	106р
Options exercisable	3,746	16,125	207,509

^{*} Not applicable for schemes prior to 7 November 2002

25(iv) – Save as you earn (Sharesave)

The Sharesave options are exercisable after three or five or seven years and are not subject to any performance conditions except the employees must remain with the Group for the term of the option. Options during the year were granted at not less than 80% of the market price of shares on 20 April 2009. At 24 February 2010, the number of ordinary shares under option was 480,934 at option prices ranging from 182.0p to 879.4p expiring on various dates up to 1 May 2015. During 2009, movements in Sharesave options to subscribe for ordinary shares of the Company are as follows:

		2009		2008
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
At 1 January	196,378	569.5p	563,299	493.2p
Options granted	485,107	182.0p	89,763	562.6p
Options exercised	(686)	182.0p	(245,359)	354.7p
Options expired/lapsed	(186,239)	523.4p	(211,325)	612.6p
At 31 December	494,560	205.8p	196,378	569.5p

The consideration received by the Company from options exercised during the year was £1,248. The grants made since 7 November 2002 have been fair valued using the Black-Scholes model. The assumptions are as follows:

Date of Grant	Number of options outstanding	Market price	Exercise price	Risk-free interest rate	Dividend yield	Volatility	Exercisable between	Fair value per share three years	Fair value per share five years	Fair value per share seven years
29 August 2002	710	399.5p	399.5p	n/a¹	n/a¹	n/a¹	2006-2010	n/a¹	n/a¹	n/a ¹
19 March 2003	11,243	419.2p	315.6p	5.1%	4.8%	21.2%	2006-2010	105.9p	106.5p	104.8p
28 August 2003	2,285	550.4p	440.2p	5.1%	3.8%	22.4%	2007-2011	138.3p	148.6p	153.9p
15 April 2005	2,743	713.3p	570.7p	4.8%	3.8%	21.0%	2008-2012	171p	182p	187p
13 April 2006	1,054	873.1p	698.5p	4.7%	2.9%	22.0%	2009-2013	228p	252p	266p
13 September 2006	2,100	954.8p	763.8p	4.6%	2.9%	22.0%	2009-2013	249.1p	275.7p	291.5p
30 March 2007	1,631	1,099.3p	879.4p	5.2%	2.7%	22.1%	2010-2014	302p	338p	361p
26 September 2007	4,857	743.0p	594.4p	5.8%	3.7%	23.3%	2010-2014	198p	215p	226p
04 April 2008	8,969	703.2p	562.6p	4.1%	4.8%	46.5%	2011-2015	234p	252p	256p
19 May 2009	458,968	227.5p	182.0p	0.5%	8.7%	53.0%	2012-2014	61p	59p	n/a ²
Total	494,560									

^{1.} Not applicable for schemes prior to 7 November 2002.

A total of 721,940 options exist at 31 December 2009 in relation to the ESOP and Sharesave with a weighted average remaining contractual life of 3.4 years (2008 2.18 years).

^{2.} The 7 year option was not offered in 2009.

25(v) – Long term incentive plan (LTIP) and long term incentive scheme (LTIS)

The last award under the LTIS was made in 2007. From 2008, awards were made under the LTIP. Awards are granted at the discretion of the Trustees of the scheme on the recommendation of the Remuneration Committee. Employees are granted awards which vest at the end of a three year period subject to meeting certain performance conditions. The Company did not issue shares but purchased them on the open market and placed them with the Trustees. Dividends were waived.

	2009		2	2008
		Weighted		Weighted
	Number	average exercise price	Number	average exercise price
At 1 January	2,802,008	715.9p	1,687,701	846.5p
Shares granted LTIP	2,213,227	385.0p	1,506,513	602.0p
Shares vested	(107,057)	851.7p	(356,358)	710.0p
Shares expired/lapsed	(517,455)	846.0p	(35,848)	714.1p
At 31 December	4,390,723	608.0p	2,802,008	715.9p

Further information on the LTIP and LTIS Schemes can be found in the Remuneration Report on pages 68 to 77.

The Black-Scholes model has been used to fair value the shares granted currently under award. The assumptions used are as follows:

Date of grant	29-Jun-07	30-May-08	20-Oct-09
Exercise price / market price	918.0p	602.0p	385.0p
Risk-free interest rate	5.8%	4.0%	1.8%
Dividend yield	3.0%	5.8%	2.6%
Volatility	22.0%	25.5%	56.0%
Term of option	3 years	3 years	3 years
Fair value per share	838.4p	505.8p	356.0p

25(vi) - Share incentive plan (SIP)

The first award under the SIP was made in May 2003. Eligible employees were awarded shares based on a percentage of their salary, up to a maximum of £3,000. The value of the award is also linked to the Company's prior year performance. In respect of the 2008 award, the shares are held in trust for a minimum of three years. At 24 February 2010, 36,608 ordinary shares were held under the plan.

The Directors' interests in SIP are shown in the beneficial interest table in the remuneration report on page 74.

	2009	2008
Date of grant	Number	Number
At 1 January	28,534	51,146
Shares granted	_	11,677
Shares taken up in Rights Issue	27,692	_
Shares not paid out in leavers	(329)	(819)
Shares paid out to leavers	(16,675)	(33,470)
At 31 December	39,222	28,534

Of the shares outstanding at 31 December 2009, 39,222 (2008 28,534) are held in participants' names.

25. SHARE CAPITAL AND SHARE-BASED PAYMENTS (CONTINUED)

25(vii) – Global share incentive plan (GSIP)

The GSIP was launched in 2008. This plan is designed on a similar basis to the SIP, but is not HMRC approved, and is only operated for non-UK employees. Awards are released by the plan Trustees at the conclusion of a three year holding period at nil cost to the employee.

		2009		2008
	Number	Weighted average price	Number	Weighted average price
At 1 January	24,819	638.8p	_	_
Shares granted	_	_	27,937	638.8p
Shares paid out to leavers	(1,686)	638.8p	(859)	638.8p
Shares not paid out to leavers	(3,189)	638.8p	(2,259)	638.8p
At 31 December	19,944	638.8p	24,819	638.8p

Of the shares outstanding at 31 December 2009, 19,944 (2008 24,819) are held in participants' names.

25(viii) - Cash settled overseas senior employees' scheme

One of the plans for overseas senior employees is a cash settlement scheme which mirrors the performance of the executive share option plan in 25(iii) on page 114. A notional number of shares were granted to employees equal to 100 per cent of their salary and divided by the share price on the date of the grant. The equivalent of 54,148 shares were granted in 2005, based on the performance and assumptions of the executive share option plan on 29 April 2005. The Black-Scholes model was used to fair value these shares at prevailing market rates, at a share price equivalent to 689.2p. There have been no further grants since 2005. The Company does not intend to make further grants under this scheme.

25(ix) - Brixton share-based payments

Brixton operated a number of employee share schemes prior to the acquisition. Brixton shares held in the Brixton share incentive plan were converted to SEGRO shares under the scheme of arrangement. As at 31 December 2010, 28,053 shares were held in trust for the Brixton share incentive plan. Under the executive share option scheme the 102,000 outstanding options became exercisable on change of control on acquisition, all of which have subsequently lapsed. All the other Brixton share schemes ceased prior to or on acquisition on 24 August 2009. There are no ordinary shares under option in relation to the Brixton employee share schemes at 24 February 2010.

26. SHARE PREMIUM ACCOUNT		
Group and Company	2009 £m	2008 £m
Balance at 1 January	370.6	368.9
Premium arising on the issue of shares – rights issue	447.3	_
– placing and open offer	229.7	_
– other	_	1.7
Balance at 31 December	1,047.6	370.6

27. OWN SHARES HELD				
		Group	C	ompany
	2009 £m	2008 £m	2009 £m	2008 £m
Balance at 1 January	13.4	16.8	13.4	16.8
Shares purchased	0.2	0.4	0.2	0.4
Disposed of on exercise of options	(0.1)	(3.8)	(0.1)	(3.8)
Balance at 31 December	13.5	13.4	13.5	13.4

These represent the cost of shares in SEGRO plc bought in the open market and held by Appleby Trust (Jersey) Limited, to satisfy options under the various Group share option and incentive schemes.

28. COMMITMENTS

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

	UK		Continental Europe			Total
Group	2009	2008	2009	2008	2009	2008
Group	£m	£m	£m	£m	£m	£m
Properties	18.5	163.3	9.3	70.6	27.8	233.9
Available-for-sale investments	_	_	2.5	4.6	2.5	4.6
Total capital commitments	18.5	163.3	11.8	75.2	30.3	238.5

There are no significant capital commitments in the Group's joint ventures at 31 December 2009 and 2008.

There are no significant commitments relating to repairs, maintenance or enhancements relating to investment properties at 31 December 2009 and 2008.

29. CONTINGENT LIABILITIES

The Group has given performance guarantees to third parties amounting to £21.6 million (2008 £8.7 million) in respect of development contracts of subsidiary undertakings. It is unlikely that these contingencies will crystallise.

The Company has guaranteed loans and bank overdrafts of subsidiary undertakings aggregating £158.6 million (2008 £800.8 million) and indicated its intention to provide the necessary support required by its subsidiaries.

The Group sold Slough Heat & Power and the US property business in 2007 and has provided certain representations and warranties which are usual for transactions of this nature, including representations and warranties relating to financial, regulatory, tax, employee, intellectual property, environment, insurance and legal matters. The Group is not aware of any event that has occurred that would result in a provision to be made at 31 December 2009 in relation to the representations and warranties provided.

30. OPERATING LEASES

The Group as lessor

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

	2009	2008
	£m	£m
Not later than one year	317.2	260.8
Later than one year but not later than five years	862.7	782.1
Later than five years	671.3	679.3
	1,851.2	1,722.2

The Group as lessee

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

	£m	£m
Not later than one year	0.5	0.6
Later than one year but not later than five years	8.3	7.2
Later than five years	0.7	3.7
	9.5	11.5

31. RELATED PARTY TRANSACTIONS

Group

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

	2009	2008
	£m	£m
New loans during the year – Existing	13.9	0.3
 Acquired in Brixton 	102.2	_
Loans repaid during the year	(11.9)	_
Loans outstanding at the year end	152.0	49.5
Dividends received	12.9	6.3

Company

Balances outstanding between the Company and external related parties at balance sheet date are £18.3 million (2008 £10.9 million). Transactions between the Company and its subsidiaries eliminate on consolidation and are not disclosed in this note.

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

Directors' and Executives' remuneration

Full details of remuneration payable to the Directors and other members of key management during the year, as required under the Companies Act 2006, are disclosed in the audited sections of the Remuneration Report on pages 73 to 77. Key management have been determined as the four members of the Executive Committee, as outlined in the Corporate Governance Report on pages 62 to 67.

32. NOTES TO THE CASH FLOW STATEMENTS

32(i) - Reconciliation of cash generated from operations

	Group		C	Company	
	2009 £m	2008 £m	2009 £m	2008 £m	
Operating (loss)/profit	(102.6)	(789.9)	176.8	(139.4)	
Adjustments for:					
Depreciation of property, plant and equipment	2.8	3.1	_	_	
Share of (profit)/loss from joint ventures after tax	(4.6)	7.4	_	_	
Loss on sale of investment and development properties	54.7	34.8	_	_	
Gain on sale of investment in joint ventures	(12.9)	_	(19.6)	_	
Gain arising from bargain purchase	(8.6)	_	_	_	
Revaluation deficit on investment, development and owner occupied properties	271.8	975.6	_	_	
Gain on sale of available-for-sale investments	(1.0)	(1.4)	_	_	
Impairment of available-for-sale investments	9.0	_	_	_	
Other income reallocated	_	_	(137.5)	(86.1)	
Other provisions	3.5	(15.5)	(28.0)	173.6	
	212.1	214.1	(8.3)	(51.9)	
Changes in working capital:					
Increase in trading properties	(2.1)	(38.3)	_	_	
Decrease/(increase) in debtors	20.1	35.5	(3.2)	1.0	
(Decrease)/increase in creditors	(8.0)	14.7	16.4	(1.8)	
Net cash inflow/(outflow) generated from operations	222.1	226.0	4.9	(52.7)	

32(ii) - Deposits

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

32(iii) - Analysis of net debt

32(III) - Alialysis of flet debt							
		At 1 January	Exchange	Cash	Non-cash*	On acquisition of	At 31 December
	Notes	2009 £m	movement £m	flow £m	adjustment £m	Brixton £m	2009 £m
Group							
Banks loans and loan capital		2,672.7	(90.6)	(887.2)	_	873.3	2,568.2
Capitalised finance costs		(14.4)	_	(13.5)	7.0	(15.3)	(36.2)
Bank overdrafts		3.3	_	(2.5)	_	_	0.8
Total borrowings	20	2,661.6	(90.6)	(903.2)	7.0	858.0	2,532.8
Cash in hand and at bank	19	165.8	(26.5)	(94.2)	_	67.6	112.7
Net debt		2,495.8	(64.1)	(809.0)	7.0	790.4	2,420.1
Company							
Banks loans and loan capital		1,739.0	3.1	143.5	_	_	1,885.6
Capitalised finance costs		(14.4)	_	(10.3)	5.1	_	(19.6)
Bank overdrafts		0.3	_	(0.3)	_	_	_
Total borrowings	20	1,724.9	3.1	132.9	5.1	-	1,866.0
Cash in hand and at bank	19	1.3	_	17.0	_	_	18.3
Net debt		1,723.6	3.1	115.9	5.1	-	1,847.7

 $^{^{\}star}\,$ The non-cash adjustment relates to the amortisation of issue costs offset against borrowings.

33. GROUP ENTITIES

The principal entities at 31 December 2009 are listed below (all equity holdings unless otherwise stated).

	Country of incorporation/ operation	Subsidiaries % holding	Joint ventures % holding
Property			
* Allnatt London Properties plc	Great Britain	100	
* Bilton plc	Great Britain	100	
* Brixton Limited	Great Britain	100	
Brixton Greenford Park Limited	Great Britain	100	
Brixton (Metropolitan Park) 1 Limited	Great Britain	100	
Brixton Premier Park Limited	Great Britain	100	
Brixton (West Cross) Limited	Great Britain	100	
Farnborough Business Park Limited	Great Britain	100	
Followcastle Limited	Great Britain	100	
HelioSlough Limited	Great Britain		50
Le Blanc Mesnil	France	100	
SEGRO Belgium NV	Belgium	100	
SEGRO BV (operating in Netherlands, Italy and Central Europe)	Netherlands	100	
SEGRO Germany GmbH	Germany	100	
SEGRO France SA	France	100	
SEGRO Industrial Estates Limited	Great Britain	100	
SEGRO (KNBC) Limited	Great Britain	100	
SEGRO Management NV	Belgium	100	
SEGRO Marly le Ville	France	100	
* SEGRO Properties Limited	Great Britain	100	
SEGRO (Winnersh) Limited	Great Britain	100	
SEGRO 12 GmbH	Germany	100	
SEGRO 23 GmbH	Germany	100	
* Slough Trading Estate Limited	Great Britain	100	
Quendis Polska	Poland	100	
The Heathrow Big Box Industrial and Distribution Fund	Great Britain		50
The Heywood Unit Trust	Great Britain	100	
Service			
* SEGRO Administration Limited	Great Britain	100	
* SEGRO Finance plc	Great Britain	100	
Other			
* SEGRO Overseas Holdings Limited	Great Britain	100	
* SEGRO Holdings France SAS	France	100	

^{*} Held directly by SEGRO plc

	2009	2008	2007	2006	2005
Curry in some attatament	£m	£m	£m	£m	£m
Group income statement Net rental income	269.4	244.9	246.3	247.2	223.9
Administration expenses, excluding exceptional items		(40.0)			
	(40.3)	, ,	(39.7)	(28.9)	(20.7
Share of joint ventures' recurring rental profit after tax	2.8	0.9	1.2	0.3	4.5
Net finance cost including notional preference share interest,	(127.6)	(116.5)	(100.4)	(99.3)	(100.6
excluding exceptional items Net income from utilities	(127.0)	(110.5)	2.4	2.1	1.2
Net loss from gas	_	_	Z. 4 –	Z. I _	(2.1)
	1042				
Adjusted profit before tax – recurring rental profits	104.3	89.3	109.8	121.4	106.2
Profit on sale of trading properties Increase in provision for impairment of trading properties	0.6 (16.1)	27.9	23.3 (1.3)	6.1	7.0
	` ,	(4.0)			0.0
Additional adjustments to the share of (loss)/profit from joint ventures after tax	(4.3)	9.0	3.5	6.7	0.8
Other investment (loss)/income	(8.0)	1.7	18.4	8.5	5.5
Adjusted profit before tax – previous reporting basis	76.5	123.9	153.7	142.7	119.5
Exceptional administration expenses	(7.8)	(2.6)	- 2.7	-	- 0.0
Adjustments to the share of profit/(loss) from joint ventures after tax	6.1	(17.3)	2.7	6.3	8.2
(Loss)/profit on sale of investment and development properties	(54.7)	(34.8)	3.0	4.8	14.4
Valuation deficit on investment and development properties	(271.8)	(975.6)	(349.1)	532.2	409.1
Gain on sale of investment in joint ventures	12.9	_	_	_	5.9
Gain arising from bargain purchase	8.6	(22.0)	0.9	_	(4.0)
Net fair value (loss)/gain on interest rate swaps and other derivatives	(17.9)	(32.8)	3.1	4.1	(1.0)
Exceptional lease surrender premium	-	_		_	36.4
Profits from the sale of Slough Heat & Power and US property business	-	_	445.0	_	-
Profits from the sale of Quail West and Tipperary	_	_	-	_	115.8
Exceptional cost of debt repayment	_		(16.4)		(126.0)
(Loss)/profit before tax	(248.1)	(939.2)	242.9	690.1	582.3
Group balance sheet					
Investment and development properties	4,825.3	4,311.1	4,761.9	5,668.9	4,858.2
Owner occupied properties	8.1	11.1	13.1	14.1	18.2
Trading properties	337.8	357.8	236.0	232.3	123.6
Total properties	5,171.2	4,680.0	5,011.0	5,915.3	5,000.0
Plant and equipment	7.5	9.1	5.8	48.1	45.0
Investments in joint ventures	79.3	67.5	73.4	84.5	100.1
Other assets	148.6	190.7	186.0	180.7	238.9
Cash and cash equivalents	112.7	165.8	348.3	161.4	172.6
Total assets	5,519.3	5,113.1	5,624.5	6,390.0	5,556.6
Borrowings	(2,532.8)	(2,661.6)	(2,039.1)	(2,384.8)	(2,264.9)
Deferred tax provision	(56.9)	(78.2)	(65.4)	(298.5)	(635.9)
Other liabilities and minority interests	(337.1)	(365.8)	(531.0)	(334.0)	(215.4)
Total shareholders' equity	2,592.5	2,007.5	2,989.0	3,372.7	2,440.4
Total movement in shareholders' equity	,	,	,	.,	,
(Loss)/profit attributable to ordinary shareholders	(233.1)	(938.1)	(74.9)	916.5	385.1
Other equity movements	818.1	(43.4)	(308.8)	15.8	(6.2)
Other equity movements	585.0	(981.5)	(383.7)	932.3	378.9
Data per ordinary share ¹ :	303.0	(201.5)	(303.7)	732.3	370.7
Earnings per share:					
Pasis (less)/parnings per share	(41.25)	(212 25)	(22.75)	201 75	122 En
Basic (loss)/earnings per share	(41.3p)	(312.2p)	(23.7p)	291.7p	132.5p
Adjusted diluted net assets per share – recurring profits basis	18.3p	29.1p	33.2p	30.3p	31.7p
Net assets per share basic:	254	<i>((</i> 0-	007	1 020-	027
Basic net assets per share	354p	668p	997p	1,038p	837p
Adjusted basic net assets per share	362p	698p	1,020p	1,123p	1,060p
Net assets per share diluted:					
Basic diluted net assets per share	354p	668p	996p	1,035p	784p
Adjusted diluted net assets per share	362p	698p	1,018p	1,120p	984p

^{1.} Data for ordinary share for the comparative periods has been restated for the rights issue and share consolidation, as discussed further in note 14.

February 2010										
Payment:			71	/ ₈ per ce	nt bonds 2010 in	terest				
				edemptio				17 Februar		
Payment:		6 ³ / ₄ per cent bonds 2024 interest							ebruary	
Announcement of	year end	results						25 F	ebruary	
March 2010										
Payment:				per cent		March				
Payment:			6	per cent	bonds 2019 inter	est		30	March	
April 2010										
Ex-dividend date f	or final di	vidend			come Distribution			31	March	
Record date			Pr	operty In	come Distribution	8 Divide	end		6 April	
Payment:			51	/4 per ce	nt bonds 2015 in	terest		2	21 April	
Annual General N	leeting							2	29 April	
May 2010					D:	0.00				
Payment:					come Distribution	i & Divide	end		6 May	
Payment:			6	74 per ce	nt 2021 Interest				24 May	
June 2010			-	,				,	24 1	
Payment:					nt bonds 2018 in			21 Jur		
Payment:				-	nt bonds 2035 in			21 Jur		
Payment:			6	percent t	oonds 2010 intere	est			30 June	
August 2010			43	/ per co	nt bands 2024 in	torost		າາ	August	
Payment: 63/4 per cent bonds 2024 interest Announcement of half year results					23 Augus					
September 2010	nan year	resuits							August	
•			7	nor cont	bands 2022 inter	oct		1.4 Con	tombor	
Payment:					bonds 2022 inter			14 Septembe 30 Septembe		
Payment: Payment:				-	nt bonds 2015 in			30 Septemb		
October 2010			0	per cent	bonds 2019 inter	esi		30 Sep	lember	
			D.	ما باسمیم	aanaa Diatribustian	0 Divida			October	
Payment:					come Distribution 2015 interest	I & DIVIGE	enu		October	
Payment: November 2010			<u> </u>	74 DOITUS	2013 Interest			21 (JClobel	
			<i>(</i> 3	1	nt bands 2024 in	torost		22 No.	vember	
Payement: December 2010			0-	74 per ce	nt bonds 2024 in	terest		23 140	verribei	
			E.5	/- por co	nt bands 2020 in	toroct		7 Do	cember	
Payment:				-	nt bonds 2020 in				cember	
Payment:				per cent	bonds 2010 rede	приоп		30 De	cember	
ANALYSIS OF SH		LDERS – 3	1 DECEMBE	R 2009						
Shareholder Ana	llysis				Category Anal	lysis				
Range	Holdings	% of Holdings	Shares	% of Shares	Category	Holdings	% of Holdings	Shares	% of Shares	
1 – 100	2,815	24.45	142,041	0.02	Individual					
101 – 500	3,537	30.72	842,866	0.11	(certificated)	8,179	71.0	12,375,262	1.68	
501 – 1,000	1,306	11.34	961,269	0.13	Individual (uncertificated)	286	2.5	678,388	0.10	
1,001 – 5,000	2,464	21.40	5,507,162	0.75	· · · · · · · · · · · · · · · · · · ·	200	2.3	070,300	0.10	
5,001 – 10,000	451	3.92	3,114,486	0.42	Nominee and Institutional					
10.001 05.00		0.4-	4.550 (5.	0.15	Investors	2.050	26.5	721 200 557	00.22	

Investors

Totals

0.65

100

2.47 4,559,624 0.62

4.52 714,436,647 97.30

1.18 4,770,111

100 734,334,206

3,050

11,515

26.5 721,280,556 98.22

100

100 734,334,206

10,001 - 25,000

25,001 - 50,000

50,000+

Totals

285

136

521

11,515

USEFUL HISTORICAL INFORMATION

Recent share history of the Company

- On 20 August 2007, the ordinary share capital was consolidated on the basis of 12 new ordinary shares of 27^{1/12} pence for every 13 ordinary shares of 25 pence held on the 17 August 2007. A special dividend of 53 pence per share was paid in connection with the consolidation on 31 August 2007.
- On 4 March 2009 a Rights Issue was announced on the basis of 12 new ordinary shares for every existing share held on 17 March 2009 at a subscription price of 10 pence per share. Each 27^{1/12} pence ordinary shares in issue was sub-divided and re-classified into one ordinary share of one pence each and one deferred share of 26^{1/12} pence each. The deferred shares were created for technical reasons in order to maintain the aggregate nominal value of the Company's share capital upon sub-division of its ordinary shares. The very limited rights attached to the deferred shares rendered them effectively valueless and they were cancelled on 8 May 2009.
- In relation to the acquisition of Brixton which took effect on the 24 August 2009, on 31 July 2009 every ten ordinary shares of one pence each were consolidated into one ordinary share of 10 pence each and 0.10484 open offer shares of 10 pence each were offered to every shareholder of SEGRO plc who held one ordinary share of 10 pence each at the 13 July 2009. Brixton shareholders were offered 0.175 consideration share of 10 pence each in SEGRO plc.

SHAREHOLDER ENQUIRIES

If you have any questions about your shareholding or if you require further guidance (e.g. to notify a change of address) please contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Telephone 0870 707 1296. Alternatively you can email your query to web.queries@computershare.co.uk. You can also check your shareholding by registering at www. investorcentre.co.uk.

ELECTRONIC COMMUNICATIONS VIA ETREE UK

Shareholders now have the opportunity to elect to receive shareholder communications electronically e.g. Annual Reports, Interim Reports, Sustainability Reports, Notice of the Annual General Meeting and Proxy Forms. For every shareholder that signs up to electronic communications eTree will donate a sapling to the Woodland Trust's 'Tree for all' campaign.

When you register, there will be a quick verification process and you will need to provide your SRN number (which appears on your share certificate) and once registered, eTree will send you an email confirming your registration. To register, or find out more, please visit www.etreeuk.com/segro.

SHAREGIFT

ShareGift is a charity (registered charity number 1052686) which specialises in accepting donations of small numbers of shares which are uneconomic to sell on their own. Shares which have been donated to ShareGift are aggregated and sold when practicable, with the proceeds passed onto a wide range of UK charities. They can also help with larger donations of shares. Further details about ShareGift can be obtained from their website at www.sharegift.org or by writing to ShareGift at 17 Carlton House Terrace, London, SW19 5AH, telephone: 0207 930 3737.

DIVIDENDS

A requirement of the REIT regime is that a REIT must distribute to shareholders by way of dividend at least 90 per cent of its profits from the Tax Exempt Business (calculated under UK tax principles after the deduction of interest and capital allowances and excluding chargeable gains). Such distributions are referred to as Property Income Distributions or PIDs. Any further distributions may be designated as PIDs or as ordinary dividends.

WITHHOLDING TAX

SEGRO is required to withhold tax at source from its PIDs at the basic tax rate (20 per cent for PIDs paid on or after 6 April 2008, previously 22 per cent). UK shareholders need take no immediate action (unless they qualify for exemption as described below) and will receive with each dividend payment a tax deduction certificate stating the amount of tax deducted.

UK shareholders who fall into one of the classes of shareholder able to claim an exemption from withholding tax may be able to receive a gross PID payment if they have submitted a valid relevant Exemption Declaration form (either as a beneficial owner of the shares, or as an intermediary if the shares are not registered in the name of the beneficial owner. The Exemption Declaration form is available at www.SEGRO.com) to Computershare by the deadline stated in the dividend timetable. A valid declaration form, once submitted, will continue to apply to future payments of PIDs until rescinded, and so it is a shareholder's responsibility to notify SEGRO plc if their circumstances change and they are no longer able to claim an exemption from withholding tax.

Shareholders resident outside the UK may be able to claim a partial refund (either as an individual or as a company) from HMRC subject to the terms of a double tax treaty, if any, between the UK and the country in which the shareholder is resident.

BASIS POINTS

A unit that is equal to 1/100th of 1%.

BRIXTON

On the 24 August 2009 SEGRO plc acquired the entire issued capital of Brixton plc (company number 202342). On acquisition of Brixton, shares were delisted and Brixton plc was re-registered as Brixton Limited.

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.

ENLARGED GROUP

With effect from 24 August 2009, the combined SEGRO Group and Brixton Group.

ESTIMATED RENTAL VALUE (ERV)

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

ESTIMATE TO COMPLETE (ETC)

Costs still to be expended on a development or redevelopment to practical completion (not to complete lettings), including attributable interest.

GROSS RENTAL INCOME

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

HECTARES (HA)

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

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 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.

NET INITIAL YIELD

Annualised current rent passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers' costs.

NET RENTAL INCOME

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

PASSING RENT

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

PRF_I FT

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

RFIT

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.

SQUARE METRES (SQ M)

The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is 1 square metre = 10.639 square feet.

TOPPED UP NET INITIAL YIELD

Net initial yield adjusted to include notional headline rent in respect of let properties which are subject to a rent free period at the valuation date.

TOPPED UP NET INITIAL YIELD EXCLUDING VACANT PROPERTIES

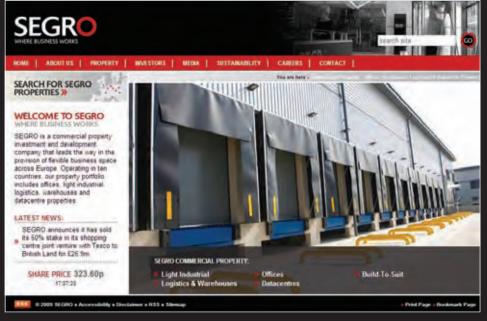
Topped up net initial yield adjusted to exclude the value of un-let buildings.

TOTAL PROPERTY RETURN (TPR)

A measure of the ungeared return from the portfolio and is calculated as property gains and losses (both realised and unrealised) plus net rental income, expressed as a percentage of capital employed.

TRUE EQUIVALENT YIELD

True internal rate of return from the 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. True equivalent yield assumes rent is received quarterly in advance.



SEGRO March 19 a 1000 March 19 a 1000 Long 19 a 1000 Long



GO ONLINE

To keep up to date with SEGRO, you can source facts and figures about the Group through the various sections on our website and sign up for email alerts for fast communication of breaking news.

Financial reports, shareholder information and property analysis are frequently updated and our current share price is always displayed on the Home Page.

As well as featuring detailed information about available property throughout the portfolio, SEGRO.com now also includes a dedicated property search function that operates across each of the 10 countries in the Group, making it easy for potential customers, or their agents, to find business space that fits their requirement exactly. SEGRO's performance in areas such as sustainability and customer care are also featured on the site.

www.SEGRO.com





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Photograph of SEGRO young artists: Dionne Barber

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