ANNUAL REPORT 2010

CREATING VALUE THROUGH OPERATIONAL DELIVERY

SEGRO
WHERE BUSINESS WORKS

ABOUT SEGRO

We are Europe's leading provider of flexible business space servicing over 1,700 customers across a range of industry sectors and geographies. Our portfolio comprises £5.3 billion of predominantly industrial assets concentrated in and around major business centres and transportation hubs such as airports, ports and motorway intersections.

Our strategy is to maximise total shareholder returns by applying our business model "Buy Smart, Add Value and Sell Well" in our core geographies supported by an efficient capital structure.

SEGRO is a Real Estate Investment Trust (REIT) and is listed on the London Stock Exchange.

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Additional disclosures on our property portfolio can be found in the 2010 Property Analysis.
Simply visit **www.SEGRO.com** for this document and further information on Sustainability.

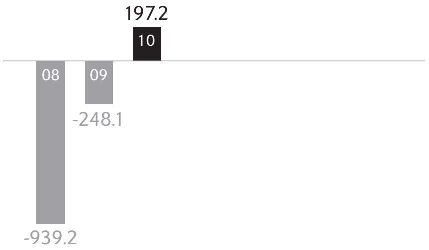
Forward looking statements

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.

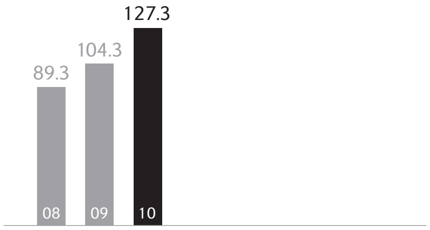
Cover: J4 Camberley, Surrey

DIRECTORS' REPORT: OVERVIEW
OUR NUMBERS

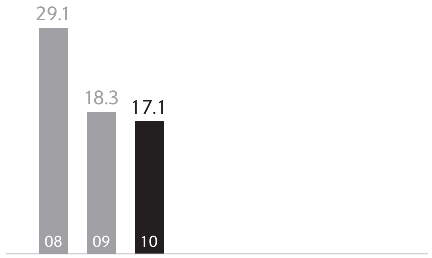
Profit/loss before tax[1]
£197.2 million



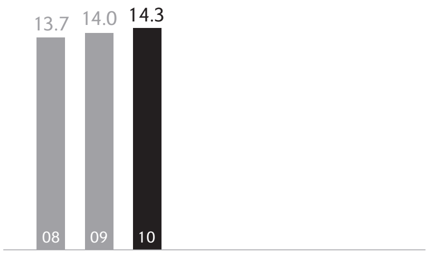
EPRA profit before tax (recurring rental profits)[2]
£127.3 million



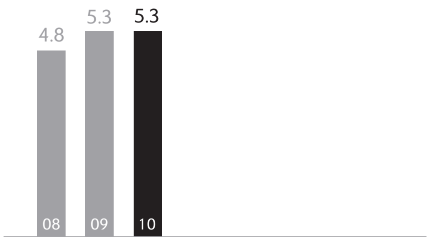
EPRA earnings per share (recurring rental profits)[3]
17.1 pence



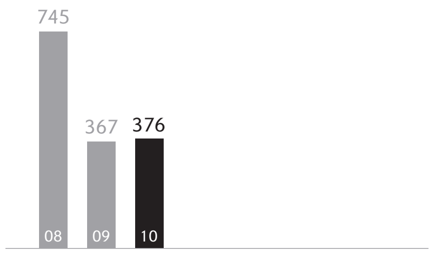
Total dividend per share
14.3 pence



Portfolio value[4]
£5.3 billion



EPRA net asset value per share[5]
376 pence



1. Includes property valuation movements.
2. As referred to in note 2 of the financial statements.
3. As referred to in note 13 of the financial statements.
4. Includes Group share of properties held within joint ventures.
5. Prior years restated to EPRA basis, see note 13 of the financial statements.

OUR PORTFOLIO

Property type

- Completed investment properties **79%**
- Land and development **7%**
- Trading properties **5%**
- Group share of joint ventures **9%**

% split by property portfolio value per financial statements

Geographical split

- UK **71%**
- Germany **8%**
- France **8%**
- Benelux **6%**
- Poland **4%**
- Other **3%**

% completed properties by value

DIRECTORS' REPORT: OVERVIEW
OUR BUSINESS

FLEXIBLE BUSINESS SPACE WITH MANY USES

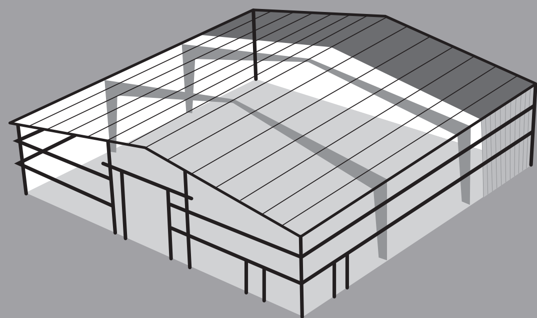
We acquire, develop, manage and sell flexible business space throughout Europe. Our success lies in providing the right solutions to meet a wide variety of customer needs. We pride ourselves on the flexibility of our approach and of the buildings we provide.

LOGISTICS WAREHOUSING

17 per cent

OTHER BUSINESS SPACE

66 per cent



SUBURBAN OFFICES

17 per cent

A FLEXIBLE SOLUTION WHICH CAN BE TAILORED TO MEET A NUMBER OF CUSTOMERS' NEEDS

Light industrial and small warehouse units

Manufacturing facilities

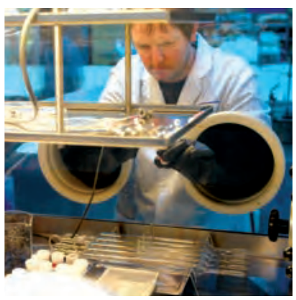
Data centres

Self storage facilities

Trade counters

Car showrooms

Research and development facilities



% completed properties by value.

OUR STRATEGY

DELIVERING VALUE ACROSS THE CYCLE

Our strategy is to maximise total shareholder returns by applying our business model "Buy Smart, Add Value and Sell Well" in our core geographies supported by an efficient capital structure.

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

Pick right time in the cycle

3 SELL WELL
Crystallise value from optimised assets
Sale of non-core or stabilised assets to third parties or joint ventures

Seek to optimise timing to balance the market cycle with individual assets strategies

Look for opportunities to recycle sales proceeds into new opportunities

2A 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

2B 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

KEY PRIORITIES

Based on the above strategy, at the beginning of 2010 we set ourselves the following near-term priorities:

- **IMPROVE OCCUPANCY**
  Group vacancy rate improved from 13.5 per cent to 12.0 per cent
  For more information see p4

- **PROFITABLY GROW AND IMPROVE THE PORTFOLIO**
  Enhanced Heathrow portfolio and capitalising on growing demand for pre-let developments
  For more information see p5

- **PRUDENTLY MANAGE THE FINANCIAL POSITION**
  £485.9 million new and extended bank facilities agreed. Gearing reduced to 80 per cent
  For more information see p6

DIRECTORS' REPORT: OVERVIEW

PROGRESS AGAINST OUR KEY PRIORITIES

IMPROVE OCCUPANCY

Reducing our vacancy rate is the Group's primary focus, both through letting up our empty buildings and minimising the amount of space returned by existing customers on a potential lease break or expiry.

Our lettings performance has been strong in the year reflecting our pragmatic and flexible approach to filling up space. We generated £37.7 million of new annualised rental income. Space returned on lease breaks or expiries was relatively high reflecting the uncertain economic conditions but, in line with our expectations, at £29.3 million of annualised rental income.

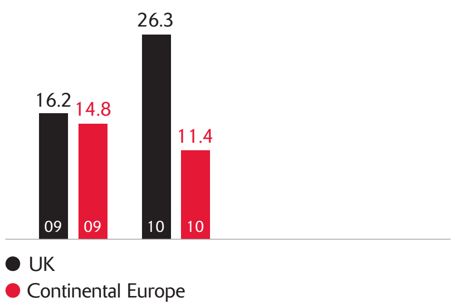
"OUR FOCUS ON STAYING CLOSE TO OUR CUSTOMERS HELPED US TO DELIVER A RETENTION RATE OF 55 PER CENT IN THE UK AND 75 PER CENT IN CONTINENTAL EUROPE."

"LEASE INCENTIVES IN THE UK WERE 11.2 PER CENT (2009: 11.3 PER CENT) AND IN CONTINENTAL EUROPE 6.8 PER CENT (2009: 9.0 PER CENT)."

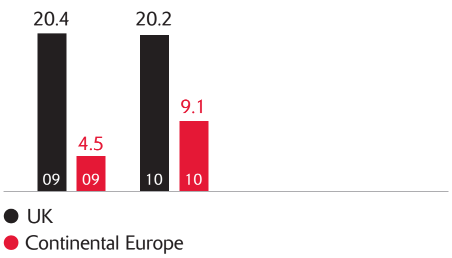
VACANCY REDUCTIONS ACHIEVED

- Group vacancy down 1.5 per cent to 12.0 per cent
- UK vacancy down 1.5 per cent to 13.3 per cent
- Former Brixton portfolio vacancy down 3.5 per cent to 18.6 per cent
- Continental European vacancy down 1.8 per cent to 8.9 per cent

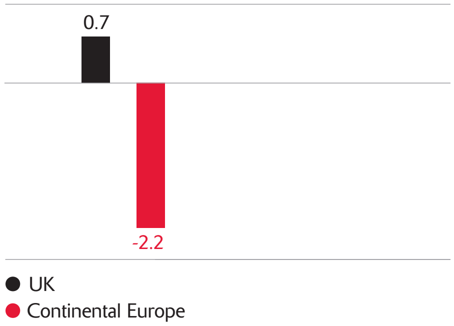
Lettings (£m annualised rental income)



Space returned (£m annualised rental income)



Transactional rental levels versus December 2009 ERVs (%)



CREATING VALUE THROUGH OPERATIONAL DELIVERY

LETTING UP VACANT SPACE

Premier Park, Park Royal was developed by Brixton in 2000. The estate consists of 30 units varying in size from 430 sq m to 15,900 sq m and is one of the leading locations in Park Royal located close to the A406 and A40 with easy access into central London. We completed lettings of 4,200 sq m in the year including long term leases with a major security company and a leading fashion retailer and have reduced the vacancy rate to only 2.0 per cent from 7.6 per cent at 31 December 2009.

PROFITABLY GROW AND IMPROVE THE PORTFOLIO

The second priority we set ourselves was to capitalise on opportunities to profitably grow and improve the portfolio through acquisitions, developments and disposals of assets.

During the year we enhanced our position at Heathrow, disposed of £479.4 million of assets, started the refocusing of our Continental European portfolio and signed 12 new pre-let developments which will, in aggregate, generate around £9 million of new annualised rental income.

"FOUR NEW PRE-LET DEVELOPMENTS HAVE BEEN SIGNED ON THE SLOUGH TRADING ESTATE IN 2010 HIGHLIGHTING THE CONTINUED POPULARITY OF THE ESTATE AS A PREMIER BUSINESS DESTINATION."

HEATHROW PORTFOLIO OF ASSETS UNDER MANAGEMENT INCREASED TO OVER £1 BILLION

In June 2010, we acquired a 50 per cent interest in Airport Property Partnership (APP). APP is a joint venture with Aviva Investors, established to invest in industrial properties within five miles of the major UK airports. The majority of APP assets are around Heathrow.

EXPLOITING GROWING DEMAND FOR PRE-LET DEVELOPMENTS

Pre-let developments provide us with attractive returns from our well located land bank. In 2010, we signed eight new pre-let developments in the UK and four in Continental Europe. Today eight of these projects are under construction.

REFOCUSING IN CONTINENTAL EUROPE ON GERMANY, FRANCE, POLAND AND BENELUX

We will refocus on our core areas in Continental Europe and in these areas on the key cities and transportation hubs where we believe we can generate the best returns.

£479.4 MILLION OF DISPOSALS COMPLETED

We completed a number of disposals (including the injection of assets into APP) in the UK and Continental Europe during 2010, including disposing of properties which were peripheral to our portfolio to allow us to focus on the assets where we can deliver most value.

CREATING VALUE THROUGH OPERATIONAL DELIVERY

HEATHROW DEVELOPMENT

Construction has now started on the largest pre-let signed at Heathrow in 2010. We are developing a 5,700 sq m warehouse facility for Heathrow Cargo Handling, a joint venture between Servisair and Air France at Horton Road, Poyle.

DIRECTORS' REPORT: OVERVIEW
PROGRESS AGAINST OUR KEY PRIORITIES CONTINUED

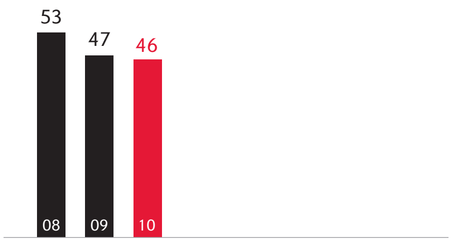
PRUDENTLY MANAGE FINANCIAL POSITION

Our final priority was to prudently manage the Group's financial position. Our balance sheet has been further strengthened with net borrowings at the end of the year of £2.2 billion, down from £2.4 billion, at 31 December 2009.

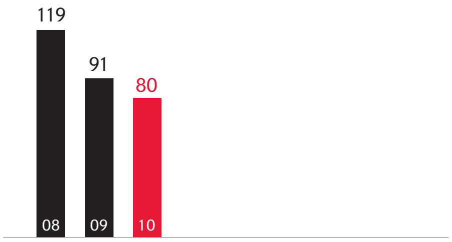
During 2010, we have strengthened our maturity profile with the completion of £485.9 million of new and extended bank facilities. We have no material near-term refinancing requirements.

"83 PER CENT OF OUR NET BORROWINGS ARE IN THE FORM OF BONDS AND NOTES AND 17 PER CENT IS BANK DEBT NET OF CASH."

LTV (%)

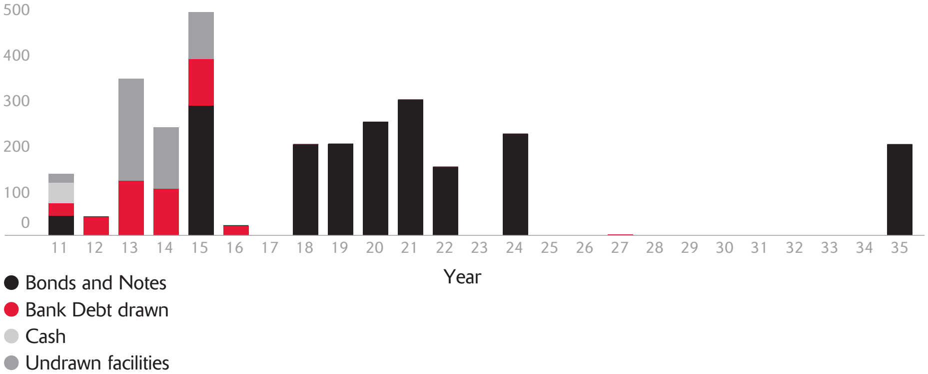


Gearing (%)

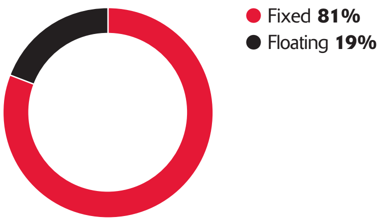


Debt profile (£m)

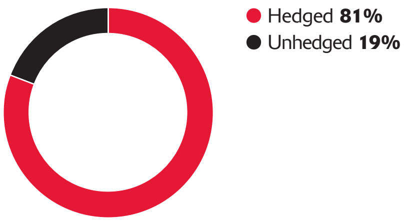
9.8 years weighted average maturity



Net borrowings



Foreign currency asset hedging



MEASURING OUR PERFORMANCE

The key performance indicators below are the primary measures by which we assess our performance against our stated objectives.

TOTAL RETURNS

	2010	2009	2008
Total property return (%)[1]	**6.8**	(1.0)	(14.9)
Total return on shareholders equity (%)[2]	**6.6**	(11.5)	(28.2)

1. *A measure of the ungeared return from the entire portfolio including land and development, calculated as property gains and losses (both realised and unrealised) plus net rental income, (including property administration expenses) expressed as a percentage of capital employed. Basis differs from methodology used by IPD.*
2. *A measure of the return generated over the period based on the growth in the adjusted EPRA NAV and including any dividends paid to shareholders, divided by shareholders equity. Shareholders' equity for 2009 is weighted for the impact of the rights issue, placing and open offer and Brixton acquisition.*

IMPROVE OCCUPANCY

	2010	2009	2008
Total space let (000s sq m)[1]	**560.0**	481.9	521.5
New income secured (net) (£m)[2]	**8.4**	6.1	17.6
EPRA vacancy rate (%)	**12.0**	13.5	9.5
Retention rate[3]	**55**	52	64
Customer satisfaction (%)[4]	**73**	68	73

1. *Excludes short-term licence agreements and includes joint ventures at share for 2009 and 2010.*
2. *Annualised rental income relating to lettings less annualised rental income relating to take backs. Includes joint ventures at share for 2009 and 2010.*
3. *UK only.*
4. *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 or in Continental Europe in 2010. 2008 is a weighted average of the UK and Continental European survey results.*

PROFITABLY GROW AND IMPROVE THE PORTFOLIO

	2010	2009	2008
Investment (£m)[1]	**195.0**	1,385.2	464.1
Disposal proceeds (£m)[2]	**479.4**	436.5	343.3
Total capital recycled (%)[3]	**15**	38	16

1. *Expenditure on development activity and acquisitions. In 2010 this included £111.5 million of investment in APP, and in 2009 £1,144 million of investment properties acquired from Brixton.*
2. *Includes disposals into APP of £237.1 million.*
3. *Sum of development expenditure plus cost of acquisitions plus disposal proceeds divided by the total portfolio valuation at the start of the year.*

PRUDENTLY MANAGE FINANCIAL POSITION

	2010	2009	2008
Gearing (%)	**80**	91	119
Speculative development starts (000s sq m)	**9**	–	138
Total cost ratio (%)[1]	**28.1**	29.9	30.4

1. *Total costs expressed as a percentage of gross rental income. Total costs include property operating expenses (net of service charge income and joint venture management fee income) and administration costs (excluding exceptional items). In 2010, joint ventures have been included at share and comparatives have been changed accordingly.*

ADDITIONAL EPRA MEASURES

	2010	2009	2008
Earnings (£m)[1]	**126.0**	103.4	87.6
NAV (pence per share)	**376**	367	745
NNNAV (pence per share)	**363**	362	782
Net Initial Yield (%)[2]	**6.0**	–	–
Topped up Net Initial Yield (%)[2]	**6.9**	–	–

1. *Earnings stated after tax and non-controlling interests.*
2. *As 2010 is the first year of EPRA implementation of these measures, there are no prior year Group comparatives available. Please see 2010 Property Analysis for further details of our yields.*

DIRECTORS' REPORT: OVERVIEW
CHAIRMAN'S STATEMENT

OPERATIONAL DELIVERY IN CHALLENGING MARKETS

"THE GROUP HAS MADE GOOD PROGRESS IN 2010 AGAINST A DIFFICULT ECONOMIC BACKDROP. IN 2011 WE WILL CONTINUE TO FOCUS ON MANAGING DOWN OUR VACANCY THROUGH OUR LETTING ACTIVITY AND BY WORKING WITH EXISTING CUSTOMERS TO MINIMISE THE LEVEL OF SPACE RETURNED."

Nigel Rich CBE, Chairman

After the many dramatic events of 2009, 2010 has been a calmer year for the Company with our focus on operational delivery and realising the benefits of the Brixton acquisition completed in August 2009.

We completed our annual review of strategy with the Board in November. This broadly confirmed our current strategic thinking, building on the actions we have taken over the last eight years to create a focused pan-European industrial REIT. Our strategy remains to maximise total shareholder returns by applying our business model to "Buy Smart, Add Value and Sell Well". At a portfolio level, this means generating good total property returns and, at a Company level, solid income to underpin the dividends we pay to shareholders, supported by an efficient capital structure.

Over and above this, we aim to deliver returns ahead of the broader market by astute timing of the property cycle in terms of when we acquire and dispose of assets coupled with active asset management on a property by property basis. Annually we review the potential of our estates in the UK and Continental Europe. In 2010, this review has led to the sale of a number of properties where we could see relatively little upside potential and we will continue to refine the portfolio in 2011 and beyond.

BOARD AND MANAGEMENT CHANGES

In October, we announced that after eight years with SEGRO, Ian Coull, our Chief Executive, had decided to retire. Ian has successfully managed the Company through a full cycle of ups and downs in the property market including the difficult times after the near collapse of capital values between 2007 and 2009. He has been an inspirational leader of the people in the business and a great ambassador for the wider industry through his involvement with the British Property Federation and the European Public Real Estate Association. We wish him every success in his future endeavours.

A professional search was carried out for his successor, which included both internal and external candidates. We were delighted to announce, just before the end of 2010, the appointment of David Sleath, presently our Finance Director, as the new Chief Executive. David will take over from Ian following the AGM in April 2011 and I am confident that David will provide excellent leadership of your Company. The process to identify David's successor as Finance Director is underway.

In March, we announced the appointment of two new Non-Executive Directors, Doug Webb and Mark Robertshaw. Both bring a wealth of experience to the Board. Doug is Chief Financial Officer of the London Stock Exchange Group plc, a role he has held since June 2008. Doug has taken over the Chairmanship of the Audit Committee. Mark has been Chief Executive Officer of The Morgan Crucible Company plc since August 2006.

In April, we announced the appointment of Andy Gulliford as Managing Director for Continental Europe. Andy has considerable experience in the property sector having been with SEGRO for six years, latterly as Business Development Director. Andy is in the process of refocusing the Continental European portfolio onto those areas where we consider we can deliver the greatest value.

Following the year end, we have agreed with Ian Sutcliffe, Managing Director of the UK business, that he will step down from the Board and leave the Company with effect from the AGM in April 2011. I would like to thank Ian for his contribution to SEGRO and in particular his leadership of the integration of Brixton and the acquisition of the APP portfolio. We also wish him all the best for the future.

OVERVIEW OF PERFORMANCE

Since the acquisition of Brixton in 2009 letting up our vacant space has been the Groups primary focus. We have made significant progress in the year reducing the Group vacancy rate from 13.5 per cent in December 2009, to 12.0 per cent at the end of 2010. Substantial improvements have been made in the former Brixton portfolio where vacancy has fallen from 22.1 per cent at the end of 2009, to 18.6 per cent at 31 December 2010.

This result was built on a strong lettings performance coupled with the active management of our existing customers to minimise the amount of space returned on a lease break or expiry. Although space returned has been relatively high across this year, it was in line with our expectations.

We delivered net rental income of £282.1 million for the period (2009: £269.4 million) and a profit before tax of £197.2 million versus a loss of £248.1 million in 2009. EPRA profit before tax from recurring rental profits was £127.3 million (2009: £104.3 million), reflecting the increase in the size of our portfolio following the Brixton acquisition in 2009 and our lettings performance. EPRA earnings per share from recurring rental profits were 17.1 pence down from the 18.3 pence reported in 2009 due to the dilutive impact of the rights issue completed in 2009.

The Board is recommending a final dividend of 9.6 pence per share which, if approved, would give total dividends for 2010 of 14.3 pence (2009: 14.0 pence). This will be paid as a cash dividend (half as a Property Income Distribution and half as an ordinary dividend). There will be no scrip alternative. We continue to keep the payment of a scrip alternative under review and will relook at this in 2011.

Our completed portfolio of properties recorded a valuation gain of 1.9 per cent in the year as property values recovered from the lows seen in 2009. EPRA net asset value per share at 31 December 2010 was 376 pence, an increase of 2.5 per cent on 31 December 2009.

OUTLOOK

Globally, the developed world now appears to be slowly emerging from recession with a number of important economies returning to slow growth. Challenges remain with inflationary pressures a possible test of the current low interest rate environment.

In the UK, consumer confidence still remains relatively low. This coupled with low levels of economic growth will make 2011 another challenging year. The demand for space in our industrial sector is likely to remain relatively constrained. Industrial rental values fell by 1.4 per cent in 2010 according to the IPD UK Index and we expect them to remain relatively flat into 2011.

Faltering markets and uncertainties over sovereign debt remain a feature across Continental Europe with an increasing divergence in performance in different countries. We expect a gradual, albeit hesitant recovery to continue across our core markets. Poland and Germany in particular are showing signs of growth.

The Group has made good progress in 2010 against a difficult economic backdrop. On behalf of the Board, I would like to thank all the employees of SEGRO for their hard work and commitment during what has been a challenging year. In 2011 we will continue to focus on managing down our vacancy through our letting activity and by working with existing customers to minimise the level of space returned.

Nigel Rich CBE,
Chairman

23 February 2011

Q&A WITH DAVID SLEATH

Finance Director for the past five years, David Sleath talks about his time at SEGRO and his plans for the future as SEGRO's new Chief Executive

WHERE WAS YOUR EARLY CAREER SPENT?

After obtaining my degree at Warwick University Business School, I began working for the accountancy firm, Arthur Andersen. I worked in corporate finance and became a partner and head of audit and assurance for the Midlands before becoming finance director at Wagon plc, the international automotive engineering group.

WHAT ATTRACTED YOU TO SEGRO?

I joined SEGRO in 2005, it was then known as Slough Estates. The Company was highly regarded in the property industry but I knew it was in need of modernisation. It was a great opportunity to work with Ian Coull and his team and over the past five years, we have all been on a transformational journey to make SEGRO the company it is today.

WHAT HAS BEEN YOUR GREATEST CHALLENGE WORKING AT SEGRO?

This was in 2009 when, like other property companies in the UK, we faced a challenging time due to unprecedented turmoil in the markets. We successfully renegotiated our bank covenants with over 20 banks in January 2009, which was followed by our £500 million rights issue in March and then the acquisition of Brixton three months later. It was certainly a challenging time but one that has been hugely important in shaping how SEGRO looks today.

HOW DOES THE PROPERTY SECTOR COMPARE TO OTHER SECTORS YOU HAVE WORKED IN?

Unlike the automotive industry, the UK has a major property sector which is a key element in the UK economy. It is an exciting sector to work in – it is one of the most dynamic and transparent property industries in the world, full of challenges and opportunities.

WHAT ARE YOUR FUTURE PLANS FOR SEGRO?

I have been fortunate to have been part of SEGRO's transformation over the past five years which means I am inheriting a much stronger business in terms of portfolio, assets and culture. My immediate priority will be to build on that good platform in order to deliver operational performance for the benefit of our shareholders and other stakeholders. That means continuing to drive down our vacancy rate, to generate returns from our non-income producing assets, and continuing to look at opportunities to improve our portfolio.

IMPROVING OCCUPANCY ACROSS THE PORTFOLIO

"OUR PRIMARY FOCUS IN 2010 WAS ON REDUCING VACANCY AND WE HAVE MADE GOOD PROGRESS DURING THE PERIOD REDUCING THE OVERALL GROUP VACANCY FROM A PEAK OF 14.1 PER CENT AT THE END OF THE FIRST QUARTER TO 12.0 PER CENT."

Ian Coull, Chief Executive

OVERVIEW

During 2010, we successfully built on the acquisition of the Brixton portfolio in August 2009, making substantial in-roads into our vacancy with our Group rate falling to 12.0 per cent from 13.5 per cent at the end of 2009. We have made good progress with the former Brixton portfolio where the vacancy level is now 18.6 per cent and we are well on our way to reducing this to our stated target of 15.0 per cent by the end of 2012. Our overall UK vacancy has fallen from 14.8 per cent at the beginning of the year to 13.3 per cent. In Continental Europe, a strong lettings performance has seen our vacancy reduce from a high of 12.8 per cent at 31 March 2010 to 8.9 per cent by year end.

Lettings momentum grew throughout the year and we delivered a strong performance with 339 new leases signed. The challenging economic conditions, particularly in the first half of the year, were reflected in the relatively high level of takebacks.

Alongside our key priority of improving occupancy, we have continued to exploit opportunities to profitably grow and improve our portfolio. In June 2010, we significantly enhanced our presence in the Heathrow market when we completed a two phase transaction. This resulted in SEGRO acquiring 50 per cent of the Airport Property Partnership (APP), a joint venture with Aviva Investors, and the enlargement of the APP portfolio through the injection of £237.1 million of SEGRO's existing assets at Heathrow. The Heathrow market provides an exciting opportunity for the Group and we see real potential to add value here through active management of our portfolio.

Pre-let developments provide us with an attractive opportunity to generate good returns from our well located land bank. During 2010, interest in pre-let developments has increased as customers look to take advantage of lower costs to develop a building which matches their specifications in the right location. We finished the year with a strong pipeline of projects. Eight projects are now on site, a further four signed and seven more are approved internally and in active negotiations.

Towards the end of the year we completed a review of our Continental European portfolio. We have now put in place a plan to refine the Continental European business to focus on our key geographies of Germany, France, Poland and Benelux to fully leverage our expertise in serving key cities and transportation hubs with flexible business space. We have also completed a number of disposals of assets in 2010 where these did not fit well within the portfolio including the sale of the Westcore portfolio and Treforest Industrial Estate towards the end of the year.

Finally, we have made good progress with our third priority to prudently manage our financial position. Improvements to asset valuations and disposals in the year have enabled us to reduce gearing levels to 80 per cent and our loan to value ratio is now 46 per cent. We have significantly extended our maturity profile and have no material near-term refinancing requirements.

PORTFOLIO VALUE INCREASED BY 1.9 PER CENT

Our portfolio of completed properties recorded a valuation gain of 1.9 per cent in the year versus declines in both 2009 and 2008.

Completed properties in the UK recorded a valuation gain of 4.4 per cent for the period, ahead of the 3.5 per cent recorded by the quarterly IPD Industrial Index for the twelve months. The strength of the investment market and our lettings performance flowed through into a sharpening of yields, which offset the valuers' more conservative assumptions for rental values, particularly on our higher vacancy estates. London, which represents 43 per cent of our UK portfolio, was again the best performing region with good gains in areas such as Park Royal where there is limited investment availability and strong institutional demand for product, combined with rental growth.

The Continental European portfolio of completed properties recorded a valuation decrease of 3.9 per cent reflecting a reduction in rental assumptions on certain assets and a number of one off factors. The German portfolio recorded a valuation decline of 9.7 per cent, due principally to three issues: the return of properties following the Karstadt-Quelle insolvency; unexpected refurbishment costs on one estate highlighted by the heavy snowfall; and revised assumptions on our estate in Frankfurt in part to reflect the reduction by a year in the remaining term of the lease. Our portfolio in Benelux reported a valuation decrease of 3.1 per cent while the French portfolio remained stable. Reflecting the continued reduction in vacancy, good rental levels and increasing investor demand, our Polish portfolio recorded a valuation gain of 6.8 per cent. The remaining 9 per cent of our Continental European portfolio recorded a valuation decline of 11.5 per cent principally as a result of the decline in the value of the Italian portfolio following the exercise of a 2012 break option by a customer occupying 48,100 sq m at Energy Park, Vimercate. We are currently working with this customer on their future plans. Energy Park is a well located, high quality estate and we have seen good demand during the year with 4,500 sq m of new lets signed and our office development completed at the site in 2009 is now fully occupied.

IMPROVING OCCUPANCY

Our primary focus in 2010 was on reducing vacancy and we have made good progress during the period, reducing the overall Group vacancy from a peak of 14.1 per cent at the end of the first quarter to 12.0 per cent. This figure has benefited from 1.5 per cent due to short-term lets (2009: 1.7 per cent). Improving our occupancy levels is both a function of new lettings but equally important is the management of our existing customers to minimise the quantum of takebacks on lease breaks and expiries.

Our lettings performance has been strong during the year with £37.7 million of new annualised rental income generated across the business, excluding the value of agreements for pre-let developments which will be delivered in future years. Our performance in letting up our existing space (excluding lettings of newly developed space) was particularly pleasing, up 100 per cent on 2009.

We lost £29.3 million of annualised rental income as a result of takebacks in the year. This relatively high level of takebacks reflects the difficult economic conditions during 2010, but was in line with our expectations at the start of the year. As a Company we are committed to customer service and aim to stay close to our customers to anticipate and address their space needs as they change and evolve. This focus helped us to deliver a retention rate of 63 per cent for the Group.

UK

In the UK, we started the year with a vacancy rate of 14.8 per cent, reflecting the acquisition of the high vacancy Brixton portfolio. By the end of the year we had reduced this to 13.3 per cent. We generated strong lettings in the former Brixton portfolio and the former Brixton vacancy has been reduced by 3.5 per cent in the twelve months to 18.6 per cent.

CREATING VALUE THROUGH OPERATIONAL DELIVERY

MANAGING OUR TAKEBACKS

The German retailer, Karstadt-Quelle occupied seven of our buildings in Germany generating £4.6 million of annualised rental income. In 2009 it became clear that Karstadt-Quelle was in financial difficulties and in the first quarter of 2010, the properties were returned to us. Our German team was ready for this return with specific plans in place. This allowed us to take immediate action. We refurbished and sub-divided some of the properties to make them more attractive to their local markets and worked with a sub-tenant in one property to transfer the lease to them. Our swift actions meant we had re-let or sold 52 per cent of the space returned by rental value by the end of the year.

DIRECTORS' REPORT: OVERVIEW

CHIEF EXECUTIVE'S REVIEW CONTINUED

"AS 2010 HAS PROGRESSED WE HAVE SEEN AN INCREASE IN THE LEVEL OF INTEREST IN PRE-LET DEVELOPMENTS AND WE ARE CAPITALISING ON THIS GROWING DEMAND."
Ian Coull, Chief Executive

In total, we signed 245 new lettings in the UK representing £26.3 million of annualised rental income, a significant increase on the £16.2 million generated in 2009.

Demand has been particularly strong in West London where our estates at and around Park Royal have performed well. In total, we signed 24 new leases in Park Royal, representing a total of 60,100 sq m including the letting of the Verdus building in Greenford on a long lease in October. At Heathrow, we have seen an encouraging pick up in activity as the year has progressed and cargo volumes have risen. This is beginning to flow through into our lettings numbers with a total of 27 new leases signed at Heathrow in the year (included leases signed in the APP portfolio since June) and an increased level of enquiries particularly in the fourth quarter. The Heathrow market presents exciting opportunities for the Group as we look into 2011.

Our industrial portfolio in the Thames Valley performed well, with a total of 60 new leases signed for a total of 54,400 sq m. The suburban office portion of our Thames Valley portfolio has been more subdued and, although we

CREATING VALUE THROUGH OPERATIONAL DELIVERY

A FLEXIBLE AND PRAGMATIC APPROACH TO LETTING UP SPACE

The 22,700 sq m Verdus Building in Greenford, West London is one of the largest buildings within our UK portfolio and was acquired as part of the Brixton acquisition in 2009. At the time of the acquisition the building was empty.

Illustrating our flexible approach we initially secured a short-term six month let to Think Thark Productions Limited allowing them to transform the interior of the building for the filming of a major new movie which is currently due for release in 2012. This short-term arrangement gave us time to market the building.

Think Thark vacated the building in May and, in October, we successfully let the building on a long lease to a major supermarket chain. They will occupy the building in March this year once their fit out is completed and will use Verdus as a distribution hub for their stores in the London area.

signed a total of 29 leases for an aggregate of 22,700 sq m, including the completion of a 12,600 sq m pre-let development for Fluor at IQ Farnborough in the first half of the year, vacancy in this portfolio remains higher than we would like.

In the less than 20 per cent of our UK portfolio that is located outside the South East, occupier markets were more difficult but we continued to make progress with 83 new lettings signed. At our estates in Manchester, we let 63,800 sq m with good progress made on the letting up of the former Brixton properties.

Although we continue to take a flexible and pragmatic approach to lettings, we are pleased that, in general, the strong lettings performance we have achieved has not been at the expense of overall rental levels or by giving away unusually large rental incentives. In fact, over the year we saw modest growth in transactional rental levels in the UK. Overall headline rental levels on the new lettings and lease renewals completed in 2010 were an average of 0.7 per cent above December 2009 ERVs. These figures mask considerable regional differences with strong rental growth in areas such as Park Royal and more difficult conditions in markets outside the South East, particularly those with an excess supply of second hand space. Rental incentives for the year were an average of 11.2 per cent of the committed rents (2009: 11.3 per cent).

Our UK retention rate increased to 55 per cent (2009: 52 per cent). Customers are continuing to focus on space consolidation and in total, we lost £20.2 million of annualised rental income as a result of space returned in 2010 in the UK, in line with the £20.4 million lost in 2009. Many of our larger takebacks related to development opportunities and a number of these customers were relocated into other SEGRO buildings, including the premises in Camberley previously occupied by Fluor. In 2011 we have a total of £27.9 million of rental income in the UK subject to a potential break or expiry and managing our customer relationships to minimise the amount of this space which is returned remains a key focus for the business.

Continental Europe

The vacancy in our Continental European business was impacted by the expected return of the Karstadt-Quelle space in Germany in the first quarter, which pushed the vacancy rate up to 12.8 per cent at 31 March 2010. Our local team has done a great job in managing this with 52 per cent, by rental value, re-let or sold by the year end. This, combined with excellent lettings figures across the rest of the portfolio, enabled us to reduce our Continental European vacancy rate to 8.9 per cent by the end of the year.

In total, we generated £11.4 million of new annualised rental income in Continental Europe with 94 new lettings signed representing 261,900 sq m.

Demand in Germany recovered through the year reflecting the strengthening of the local economy. In total we completed 42 lettings in Germany representing 95,600 sq m. Leasing performance in France was steady through the year with particular strength around Paris and in total we signed 10 new leases for 63,200 sq m. We also made progress in Benelux with 36,600 sq m let under 17 new leases including continued success with lettings at Pegasus Park in Belgium. Our Polish business had a good year, reflecting both the strength of that economy and the quality and location of our assets. We let a total of 59,100 sq m in Poland in 2010 and at the year end our vacancy rate was only 2.6 per cent.

Overall headline rental levels on the new lettings and lease renewals completed in Continental Europe were an average of 2.2 per cent below December 2009 ERVs. Rental incentives averaged 6.8 per cent for the year (2009: 9.0 per cent).

Our Continental European retention rate was strong at 75 per cent. Space returned in the year represented £9.1 million of annualised rental income (£4.5 million excluding the space returned as a result of the Karstadt-Quelle insolvency) (2009: £4.5 million). In 2011, £11.0 million of rental income is subject to potential break or expiry in Continental Europe.

DIRECTORS' REPORT: OVERVIEW

CHIEF EXECUTIVE'S REVIEW CONTINUED

CAPITALISING ON OPPORTUNITIES TO PROFITABLY GROW AND IMPROVE THE PORTFOLIO

The second priority we set at the outset of the year was to exploit opportunities to profitably grow and improve the portfolio. We have reviewed the assets in our portfolio during the year both in the UK and Continental Europe. This has confirmed our objective of clustering our assets into core markets which, we believe, will assist us in delivering attractive returns. In the UK, we completed the APP transaction in June which significantly enhanced our presence at Heathrow, which is a core cluster for the Group and in Continental Europe, we have put in place a plan to refocus on certain core geographies. Generating income and returns from our land bank is a priority and we have capitalised on the growth in demand for pre-let developments during the year, creating a strong pipeline of projects particularly in our core markets. We also completed a number of disposals of poorer quality assets where they did not fit well within the portfolio.

HEATHROW MARKET PRESENTS SIGNIFICANT OPPORTUNITY

We completed the acquisition of a 50 per cent interest in APP at the end of the first half for £111.5 million cash. The APP portfolio consisted of 17 properties primarily around Heathrow and three indirect investments in aggregate valued at £446.6 million (based on the purchase price at 100 per cent). We then sold £237.1 million of our existing assets at Heathrow into the joint venture. APP funded the acquisition through drawing on committed debt facilities together with £70.3 million of new equity injected from each partner. In aggregate, taking account of the sale of our assets and the purchase of our interest in APP, these transactions generated net cash proceeds of £55.3 million for the Group (before acquisition costs).

In total, we now have over £1.0 billion of assets under management clustered around Heathrow including the APP assets within the airport perimeter which complement our existing portfolio and allow us to manage customer requirements both air and land side. Since June, we have taken over the asset management of the APP portfolio and begun to look at ways in which we can deliver additional value through economies of scale, development opportunities and the potential re-gearing of existing leases.

The prospects for the Heathrow market are positive. Supply is limited in key locations both airside and close to the airport perimeter and access points. Alongside this, although demand has been impacted by the economic downturn it is now beginning to improve as air cargo volumes recover to above the levels seen before the recession. In 2011, we will continue to exploit the significant opportunities we see in this core market.

Growing pre-let development pipeline with 12 projects signed

Our development activity has been lower in 2010, reflecting the uncertain economic conditions, particularly at the beginning of the year. As 2010 has progressed we have seen an increase in the level of interest in pre-let developments and we are capitalising on this growing demand.

We are currently on site with four pre-let projects in the UK, three in London at Southall, Enfield and Heathrow and one on the Slough Trading Estate. The Southall development is currently expected to complete in the second quarter of 2011, the Enfield and Slough Trading Estate developments in the third quarter of 2011 and the Heathrow project by the end of the year.

In Continental Europe, we have four further projects under construction at Ostrava in Czech Republic, Gliwice in Poland, Gonesse to the north of Paris (France) and Hamburg in Germany. Completion is expected on the Ostrava project during the first quarter of 2011. Gliwice is expected to complete in the second quarter of 2011. The Hamburg and Gonesse projects are expected to complete in the third quarter of the year.

We finished the year with a robust pipeline of pre-let developments with a further four projects signed in the UK. In aggregate our signed and under construction projects (excluding those currently in negotiations) represent around £68 million of capital expenditure and will generate £9 million of annualised rental income. A further seven projects are approved internally and under active negotiation (two in the UK and five in Continental Europe) but not yet signed.

We made a decision in the middle of the year to restart a limited programme of speculative development in specific markets in Continental Europe where we have excellent development sites and there is a shortage of good quality light industrial space plus strong market demand for the product. The sites we have identified are in Lodz (Poland), Dusseldorf and Berlin (Germany) and Paris (France). In the fourth quarter we commenced construction at Lodz of a small speculative development of light industrial units. This development is expected to be completed during the first quarter of 2011. We currently expect to commence speculative development of small light industrial schemes at the other three sites in 2011.

Continue to recycle assets with disposals of £479.4 million

We completed a total of £479.4 million of disposals during the year (including the £237.1 million injection of assets into APP). In aggregate, these disposals were completed in line with book values and included the following sales: the Westcore portfolio of estates around Heathrow to Hermes Real Estate for £79.3 million, the Treforest Industrial Estate to Hansteen Property Unit Trust for £27.7 million, a building to Fluor of as part of their new premises at IQ Farnborough for £21.0 million, 13 acres of land at Farnborough to TAG for £14.8 million and The Hub, Heywood Distribution Park, to Fowler Welch Coolchain for £13.6 million.

Refocusing our Continental European portfolio

During the year, we conducted a review of our Continental European portfolio under Andy Gulliford's leadership. We have now put in place a plan to refocus the Continental European business into a smaller number of key geographies to leverage our expertise in serving key cities and transportation hubs with flexible business space.

Going forward we will be focused on our key geographies: Germany; France; Poland and Benelux. In each of these geographies we plan to realign our portfolio to the key cities which we believe provide more attractive growth opportunities and have proved to be more resilient to the economic downturn. In Italy and the Czech Republic we have good quality assets where we see opportunities to add significant further value. We will develop these assets but do not currently expect to add to our holdings in these countries.

We have made a decision to exit Spain and Hungary given our view of the likely outlook for the industrial property sector in these countries. We have closed our local offices and, in December, we completed the sale of the majority of our Spanish assets for £15.4 million.

“OUR BALANCE SHEET REMAINS STRONG AND WE HAVE STRENGTHENED OUR MATURITY PROFILE WITH THE COMPLETION OF £485.9 MILLION OF NEW AND EXTENDED BANK FACILITIES DURING THE YEAR. ”

Ian Coull, Chief Executive

PRUDENTLY MANAGING OUR FINANCIAL POSITION

Our third priority was to prudently manage our financial position. Our balance sheet remains strong and we have strengthened our maturity profile with the completion of £485.9 million of new and extended bank facilities during the year. This has moved the weighted average maturity of the Group’s debt from 9.5 years to 9.8 years and we have no material near-term refinancing requirements.

Net borrowings at the end of the year were £2,203.2 million, down from £2,420.1 million at 31 December 2009 and we have reduced our gearing from 91 to 80 per cent. Our loan to value ratio is now 46 per cent down from 47 per cent at 31 December 2009. We could absorb a decline in property valuations of more than 28 per cent before the tightest of our financial gearing covenants would be breached and with just 19 per cent of our net borrowings at floating rates, we only have limited exposure to interest rate increases.

Further details of the financial position, including sensitivities to interest rate and currency fluctuations, are provided in the financial review.

OUTLOOK

Our strategy remains to maximise total shareholder returns by applying our business model to ‘Buy Smart, Add Value and Sell Well’ in our core geographies supported by an efficient capital structure.

At the beginning of 2010, we set ourselves three priorities: to improve occupancy, capitalise on opportunities to improve the portfolio and to prudently manage our financial position. We have made good progress on all three of these in the twelve months.

Looking ahead, we continue to focus on these three priorities as we move into 2011. We have transformed SEGRO over the last few years to concentrate our portfolio and our emphasis now is on operational delivery. Reducing our vacant property is the largest near-term opportunity we have to generate additional value for our shareholders and is the main priority of the management team. We estimate that, at today’s rental levels, a reduction of one per cent in our current vacancy rate would add around £6 million of additional annualised earnings. In addition our significant, well located, land bank both in the UK and Continental Europe gives us an opportunity to generate further value as we continue to capitalise on the growing demand for pre-let developments.

The economic environment has been challenging in 2010 and although sentiment has improved during the year we believe that 2011 will also bring challenges. The pattern of lettings and takebacks in 2011 is unlikely to be uniform, quarter on quarter, and we may see movements in the vacancy rate in any given quarter which reflect this. We are confident however, given our high quality portfolio and strong team, that SEGRO is well positioned to continue to make progress and to benefit from the emerging recovery.

Finally, this will be my last report to shareholders as Chief Executive of SEGRO. I have enjoyed my time with the Group over the last eight years. We have taken SEGRO on a journey over this time to transform the Company from an asset collector with a diverse unfocused portfolio to a focused pan-European industrial REIT. David Sleath currently Finance Director will take over as Chief Executive following the AGM in April 2011 and I am sure he will provide excellent leadership to the business. I could not have completed this transformation without the help and support of the management team and employees of SEGRO. I would like to take this opportunity to thank them all for their contribution over the last eight years and to wish both them and SEGRO well for the future.

Ian Coull,
Chief Executive

23 February 2011

O2 Headquarters, Bath Road

90 YEARS OF PROGRESS

SEGRO has owned and managed the Slough Trading Estate since the 1920s creating a diverse and vibrant environment where businesses of all sizes thrive. For 90 years the estate has continuously evolved to reflect the developing business trends of industry in the UK. We are now looking once again to the future with a 20 year redevelopment plan for the estate.

Employment

14,000 on-site jobs

Weighted average lease length

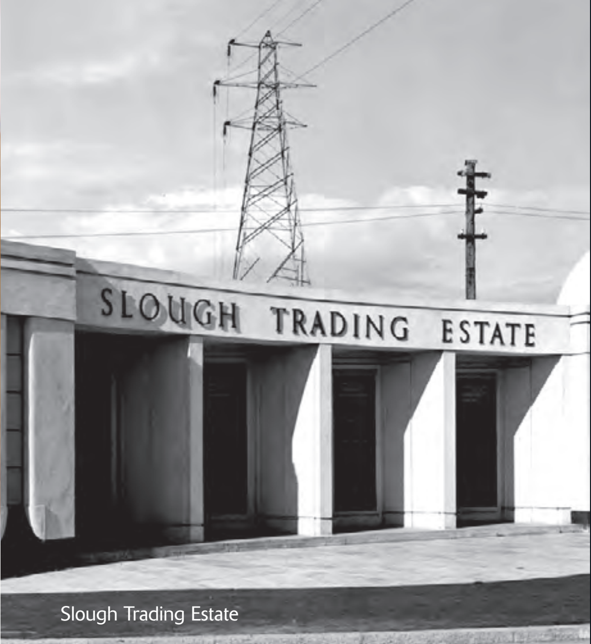
9.5 years

Number of occupiers

450

Vacancy rate by rental value

6.2 per cent



Slough Trading Estate


Bath Road, Slough Trading Estate

A HISTORY OF EVOLUTION

1920s Estate begins at the site where decommissioned military vehicles from WWI were stored, repaired or scrapped.

1926 Johnson & Johnson, Andre Citroën, the Gillette Razor Company, Black & Decker and 60 others had all opened sites on the estate.

1932 Confectioner Forrest Mars joins the estate. Mars remains on the estate today producing 3 million Mars bars every day.

1950s Shift from heavy to lighter industry. Production ranges from food and medicine to clothing.

1980s The M4 corridor stretching out from the west of London develops as a region focused on electronic and IT-related industries. Slough Trading Estate becomes a centre for this growth.

2008 Bath Road Retail Park on the edge of the estate is sold to The Crown Estate for £92 million. The sale enables the estate to focus on its core offering of flexible business space and suburban offices.

2010 O2, Research in Motion, Black & Decker, Lonza, UCB, LG, Fiat and Sainsbury's are all customers on the Slough Trading Estate.

"VISION FOR THE FUTURE"

In October 2010, we secured planning consent for a 20 year plan "Vision for the Future" to develop 150,000 sq m of office, leisure and amenity space on the estate. In February 2011, we launched a revised "Vision for the Future" which evolved the original plan making use of additional land which had become available for re-development.

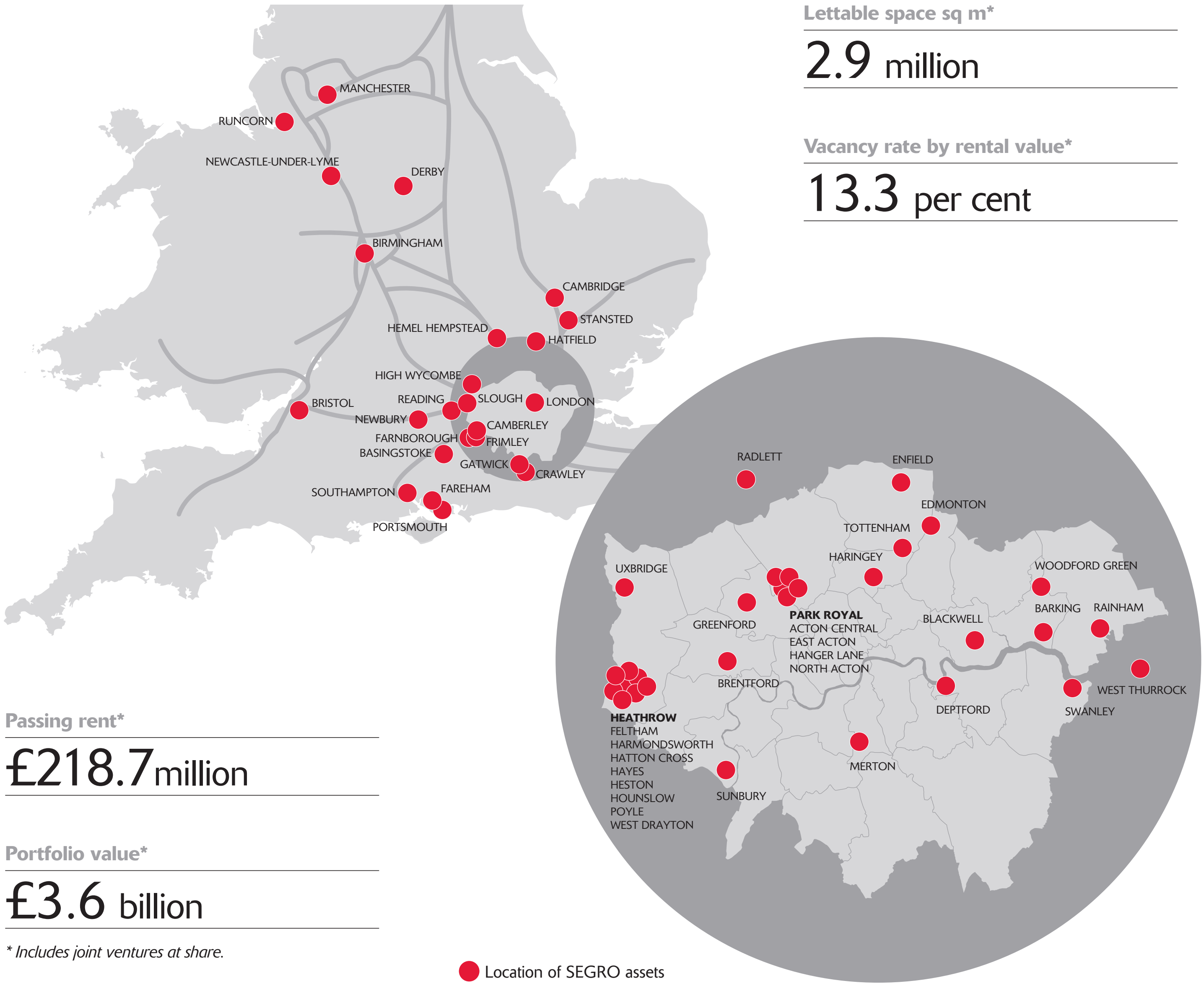
The "Vision for the Future" is designed to ensure the Trading Estate maintains its position as a world-class business environment for existing and new customers, potentially creating over 4,000 new jobs and contributing around £100 million a year to the Slough economy.


"Vision for the Future" CGI

STRONG LETTINGS PERFORMANCE IN DIFFICULT MARKETS

"WE HAVE MADE SIGNIFICANT PROGRESS WITH THE VOIDS IN THE FORMER BRIXTON ESTATE. THIS PORTFOLIO BEGAN THE YEAR WITH A VACANCY RATE OF 22.1 PER CENT AND THROUGH A STRONG LETTINGS PERFORMANCE PARTICULARLY IN PARK ROYAL, LONDON AND TRAFFORD PARK, MANCHESTER HAD BEEN REDUCED TO 18.6 PER CENT BY YEAR END."

Ian Sutcliffe, Managing Director – United Kingdom



Lettable space sq m*

2.9 million

Vacancy rate by rental value*

13.3 per cent

Passing rent*

£218.7million

Portfolio value*

£3.6 billion

** Includes joint ventures at share.*

OVERVIEW

Occupier markets were challenging throughout the UK in 2010 with the uncertainty over the election outcome in May and worries about the new Government's austerity measures weighing on sentiment, particularly in the middle of the year. This lengthened the time taken by customers to make decisions on new space and contributed to the continued relatively high level of takebacks as existing customers tried to cut costs by consolidating their space requirements on any lease break or expiry.

Against this backdrop, our lettings performance has been resilient with a total of 245 new leases signed representing an additional £26.3 million of annualised rental income. Takebacks were £20.2 million of annualised rental income but encouragingly the level of insolvencies amongst our customer base remains low. New development completions in the year were significantly lower following the reduction in our development activities in the uncertain economic conditions. The positive net absorption of existing space, despite the economic environment, allowed us to reduce our vacancy to 13.3 per cent at 31 December 2010.

We have enhanced the portfolio further during the year to focus on our core markets where we have developed clusters of assets. At Heathrow we bought into the APP joint venture in June strengthening our position in this important market. In addition we have continued to dispose of assets which are peripheral to our portfolio or where we do not consider we can add material additional value. In total we have disposed of £432.3 million of assets in the year (including joint venture disposals).

VALUATION

Our portfolio of completed properties in the UK recorded a valuation increase of 4.4 per cent for the year, outperforming the quarterly IPD Industrial Index which recorded capital growth of 3.5 per cent. This outperformance was achieved despite the valuers taking a more conservative view on likely rental levels, in particular in estates outside the South East, and was driven by the strong performance of Park Royal, our joint ventures, APP and Big Box at Heathrow, plus the positive movement in our vacancy and improving investment market conditions which flowed through into a tightening of yields.

Our assets in London recorded the strongest valuation gains, particularly our Park Royal assets with a valuation gain of 7.0 per cent. Heathrow valuations in our wholly owned portfolio were broadly flat as a result of the higher level of vacancy we are addressing here. The APP portfolio recorded a material valuation gain reflecting the prime nature of this portfolio and the low levels of vacancy in the APP estates.

The uplift in value of the Slough Trading Estate helped drive capital growth of 3.5 per cent for our Thames Valley business unit where the remainder of the estates were broadly flat. The performance of our industrial portfolio was positive but our suburban office portfolio reflected the more difficult conditions in this market and the higher level of vacancy within this portfolio.

Location split

3 business units

- Thames Valley **38%**
- London Markets **43%**
- National Markets **19%**

% completed properties by value.

Completed properties

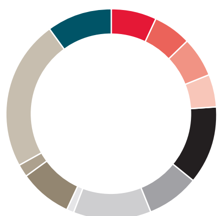
£3.5 billion

- Logistics warehousing **7%**
- Other business space **74%**
- Office **19%**

% completed properties by value.

Customer type

+1,300 customers



- Agriculture and food **7%**
- Automotive **6%**
- Building and construction **6%**
- Chemicals and commodities **5%**
- Engineering and electrical **12%**
- Finance and media **8%**
- Information technology **12%**
- Leisure and entertainment **1%**
- Retail **8%**
- Timber, paper and printing **2%**
- Transport **23%**
- Utilities and services **10%**

% headline rent by customer industry.

For further details of our portfolio, please see the 2010 Property Analysis at **www.segro.com/segro/Investors/Results-Reporting/Property-Analysis.htm**

DIRECTORS' REPORT: PERFORMANCE REVIEW

UNITED KINGDOM CONTINUED

National Markets recorded a valuation gain of 4.6 per cent driven by the estates in the south of England where we saw stronger yield compression. Although we are making inroads into the vacancy in our estates in the Midlands and North of England, the relatively high levels of void continue to impact value with only a small valuation increase of 0.5 per cent recorded for the twelve months.

IMPROVING OCCUPANCY

Vacancy

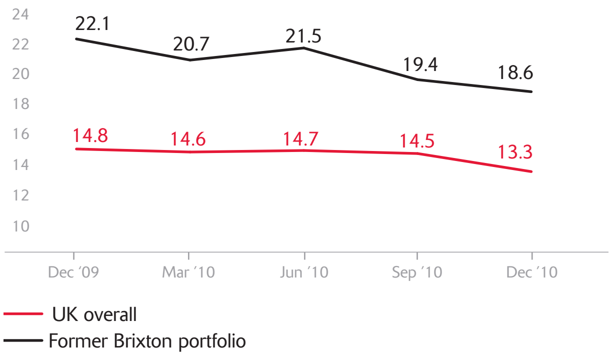
We started 2010 with a vacancy level of 14.8 per cent reflecting our acquisition of the lower occupancy Brixton portfolio in August 2009. Our key priority throughout the year has been to reduce this level through letting up space and working to minimise the amount of space returned to us on a potential lease break or expiry.

We made good progress during the year reducing our overall vacancy by 150 basis points to 13.3 per cent at 31 December 2010.

Within this overall vacancy reduction we have made significant progress with the voids in the former Brixton estate. This portfolio began the year with a vacancy rate of 22.1 per cent which through a strong lettings performance, particularly in Park Royal, London and Trafford Park, Manchester had been reduced to 18.6 per cent by year end. Our stated target is to reduce this vacancy to 15.0 per cent by the end of 2012 and we remain on track to achieve this.

The UK vacancy rate of the original SEGRO assets was 10.8 per cent at year end, in line with the position at the end of 2009. This flat outcome masks our strong lettings performance particularly in the fourth quarter of the year which helped mitigate specific factors which increased this rate earlier in the year. In the first quarter, the completion of the speculative element of our office development at IQ Winnersh (which remains vacant) contributed an additional 1.1 per cent to the vacancy rate. The 12.2 per cent vacancy at the end of the third quarter reflected two large takebacks which, although expected, added 0.8 per cent to that rate. The first being from Fluor at Watchmoor Park following their move to IQ Farnborough and the second from a customer who had already vacated their building at Winnersh.

UK vacancy rate (%)



Includes joint ventures at share.

Lettings and takebacks

Our teams worked hard across the business and have achieved a very strong lettings performance despite the challenges of the occupier markets. In total we generated £26.3 million of new annualised rental income which, reflecting the addition of the former Brixton portfolio for the period, was an increase of 62.3 per cent on 2009.

Our portfolio is significantly weighted towards London and the South East with over 80 per cent of the portfolio by value in these regions. This mix has served us well during the downturn and we have continued to increase our relative exposure to our key clusters in Park Royal, Heathrow and the Thames Valley through the APP transaction and our disposals in the year.

Our London region was a strong performer during the year, reflecting the quality of our portfolio, with 73 lettings signed representing an aggregate of 98,600 sq m (including APP lettings at share). Of our major London markets, Park Royal recovered earliest in the year and has seen the highest levels of demand. In aggregate, we let 60,100 sq m in Park Royal with 24 lettings signed including the letting of the 22,700 sq m Verdus building in Greenford on a long lease to a major supermarket chain. This has allowed us to make significant inroads into the Park Royal vacancy which has reduced from 18.9 per cent at the end of 2009 to 16.2 per cent

	Area (000's sq m)				Rent pa (£m)[2]			
	Lettings[1]		Space returned		Lettings[1]		Space returned	
	2010	2009	2010	2009	2010	2009	2010	2009
New developments	27.4	41.4			5.2	7.6		
Existing properties	270.7	134.2			21.1	8.6		
UK total[3]	**298.1**	**175.6**	**267.3**	**299.7**	**26.3**	**16.2**	**20.2**	**20.4**

1. *Lettings exclude lease renewals, unexpired break options and income from short-term licence agreements.*
2. *Annualised rental income, after the expiry of any rent free periods.*
3. *Includes joint ventures at share.*

at 31 December 2010. In particular we have seen a strong performance at Premier Park at Park Royal with vacancy down from 7.6 per cent at 31 December 2009 to 2.0 per cent at the end of 2010.

Our other cluster in London is at Heathrow which is a core market for the Group. One of the key drivers of the Heathrow market is the upturn in air cargo and the requirement this generates for space. The economic downturn and volcanic ash disruption had a significant impact on Heathrow but we saw the first signs of recovery towards the end of the year, with cargo volumes hitting record highs in November. This impetus is showing in our enquiry levels and is beginning to flow into our leasing numbers with 27 new lettings signed in the year for a total of 20,700 sq m (including lettings within the APP portfolio at share).

Demand in the Thames Valley was stable through the year with 89 lettings signed for a total of 77,100 sq m. Our industrial portfolio in Thames Valley has performed well with a total of 54,400 sq m let in the twelve months. The suburban office portion of our portfolio has been more subdued and, although we let a total of 22,700 sq m including the completion of a 12,600 sq m pre-let development for Fluor at IQ Farnborough in the first half of the year, vacancy in this portfolio remains at 15.2 per cent. The Slough Trading Estate continued to perform well with a total of 41,300 sq m let in the period in 60 leases. This letting performance led to a reduction of 1.1 per cent in the Slough Trading Estate vacancy rate to 6.2 per cent at 31 December 2010.

Outside the South East, occupier markets have been more challenging but we have continued to make progress with 83 new lettings signed representing in aggregate 122,500 sq m. At the beginning of the year our holdings at Trafford Park in Manchester had a vacancy rate of 31.8 per cent. Taking a pragmatic and flexible approach to lettings in this market we had materially reduced this vacancy by the end of December 2010 to 24.7 per cent.

We have continued to work closely with our customers throughout the year to anticipate their likely space requirements, both to try to minimise the amount of space returned on a lease break or expiry and to ensure we anticipate space coming back and have a plan in place for managing this. Our customer focus has helped us to increase our retention rate to 55 per cent for the year (2009: 52 per cent).

In 2010, we completed a UK wide customer survey. Of the customers surveyed, 73 per cent rated their overall satisfaction as 'good' or 'excellent', significantly outperforming the industry average. As we move into 2011, we are continuing to refine our customer service offering and in November put in place a revised customer care policy across the UK business which details the values we have and approach we will apply to ensure we are working in partnership with our customers.

In total, we lost £20.2 million of annualised rental income in the year as a result of space returned. This is an improvement on the 2009 position of £20.4 million, particularly given the increased size of our portfolio, but remains relatively high. We have a total of £27.9 million of rental income subject to a potential break or expiry in 2011 and managing our takebacks remains a priority for the business.

CREATING VALUE THROUGH OPERATIONAL DELIVERY

KNOWING YOUR CUSTOMERS IS KEY TO LETTINGS SUCCESS

Jupiter House in Poyle, Heathrow is a 2,600 sq m warehouse built in the 1960's which we acquired as part of the Brixton portfolio. At this time the building was vacant and appeared obsolete. We have improved the look of the building and updated its features allowing us to relocate one of our existing customers looking for a larger space into the building on a new 10 year lease term. This is just one example where we have used our customer knowledge to improve and modify an asset to help generate demand.

CREATING VALUE THROUGH OPERATIONAL DELIVERY

SUCCESS AT GREENFORD

At Greenford in West London we have 219,700 sq m of lettable space across four main industrial parks: Greenford Park, Metropolitan Park, Fairway Drive and Rockware Avenue. The parks are home to a range of customers who choose this location because of its excellent access into London and to the national motorway network.

In 2010 we secured a number of lettings reducing the vacancy rate from 18.7 per cent to 15.6 per cent. Major names attracted to Greenford include a major auction house who leased a 4,900 sq m warehouse as a storage and distribution facility and a leading fashion retailer who has warehouses at both Metropolitan and Greenford Parks.

Encouragingly, the level of insolvencies remained low at 1.0 per cent (£2.3 million) of annualised rental income, an improvement on the 1.8 per cent or £4.5 million in 2009. Cash collection rates continue to be strong with 95 per cent of cash due at the end of December 2010 collected within 10 days of the invoice date (92 per cent at December 2009).

DIRECTORS' REPORT: PERFORMANCE REVIEW

UNITED KINGDOM CONTINUED

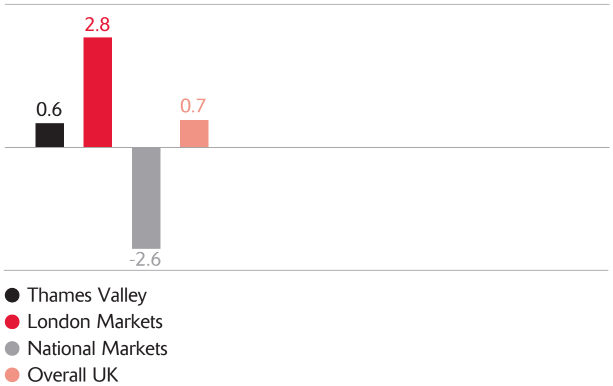
CREATING VALUE THROUGH OPERATIONAL DELIVERY

DELIVERING LETTINGS SUCCESS IN MANCHESTER

Trafford Park is Manchester's key industrial location situated 3.5 miles south west of the city centre. We have 242,900 sq m of lettable space at the Park across 16 locations, including estates such as Premier Park, Westbrook Park, Longwood Park and Severnside.

The occupier markets in Manchester have been difficult throughout 2010 but we have made significant progress with lettings and have completed a total of 20 new leases at Trafford Park over 45,400 sq m. Our vacancy rate which was 31.8 per cent at the end of 2009 has now been reduced to 24.7 per cent. We have had particular success at our newest estate Premier Park where vacancy has been more than halved from over 95 per cent since we acquired Brixton. Our investment in refreshing the look and feel of our older estates such as Westbrook also started to deliver results towards the end of the year.

Transactional rental levels versus December 2009 ERVs (%)



Rental levels and incentives

Overall headline rental levels on the new lettings and lease renewals ("transactions") completed in the UK were an average 0.7 per cent above December 2009 ERVs. Within this figure, headline rental levels on new lettings were broadly in line with ERVs while the lease renewals in the year were generally done at higher rental levels.

Our rental performance reflects the strength we have seen in London and the South East. In London headline rental levels on transactions completed in the year were an average of 2.8 per cent above ERVs and both Heathrow and Park Royal recorded good rental growth in the period.

Our Thames Valley region completed its transactions in the year at an average of 0.6 per cent above ERVs. Again, performance on lease renewals was strongest with growth here of 3.9 per cent above ERVs. New lettings were completed broadly in line with ERVs.

Reflecting the weaker markets outside the South East, rental levels on transactions in our National Markets unit declined with transactions completed at 2.6 per cent below ERVs.

Our rent free incentives were an average of 11.2 per cent for the twelve months (2009: 11.3 per cent). In common with the slower recovery outside London and the South East, we have seen additional pressure on incentives in these markets as well as larger packages being the norm for offices and larger buildings.

CAPITALISE ON OPPORTUNITIES TO PROFITABLY GROW AND IMPROVE THE PORTFOLIO

APP acquisition

In June we completed the acquisition of a 50 per cent interest in APP, a joint venture with Aviva Investors set up to invest in properties around the major UK airports with the majority of its assets located within five miles of Heathrow. Following the acquisition we injected £237.1 million of our existing assets at Heathrow into the joint venture. We now have a portfolio of assets under management at Heathrow of over £1.0 billion, more than a threefold increase on the size of our holdings before the acquisition of Brixton in August 2009.

We have been responsible for the asset management of the APP portfolio since June and have spent the second half of the year really getting to know the portfolio and integrating it into our systems. We see significant potential from the Heathrow market which represents one of our core clusters of assets and is seeing demand recover.

Our plans to capitalise on this recovery and add value for our shareholders include exploiting the economies of scale inherent in having such a substantial portfolio in one area, capitalising on development opportunities and re-gearing certain of the existing leases within the APP portfolio. Good progress has been made in the six months. In December, we took back space from a large APP customer at the 19,400 sq m portal site near Heathrow's Terminal 4. This is a prime development site and we are currently in active negotiations with a major aviation freight customer for a pre-let development on the site. We have been working with our customers who have nearer term lease expiries and have re-geared a number of these leases particularly within the airside assets in the APP portfolio. In the six months since June, the APP vacancy has reduced from 9.3 per cent to 5.7 per cent and the passing rent roll has increased from £20.7 million to £22.2 million.

Developments

As the year has progressed we have seen an increase in demand for pre-let developments. This demand is being driven by the reduction in available grade A space and the lack of new space coming onto the market following the curtailment of speculative development in the downturn.

CREATING VALUE THROUGH OPERATIONAL DELIVERY

CAPITALISING ON THE DEMAND FOR PRE-LET DEVELOPMENTS

The Slough Trading Estate has had another good year in its 90th year of operation. As well as a good lettings performance which drove our vacancy rate on the estate down to 6.2 per cent, we have also capitalised on the growing demand for pre-let developments. The estate remains a popular location for customers taking advantage of the excellent facilities, good transport links and proximity to London. In addition as the only location in the south of England to have Simplified Planning Zone status, we have a significant advantage in our ability to fast-track the development process.

In 2010 we signed four new pre-let developments on the estate. A 3,500 sq m development for Selco which is now under construction, a 3,300 sq m facility for Ragus Sugars who are expanding their operations, a new 7,000 sq m factory for Selig to replace their existing building on the Estate and a 5,500 sq m development for Lonza.

As at 31 December 2010, we had 172 ha of development land in the UK. Delivering returns from this land bank is a priority and we are capitalising on the increased demand for pre-lets which provide attractive returns.

In the UK, we have exchanged on eight pre-lets in the year with demand strongest in the South East. In London, we have signed four pre-lets in aggregate representing 16,400 sq m and we began construction at Southall in September of a 3,400 sq m development for a distribution company. This project is expected to complete in the second quarter of 2011. At Enfield we have recently started construction on another facility for the same distribution company of 3,500 sq m which is due to be completed in the third quarter of 2011.

Also in September, we signed the largest pre-let at Heathrow in 2010 with Heathrow Cargo Handling (HCH), a joint venture between Servisair and Air France, for 5,700 sq m of industrial warehouse space at our Horton Road site in Poyle. Construction has now started on this development. The facility will be used for the handling of cargo for Air France, KLM and others and we expect it to be completed in the last quarter of 2011.

By the end of the year we had four pre-let developments exchanged on the Slough Trading Estate confirming the continued popularity of the estate. In September, we began construction on a 3,500 sq m warehouse on the Estate for Selco. This development is currently expected to complete in the third quarter of 2011.

We finished the year with a strong pipeline of additional projects with two more approved internally and in active negotiations.

Disposals

The investment market has been stronger than we had anticipated but was highly polarised between prime and secondary assets with the length and strength of income being the key factor and pricing firmly focused on net initial yields. We completed £432.3 million of disposals during 2010. In aggregate these disposals were completed at a £1.0 million profit to book value.

The Group maintains asset management plans for all estates which are intended to identify the optimum point at which to develop, refurbish, re-develop or sell each asset with a view to maximising value and reducing potential obsolescence in the portfolio. We continue to put these plans into action and have sold peripheral assets during the year where we can see limited potential to add further value or which are not a good fit within our focused portfolio.

The largest disposals completed in 2010 are shown below:

Asset	Month of disposal	Gross proceeds (£m)
Assets injected into APP joint venture, Heathrow	June	237.1
Westcore portfolio, Heathrow	December	79.3
Treforest Industrial Estate, Cardiff	December	27.7
Fluor building (IQ Farnborough)	May	21.0
Land at Farnborough	June	14.8
The Hub, Heywood Distribution Park	May	13.6
Woodside Industrial Estate, Bishop Stortford	December	11.2*

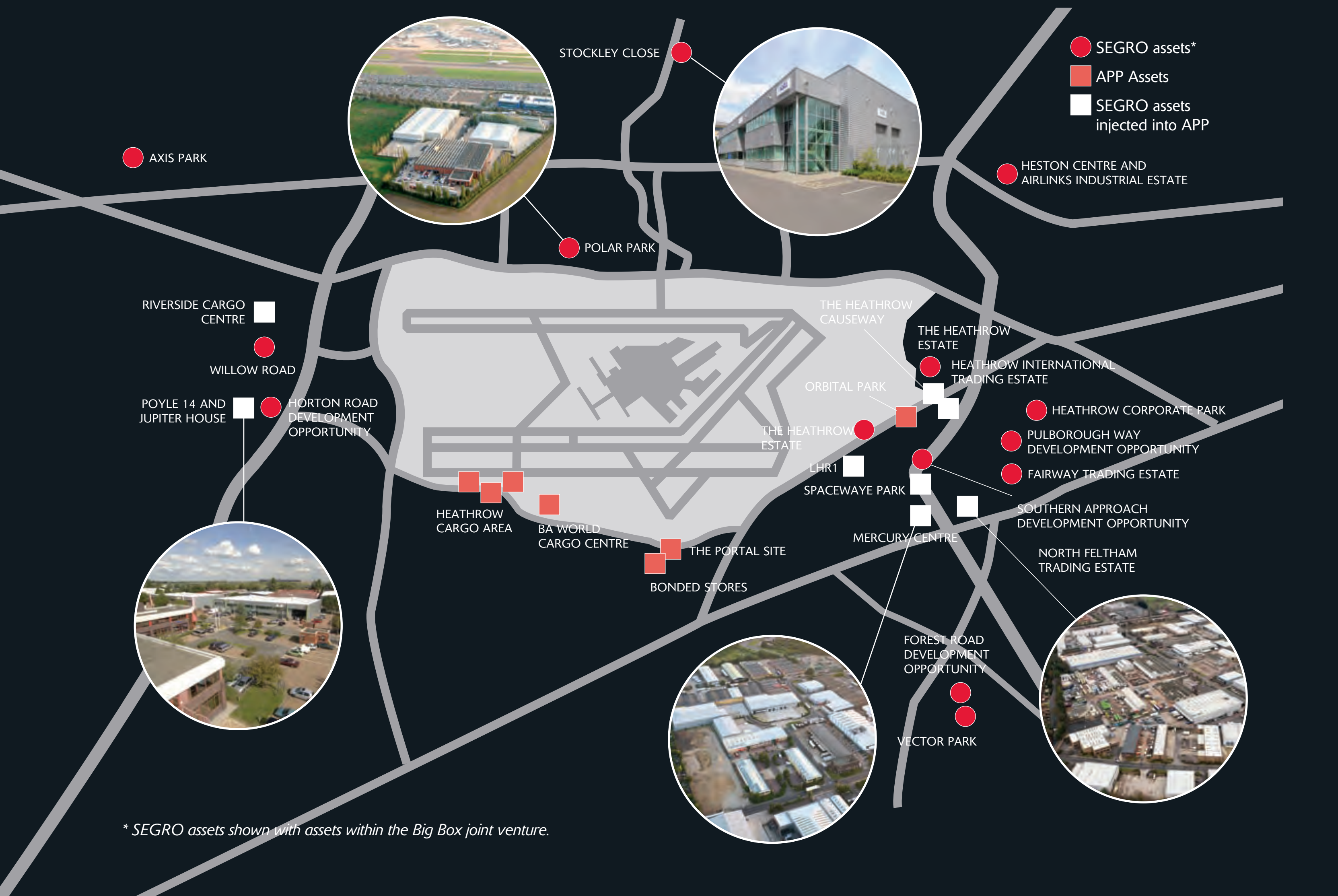
** APP property. 100 per cent of gross proceeds shown.*

PERFORMANCE REVIEW

BA World Cargo Centre, Heathrow

ENHANCING OUR HEATHROW PORTFOLIO

We have enhanced our presence in the Heathrow market through the acquisition of a 50 per cent interest in the Airport Property Partnership (APP). We now have over £1 billion of assets under management around Heathrow and a presence at both Gatwick and Stansted.



* SEGRO assets shown with assets within the Big Box joint venture.

Spacewaye Park, Heathrow

THE APP TRANSACTION:

- Expanded our portfolio under management at Heathrow from £273 million to over £1 billion
- Heathrow is a core market for the Group where we see significant potential
- Exposure to industrial markets at Gatwick and Stansted
- Opportunities to add value through exploiting economies of scale, development opportunities and re-gearing leases within the APP portfolio
- Realised net cash proceeds from the transaction of £55.3 million (before costs)
- APP's high quality portfolio includes both airside and landside assets. Airside assets are scarce and command a premium relative to landside assets.

THE HEATHROW MARKET

Heathrow has an exceptional location close to central London and limited space availability.

Cargo tonnage is one of the key drivers influencing industrial and logistics property demand. Cargo tonnages for Heathrow were among the world's highest at 1.47 million tonnes in 2010, a 15.2 per cent increase from 2009.

Heathrow cargo volumes (million tonnes)

Source: BAA

Heathrow Cargo Area

LHR1, Hatton Cross

DIRECTORS' REPORT: PERFORMANCE REVIEW

CONTINENTAL EUROPE

REFOCUSING OUR ACTIVITIES IN CONTINENTAL EUROPE

"WE ARE IN THE PROCESS OF REFOCUSING ON THE KEY GEOGRAPHIES OF GERMANY, FRANCE, POLAND AND BENELUX. IN EACH OF THESE GEOGRAPHIES WE WILL, OVER TIME, REALIGN OUR PORTFOLIO TO THE KEY CITIES AND TRANSPORTATION HUBS WHICH PROVIDE MORE ATTRACTIVE GROWTH OPPORTUNITIES."

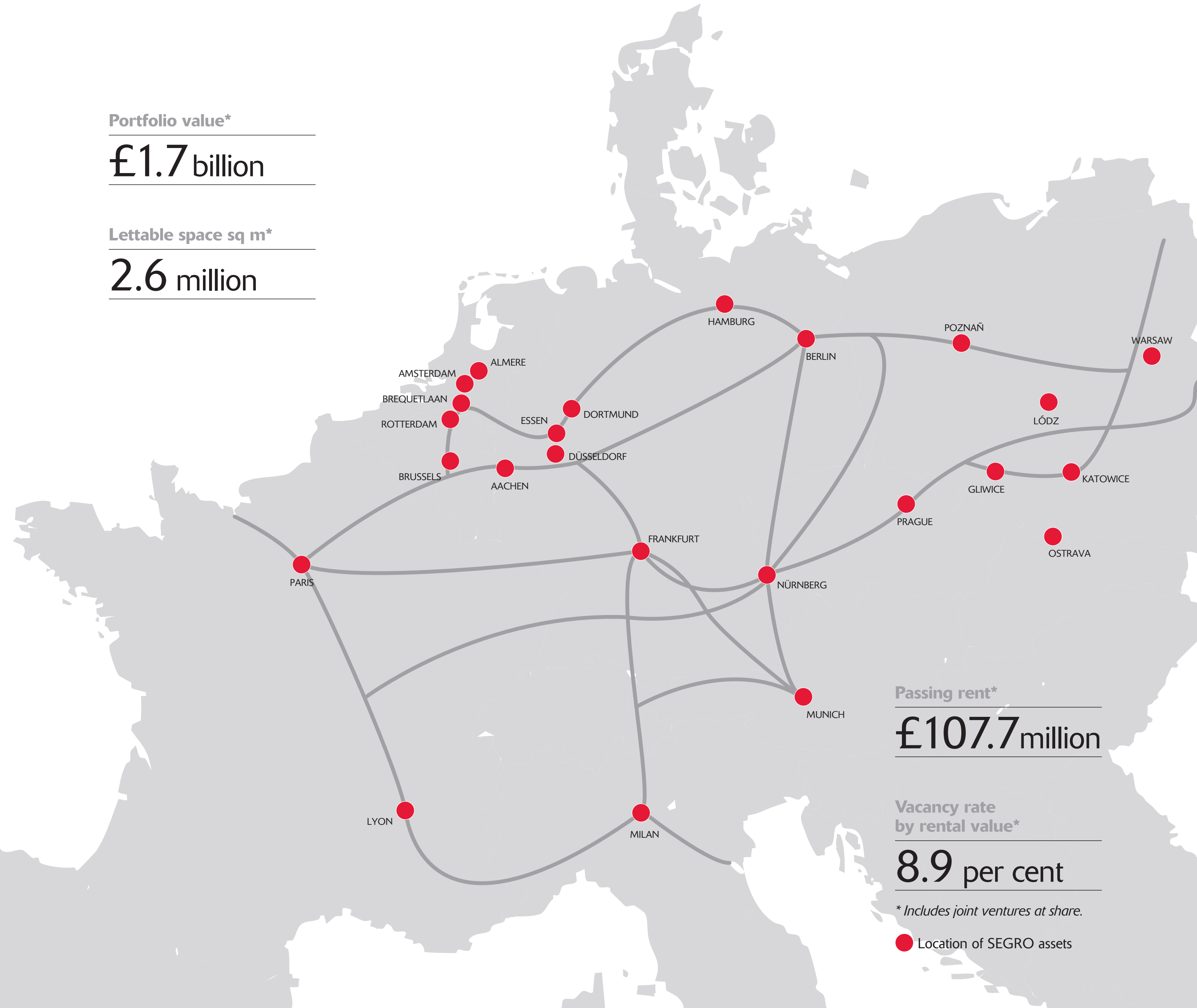
Andy Gulliford, Managing Director – Continental Europe

Portfolio value*

£1.7 billion

Lettable space sq m*

2.6 million



Passing rent*

£107.7million

Vacancy rate by rental value*

8.9 per cent

** Includes joint ventures at share.*

Location of SEGRO assets

OVERVIEW

Sentiment across Continental Europe in 2010 has been buffeted by Euro zone debt concerns and we have seen peaks and troughs in demand reflecting this throughout the year. Our major exposures are to Germany, France, Poland and Belgium which at the end of 2010 made up a total of 91 per cent of our completed Continental European portfolio by value. Germany performed relatively strongly in the second half of the year as its export focused economy benefited from the weaker euro and the continued growth in Chinese demand. The French economy has been more muted but has been strongest around Paris where we currently have 80 per cent of our French assets by value. Poland has not dipped into recession in the recent downturn and the economy has continued to grow throughout 2010. Of our big four exposures, the Belgian economy has been relatively weaker and vacancy levels remain high across this market. However our major asset is located close to the airport in Brussels which is a prime location and should prove more resilient than more regional assets.

We have delivered a robust lettings performance in the year despite the uncertain economic backdrop. In total, we signed 94 new leases across the Continental European business generating £11.4 million of new annualised rental income. Reflecting this letting performance, our vacancy rate fell from 10.7 per cent at the end of 2009 to 8.9 per cent at 31 December 2010.

Towards the end of 2010, we completed an internal review of our Continental European portfolio and have agreed to refocus on the core geographies of Germany, France, Poland and Benelux and within these geographies on core clusters around major cities and transportation hubs where we consider the best opportunities are to add value.

VALUATION

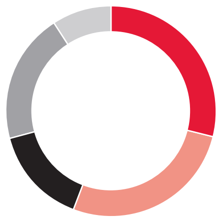
Our Continental European portfolio of completed properties recorded a valuation decline of 3.9 per cent for the year, primarily as a result of the movement in the valuation of a small number of specific assets in Germany and Italy.

Our completed portfolio in Germany recorded a valuation decline of 9.7 per cent reflecting the return of the Karstadt-Quelle property, unexpected roof refurbishment costs on one of our estates which were highlighted by the heavy snowfall in the year and a decline in the value of our estate at Frankfurt where our valuers have revised their assumptions, in part, to reflect the reduction in the lease term of one year.

In France, capital values were flat for the year. Our assets around Paris benefited from a mix of positive letting activity and yield compression to record increases in capital values. This was offset by negative capital growth on our assets in the French regions where occupier markets have been more challenging.

Location split

7 countries



- Germany **29%**
- France **27%**
- Poland **15%**
- Benelux **20%**
- Other **9%**

% completed properties by value.

Completed properties

£1.4 billion

- Logistics warehousing **41%**
- Other business space **47%**
- Office **12%**

% completed properties by value.

Customer type

+340 customers

- Agriculture and food **1%**
- Automotive **4%**
- Building and construction **2%**
- Chemicals and commodities **2%**
- Engineering and electrical **14%**
- Finance and media **1%**
- Information technology **13%**
- Leisure and entertainment **2%**
- Retail **23%**
- Timber, paper and printing **5%**
- Transport **27%**
- Utilities and services **4%**
- Other **2%**

% headline rent by customer industry.

For further details of our portfolio, please see the 2010 Property Analysis at **www.segro.com/segro/Investors/Results-Reporting/Property-Analysis.htm**

DIRECTORS' REPORT: PERFORMANCE REVIEW
CONTINENTAL EUROPE CONTINUED

Polish capital values rose in the year as a result of the real estate market recovery and our strong letting performance. The portfolio of completed properties in Poland recorded a valuation gain for the period of 6.8 per cent.

Our portfolio of completed properties in Benelux recorded a valuation decrease of 3.1 per cent reflecting the valuers more conservative assumptions for rental levels and, while our leasing performance was strong, a continued vacancy in both the market and our main asset Pegasus Park.

The remainder of our portfolio recorded a valuation decline of 11.5 per cent principally as a result of the 17.1 per cent decline in the value of the Italian portfolio. At our largest holding in Italy, Energy Park, Vimercate we have now received a notice to break for 2012 from one of our customers, who occupy 48,100 sq m which has been factored into the valuer's view of the estate. We are in discussions with this customer in relation to their future space requirements. Energy Park is a well located, high quality estate and we have seen good levels of customer demand for space here during 2010.

IMPROVING OCCUPANCY

Vacancy

We started the year with a vacancy rate of 10.7 per cent. This increased materially in the first quarter of the year following the return of the buildings occupied by Karstadt-Quelle, the German retailer, after that company was declared insolvent. This insolvency had been well predicted and we had contingency plans in place for the return of the buildings. This allowed us to negotiate with a sub-tenant of Karstadt-Quelle in one building and transfer this lease to us. We quickly began any necessary refurbishment with a view to re-letting as many of the assets as possible by the end of the year.

We are pleased to say the German team has made excellent progress with these properties and at 31 December 2010, we had re-let or sold 52.0 per cent by rental value. Managing the Karstadt-Quelle takeback and our strong lettings performance across our key countries drove our year end vacancy down to 8.9 per cent.

Continental Europe vacancy rate (% by rental value)

Includes joint ventures at share.

Vacancy rates by rental value

	As at 31 December 2010 %	As at 31 December 2009 %
Germany	11.5	7.4
France	6.7	13.1
Poland	2.6	12.5
Benelux	17.3	13.1
Other	0.4	7.9

Lettings and takebacks

We generated £11.4 million of new annualised rental income in the year (2009: £14.8 million). The strength of this performance is even more evident when you note that in 2010 we had no benefit from pre-let developments completing whereas in 2009 this contributed £5.8 million of new annualised rental income to our lettings figures.

Our German team delivered a strong performance in the year completing 42 leases and letting up 95,600 sq m. Significant lettings included: 26,800 sq m to DHL in Berlin; 8,200 sq m to NYK Logistics in Alzenau; 7,800 sq m to Darboven in Hamburg; 6,400 sq m to Logtrans in Dusseldorf; and 5,000 sq m to Chick International in Hamburg.

In France, we delivered 63,200 sq m of lettings in the year, an increase of 9.7 per cent on 2009. Demand was particularly strong around Paris with a weaker performance from our regional assets.

The quality and location of our assets in Poland continued to generate good demand and in total we let 59,100 sq m in the year.

In Benelux, we completed a total of 17 leases in the year totalling an aggregate of 36,600 sq m (SEGRO share). Pegasus Park in Belgium had a good year with several lettings successes and a total of 9,300 sq m was let at the park in the twelve months.

We remain committed to offering excellent customer service across all the countries where we operate and have in place a dedicated Customer Service Manager to coordinate our efforts in this area. This focus on customer service has continued to deliver benefits and we recorded a retention rate of 75 per cent for the year.

In total, we lost £9.1 million of annualised rental income in the year as a result of space returned. This includes £4.6 million of annualised rental income relating to the space returned by Karstadt-Quelle.

The level of insolvencies generally in the portfolio remains low at 0.2 per cent (£0.3 million) of annualised rental income (excluding Karstadt-Quelle).

CREATING VALUE THROUGH OPERATIONAL DELIVERY

ACTIVE ASSET MANAGEMENT

We take an active approach to asset management and stay close to our customers to anticipate their space requirements and needs.

At Marly-La-Ville, Paris, our largest estate in France, we started to work with customers in the first half of the year when it became clear that we faced the possibility of significant vacancies.

Through the regearing of leases and relocation of customers we were able to free up space to complete an extension of space for Daher International who now have 62,400 sq m at the estate plus give our other customers the space they required. The estate is now fully let versus a vacancy rate of 11.1 per cent at 31 December 2009.

	Area (000's sq m)				Rent pa (£m)[2]			
	Lettings[1]		Space returned		Lettings[1]		Space returned	
	2010	2009	2010	2009	2010	2009	2010	2009
New developments	45.9	169.5			2.7	8.5		
Existing properties	216.0	136.8			8.7	6.3		
Continental European total[3]	**261.9**	**306.3**	**237.2**	**75.4**	**11.4**	**14.8**	**9.1**	**4.5**

1. Lettings exclude lease renewals, unexpired break options and income from short-term licence agreements.

2. Annualised rental income, after the expiry of any rent free periods.

3. Includes joint ventures at share.

Rental levels and incentives

Overall headline rental levels on the new lettings and lease renewals (transactions) completed in Continental Europe during the year were an average of 2.2 per cent below December 2009 ERVs.

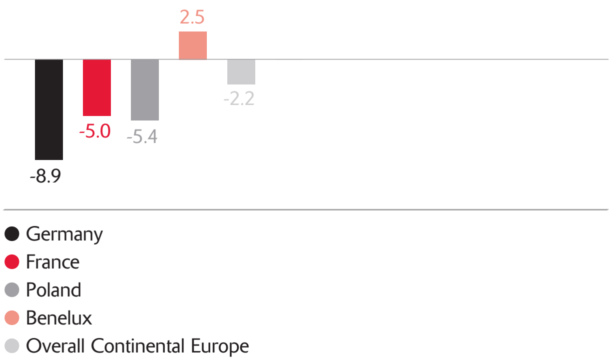
In Germany, transactions were completed at an average of 8.9 per cent below ERVs reflecting our pragmatic approach to letting up space with new lettings seeing the most pressure on rental levels.

Overall, French transactions were completed at 5.0 per cent below ERVs. In Poland, transactions were completed at an average of 5.4 per cent below ERVs, reflecting the current over supply in certain segments in the Polish market. We saw positive rental movements in Benelux with transactions completed at an average of 2.5 per cent above ERVs.

Rent free incentives were lower than for 2009 at an average of 6.8 per cent for the twelve months (2009: 9.0 per cent). France and Belgium saw increased pressure on incentives with leases in France now running at around two months per year of the lease term before any potential break.

DIRECTORS' REPORT: PERFORMANCE REVIEW
CONTINENTAL EUROPE CONTINUED

Transactional rental levels versus December 2009 ERVs (%)



CAPITALISE ON OPPORTUNITIES TO PROFITABLY GROW AND IMPROVE THE PORTFOLIO

Refocusing our portfolio

During 2010, we have completed a review of the assets within the Continental European portfolio to consider whether we had the right balance of exposure both geographically and by asset type. This review highlighted the strong position we have built in the attractive markets of Germany, France and Poland and the attractiveness of the freight gateway to Europe through Benelux, plus the relative merits of creating core clusters as we have in our UK business which serve major cities and transportation hubs.

We are in the process of refocusing on the key geographies of Germany, France, Poland and Benelux. In each of these geographies we will, over time, realign our portfolio to the key cities and transportation hubs which provide more attractive growth opportunities and have proved to be more resilient to the economic downturn. In Germany, this will mean we are focused on the key cities of Berlin, Dusseldorf, Frankfurt, Hamburg and Munich and in France in the Ile de France. In Poland, our focus will be on Warsaw, Silesia, Lodz/Strykow and Poznan. In Benelux, we intend to focus on the key trade gateway through the Netherlands into Belgium, building on our logistics holdings around Schiphol airport, Amsterdam, Rotterdam and in the Belgian 'golden triangle' of Brussels, Antwerp and Ghent.

We currently have good quality assets in Italy and the Czech Republic where we believe we can add additional value through exploiting development opportunities. We intend to invest in these attractive opportunities but other than this do not currently expect to increase our holdings in these markets.

CREATING VALUE THROUGH OPERATIONAL DELIVERY

HIGH QUALITY, WELL LOCATED POLISH PORTFOLIO

We have delivered a good performance in 2010 from our Polish portfolio.

In total we let 59,000 sq m in 2010 including 24,000 sq m to the German retailer Kaufland in Gliwice in August which eliminated our largest vacancy. At the end of 2010 our vacancy rate was only 2.6 per cent, well below the level in the wider market, illustrating the quality of our assets and the excellent locations we have in the country.

Our lettings performance and the continued strong outlook for the Polish economy has driven a 6.8 per cent valuation gain for the SEGRO portfolio in 2010.

Given the opportunities we see elsewhere for utilising our capital, we have decided to close our operations in Spain and Hungary. We have closed our offices in both countries with effect from the end of 2010 and in December we completed the sale of two assets in Madrid which represented the majority of our Spanish portfolio. In total we now have less than £12 million of assets in these two countries combined.

Developments

We have seen positive demand for pre-let developments during the year. We have capitalised on this demand which provides us with an attractive opportunity to deliver good returns from our well located land bank. As at 31 December 2010 we had 459 ha of development land in Continental Europe.

In 2010, we signed four pre-let developments in Continental Europe. In September, we began construction on two of these projects at Ostrava in Czech Republic (56 per cent pre-let to Adler) and Gliwice in Poland (78 per cent pre-let to HL Displays). Completion at Ostrava is currently expected during the first quarter of 2011 and Gliwice in the second quarter of 2011. Additionally in January 2011, we started construction on a pre-let development for a 28,000 sq m distribution facility at our Gonesse estate north of Paris which we will develop for the French retailer, Casino. This project is currently expected to complete in the third quarter of 2011.

In December, we signed a further pre-let project to develop 20,700 sq m for Takko, the German retailer in Hamburg and began construction on this project. Completion is expected to be in the third quarter of 2011.

We finished the year with a strong pipeline of additional projects with five more approved internally and in active negotiations.

In addition to our pre-let development pipeline, we have started construction of a small speculative development of light industrial units at Lodz (Poland). The rationale for this development is based on the specific circumstances of the local market where there is a shortage of good quality light industrial space plus strong market demand for the product and we have an excellent development site. We expect to complete this development during the first quarter of 2011.

At Dusseldorf and Berlin (Germany) and Paris (France) we have identified sites which have similar characteristics to the Lodz site and we currently expect to commence speculative development at these sites during 2011.

Disposals

Investors remain focused on the stronger economies of Germany, France and Poland with particular interest in assets in Poland. In France and Germany we are seeing polarisation between prime and secondary assets with strong demand for prime.

We completed a total of 13 disposals in the year for gross proceeds of £47.1 million at an aggregate £1.0 million loss to book value.

The largest disposals are shown below:

Asset	Month of disposal	Gross disposal proceeds (£m)
Velilla and Torrejon, Madrid, Spain	December	15.4
Berlin Industriestrasse, Germany	January	8.5
Woulwe Industry Park, Belgium	April	8.3

CREATING VALUE THROUGH OPERATIONAL DELIVERY

ACTIVE ASSET MANAGEMENT IN BELGIUM

In May we completed a 15 year lease with Cummins N.V. for a 42,400 sq m (100 per cent share) logistic warehouse facility at our estate in Rumst, Belgium and they now occupy 59,000 sq m at the estate. This was the largest logistics letting in Belgium during the year.

DIRECTORS' REPORT: PERFORMANCE REVIEW
SUSTAINABILITY

CREATING VALUE THROUGH SUSTAINABILITY

"WE HAVE CONTINUED TO MAKE GOOD PROGRESS THIS YEAR ON OUR JOURNEY TO EMBED SUSTAINABILITY INTO EVERY ASPECT OF OUR BUSINESS. THIS INCLUDES IMPROVEMENTS WITH OUR DATA COLLECTION SYSTEMS WHICH WILL HELP ENSURE WE HAVE THE DATA WE NEED TO MORE EFFECTIVELY MEASURE THE IMPACT OF OUR SUSTAINABILITY EFFORTS."

Ian Coull, Chief Executive

OUR STRATEGY

Our five-year sustainability strategy was developed in 2009 and covers six key areas:

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

We believe that "Sustainability equals Value" and that managing and balancing our environmental, social and economic issues will help drive additional value today and into the future.

Our strategy focuses on our most material sustainability impacts and those issues that could make a major difference to performance. It was informed by an independent survey of our customers, discussions with our employees and major stakeholders, and consultation with experts. Our assessment of material issues is informed by internal and external stakeholder dialogue and we prioritise material issues according to the level of business risk or opportunity, taking into account their potential effects on our financial performance, reputation, operational performance and competitive position, as well as on customer satisfaction. Our material issues were last reviewed in 2009.

In order to monitor our performance and set policy, we have established a Sustainability Committee which consists of Ian Coull, Chief Executive, the Managing Directors of our UK and Continental European businesses, the Head of Sustainability and various other representatives of senior management. This Committee and the Board regularly review the assessment of material issues to ensure that we continue to manage risk and are well positioned for potential opportunities.

DRIVERS OF OUR SUSTAINABILITY STRATEGY

Our sustainability approach is driven by the following factors:

Meeting regulatory requirements – ensuring everything we do is in compliance with legislation as a first step. Our approach, however, goes further to look at how we can balance our environmental, social and economic issues to maximise returns.

Staying close to our customers – an active and well-communicated sustainability strategy can help us to meet the needs and expectations of our customers.

Managing risk and preserving our strong balance sheet – having sustainable buildings can help us reduce the risk of obsolescence within our portfolio.

Managing our costs and those of our customers – ensuring we use the resources we consume, in the most efficient way, can help us to manage costs.

Attracting and retaining talent – our sustainability credentials will help us attract and retain the talent we need for our business.

RESOURCE EFFICIENCY

2014 Targets	2010 Progress
Improve our energy efficiency by 30 per cent.	Most of the energy we purchase is used in the multi-let buildings we manage where we reduced energy intensity by 8 per cent per sq m.
Construct buildings with 30 per cent better energy efficiency than base build.	Our current developments are forecast, when completed, to achieve 51 per cent better energy efficiency on average than current standards in the UK, and 10 per cent better in Continental Europe.
Investigate the feasibility of renewable energy for every development site.	We investigated the feasibility of renewable energy sources at all of our new developments. At our completed development at IQ Winnersh one MWh will be generated from ground-source heat pumps.
Reduce water use by 20 per cent.	Reported water usage reduced to 68,680 cubic metres (2009: 93,729 cubic metres including a large amount estimated for UK water).
Construct buildings with 20 per cent better water efficiency than base build.	The installation of water-efficiency measures and water recycling means that our current developments are forecast, when completed, to use 10 per cent less mains water on average than current standards.
Reuse or recycle 80 per cent of development waste.	We reused or recycled 90 per cent of all non-hazardous construction and demolition waste.
Reduce the weight of development waste to landfill by 70 per cent.	We reduced the weight of non-hazardous construction and excavation waste to landfill to 794 tonnes, from 1,005 tonnes in 2009.

REGENERATION

2014 Targets	2010 Progress
Invest in communities where we have a major presence.	We invested more than £1.2 million in good causes, through money, time and donation of business space and invested in local communities around eight of our largest business locations in the UK.
Ensure Community Engagement Plans are in place where we have a major presence.	We maintained Community Engagement Plans at two of our largest locations in the UK (Slough Trading Estate and IQ Winnersh).

STAKEHOLDERS

2014 Targets	2010 Progress
Engage with a significant number of customers to improve sustainability.	We engaged with 64 customers (representing £49 million of annualised rental income) with the aim of reducing energy and water costs.

ACCESSIBILITY

2014 Targets	2010 Progress
All appropriate developments and managed estates to have a tailored travel plan.	We maintained Green Travel Plans at three of our largest locations in the UK (Slough Trading Estate, IQ Winnersh and Heywood Distribution Park).

SAFETY

2010 Targets	2010 Progress
Maintain a zero fatality rate throughout Group operations.	There were no fatalities across our operations.
Ensure no health and safety prosecutions or enforcement action throughout Group operations.	We had zero reported instances of non-compliance with regulations concerning customer health and safety in connection with our operations, including penalties and fines.
Update our UK health and safety management system to reflect minor issues identified in 2009 audit. Make employees aware of the new system and upload information to our intranet.	We updated our health and safety management system. We informed all employees about the changes and uploaded this information to our intranet, together with a suite of risk assessments covering a range of common tasks.
Review provision of health and safety training in the UK, preparing a training matrix and setting up training opportunities.	We reviewed health and safety training in the UK, prepared a training matrix and arranged tailored training sessions for directors, managers, graduates, operations managers and other employees, as well as providing an asbestos briefing session. We also continued to give computer-based training to all employees.

DIRECTORS' REPORT: PERFORMANCE REVIEW

SUSTAINABILITY CONTINUED

By reviewing energy usage and costs across our portfolio, our property teams identified opportunities to negotiate better rates and improve efficiency, for instance saving over £50,000 at two of our buildings at IQ Winnersh, Reading.

At Aéropark Gonesse in Paris, we are targeting Haute Qualité Environnementale for our new logistics building, with proposed features including rainwater harvesting, photovoltaic panels and a heat recovery system. This follows our awards received for Marly la Ville in Paris and Portes de France in Saint Denis (pictured).

RESOURCE EFFICIENCY

In 2010, we significantly improved our data collection and measurement systems. This, together with the inclusion of the first full year of the former Brixton portfolio in our dataset, has led to an increase in our reported carbon footprint and energy consumption. We have restated 2009 data where appropriate to reflect this.

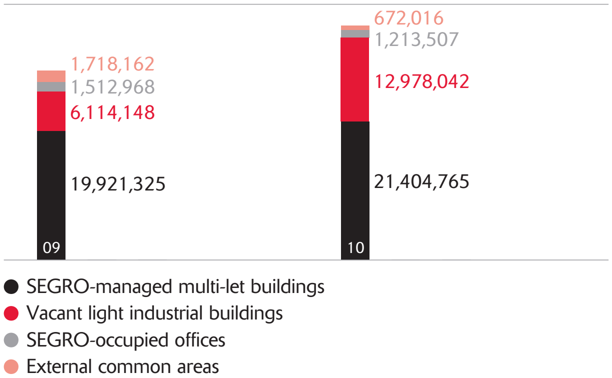
In October 2010, we published our full carbon footprint for the first time, covering emissions from all energy we purchase both for our own use and on behalf of our customers. Our total carbon footprint for 2010 was 19,300 tonnes (2009: 13,738 tonnes). Full analysis of this increase will be included in our 2010 Sustainability Report to be published in April 2011.

We are working with our customers to reduce energy costs by replacing traditional light bulbs with energy-efficient alternatives, improving building insulation, and installing motion and daylight sensors. SEGRO purchased £4.4 million of electricity and gas in 2010 (2009: £3.8 million).

We are working with our customers to reduce water costs by installing dual-flush toilets, low-flow taps and automatic urinal flushing, as well as introducing rainwater harvesting schemes. In 2010 SEGRO purchased £351,120 of water (2009: £342,689).

We reused or recycled 6,937 tonnes of development waste (2009: 24,193 tonnes) as a result of the lower level of development activity.

Total energy use (kWh)



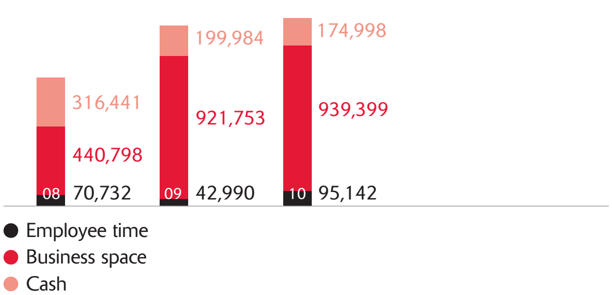
2009 data restated.

REGENERATION

In 2010, our employees spent some 2,000 hours on volunteering, fundraising and managing community initiatives, equivalent to almost one day for each employee. We encourage volunteering by giving employees one work day each year to dedicate to community projects or help a charity.

We provided free accommodation to a number of good causes including Age Concern, East Berkshire Women's Aid, Fara Enterprises, Hope and Aid Direct, and Skill Force.

Community investment 2008-2010 (£)



Our partnership with LandAid, the property industry charity, created a new learning centre to support 400 homeless and vulnerable young people each year. We funded this extension to a supported accommodation facility provided by St Basil's youth agency in Birmingham, near to our Kings Norton Business Centre and Meteor Park.

STAKEHOLDERS

Customers

In 2010, we completed a UK customer survey. Of the customers surveyed, 73 per cent rated their overall satisfaction as 'good' or 'excellent', significantly outperforming the industry average. In 2011, we will focus on encouraging communication, working more closely with occupiers to understand their changing business needs, and responding to requests quickly and efficiently, as well as providing good value, particularly around service charges.

In early 2010, we became one of the first developers to introduce Green Leases for industrial buildings in Europe, as well as Green Memoranda of Understanding for existing occupiers. To date, 68 occupiers have signed these commitments to improve energy efficiency, cut carbon emissions, save water and reduce waste to landfill in the most appropriate way at each individual property.

Suppliers

We have introduced a new procurement policy to reduce our supplier base and create closer relationships with a smaller number of suppliers who share our responsible approach to business. In the UK, we reduced the number of suppliers we deal with directly by over two-thirds based on both commercial and sustainability considerations. In 2011, we will continue to roll out this new partnering approach to Continental Europe.

Investors

We continue to be committed to the highest standards of investor relations, encouraging open dialogue and building long term relationships with investors. In 2010, we attended over 140 meetings with investors. We attended roadshows in London, Edinburgh, Amsterdam and Paris and nine investor conferences in the US, UK, Japan and the Netherlands. In addition, we arranged a number of site visits to our assets in the UK and Continental Europe.

FLEXIBILITY

We design buildings that can be easily adapted and hold clusters of properties in key locations. This makes it easier for customers to do business with us, as we can meet their changing occupational needs.

In 2010, we worked with Rochdale Borough Council and local residents to create a Simplified Planning Zone (SPZ) at Heywood Distribution Park in Manchester. This is the first new SPZ in the UK since 1998. We also own the other two SPZs in the UK at Kings Norton Business Centre in Birmingham and Slough Trading Estate.

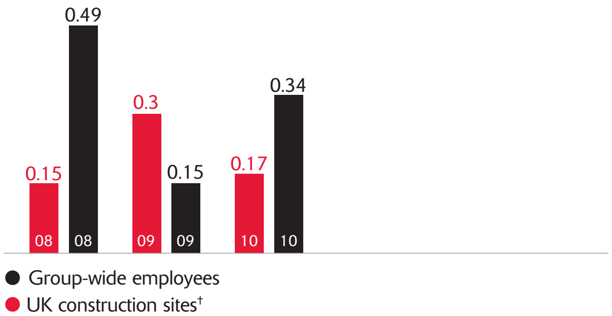
ACCESSIBILITY

Accessibility is a key selection criterion for all our assets and developments in the UK and Continental Europe. We also work with our occupiers, local authorities and transport providers to encourage people to travel more sustainably to our properties.

SAFETY

We aim to meet or exceed minimum health and safety standards. In partnership with our health and safety advisers, we work with our employees and supply chain to improve performance at our properties and developments in the UK and Continental Europe. We carry out rigorous audits and assessments, reviewing any incidents that occur on our sites, so that, wherever possible, we can prevent accidents in the future. We aim to help people to achieve their goals as safely as possible. Our high standards in managing health and safety risks were recognised with a British Safety Council International Safety Award for the second year running.

RIDDOR reportable accident rate per 100,000 hours worked*



** RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations).*
† We continue to work with our construction teams in Continental Europe to gather robust and comparable data.

In 2011, we have set the following key targets to measure our safety performance:

- Maintain a zero fatality rate and minimise serious accidents throughout Group operations
- Ensure no health and safety prosecutions or enforcement action throughout Group operations

Further information can be accessed through our website at **www.SEGRO.com/sustainability**

CREATING THE RIGHT ENVIRONMENT

OUR PEOPLE

SEGRO has a diverse and talented workforce of just under 300 people employed in the UK and across Continental Europe. Our success depends on attracting, developing and retaining the best people and we, therefore, believe passionately in creating the right environment for our people to flourish.

SEGRO has developed a strong, distinctive personality built around a core set of values which we believe set us apart and are integral to making SEGRO a great place to work. These are:

Respect for each other and the diversity each individual brings to SEGRO;

Strong **Partnership Principles** which encourage the flow of ideas, knowledge and skills amongst our teams;

A dynamism and **Energy** that sets our people apart from our competitors; and

A deep sense of **Responsibility** and ownership for our work, our teams and the community, in which we work.

We are committed to supporting professional and personal development, promoting equal opportunities and providing regular opportunities for open employee engagement.

The survey has also helped to shape our people agenda going forward and in 2011 we will be focusing our efforts in those areas identified for change by our employees which were improving career development opportunities; simplified work processes and clearer training paths.

Throughout the year we communicate with employees through a variety of mediums including face-to-face briefings at weekly and monthly meetings, a weekly Friday Notice Board update, access to a Group-wide intranet and for the first time in 2010 we introduced Group-wide webinar sessions. Each year we hold a Group Conference for our Senior Executives and cascade our agreed actions from the conference through our management teams.

Employees participate in our success through our all-employee share schemes and Group-wide employee bonus scheme which are described on pages 60-61 of this Report.

DIVERSITY AND EQUALITY

We believe that diversity is good for business and aim to ensure that SEGRO provides equal opportunities in how we recruit new employees and develop and promote existing employees.

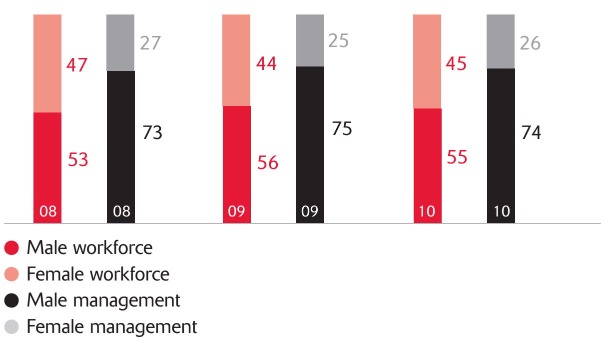
We are committed to offering equal opportunities to all people with disabilities, ensuring that we do not discriminate in recruitment, promotion, training or working conditions. If an employee becomes disabled whilst in our employment, we will offer appropriate support, retraining, equipment and facilities to enable them to continue in their role with SEGRO.

ENGAGEMENT

Regular, two-way communication is key to building meaningful employee engagement through the business.

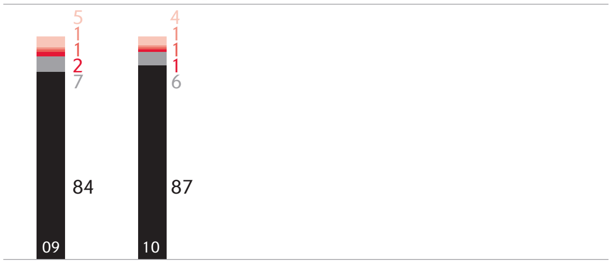
In 2010, we conducted an independent and confidential employee engagement survey across the Group and achieved an excellent 89 per cent response rate. Highlights of the survey showed that 82 per cent of our employees are willing to go beyond the requirements of their role to help SEGRO succeed and are confident SEGRO will be successful in the future. A further 79 per cent of employees reported a sense of personal accomplishment from their work whilst 73 per cent of employees believe that they have clearly defined performance goals and objectives. We believe that these results are reflected in the high employee retention rate of 87 per cent that we achieved in 2010.

Workforce and management gender profile (%)



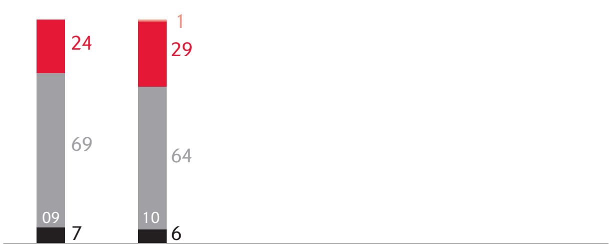
SEGRO Three Peaks challenge, June 2010

Workforce ethnic profile (%)



- White
- Indian
- Chinese
- Black-Caribbean
- Asian
- Other/unspecified

Workforce age profile (%)



- 18-26
- 27-46
- 47-60
- >60

BUSINESS CHANGES

During the year we conducted a review of our Continental European portfolio and have now put in place a plan to refocus the Continental European business in key geographies. We managed the change successfully and in consultation with those affected. The reorganisation resulted in some redundancies but has also created new roles and opportunities for promotion in some countries.

We also successfully restructured our Business Information Systems team, outsourcing our operations to a third party supplier whilst retaining key strategic and systems management roles in-house.

EMPLOYEE DEVELOPMENT

In 2010, we provided more than 2,800 hours of training to our employees, the equivalent of more than one day per individual.

As a result of the feedback from our employee survey, we undertook a strategic review of our talent processes, including our development offer. Whilst our employees believed that we were committed to training, they felt that we needed to be more focused, transparent and timely with the training we offered. The review identified the need for a structured development offering at each level in the business, linked to individual development plans. A new development offer was launched at the Group Conference in December 2010, and will be delivered to the business in 2011.

DIRECTORS' REPORT: PERFORMANCE REVIEW

FINANCIAL REVIEW

SOLID FOUNDATIONS

"OUR BALANCE SHEET REMAINS STRONG. WE REDUCED NET BORROWINGS TO £2.2 BILLION WITH GEARING DOWN TO 80 PER CENT AND WE HAVE NO MATERIAL NEAR-TERM REFINANCINGS."

David Sleath, Finance Director

HIGHLIGHTS

	31 December 2010	31 December 2009
Total property return (%)	**6.8**	(1.0)
Net asset value (NAV) per share (p)	**366**	354
EPRA NAV per share[1] (p)	**376**	367
Realised and unrealised property gain/(loss) (£m)	**26.0**	(344.0)
Earnings/(loss) per share (EPS) (p)	**28.5**	(41.3)
EPRA EPS[1] (p)	**17.1**	18.3
Profit/(loss) before tax (£m)	**197.2**	(248.1)
EPRA profit before tax[1] (£m)	**127.3**	104.3

1. EPRA NAV, EPRA EPS and EPRA profit before tax are alternate metrics to their IFRS equivalents that are calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). SEGRO uses these alternative metrics as they highlight the underlying recurring performance of the property rental business, which is our core operational activity. The EPRA metrics also provide a consistent basis to enable a comparison between European property companies.

TOTAL PROPERTY RETURN

Total property return is a measure of the ungeared return from the portfolio and is calculated as the total realised and unrealised property gain or loss plus net rental income, expressed as percentage of capital employed.

Total property return for the year was 6.8 per cent, a significant improvement on the negative return for 2009 gain recognised in 2010 compared to a valuation deficit in 2009.

NAV AND EPRA NAV PER SHARE

A reconciliation of EPRA net assets to total net assets attributable to ordinary shareholders and the corresponding NAV and EPRA NAV per share calculations is provided in note 13 to the financial statements.

EPRA NAV per share at 31 December 2010 was 376 pence, compared with 367 pence as at 31 December 2009. The increase is largely as a result of the growth in property values particularly in the first half of the year, and recurring profit generated, offset by dividends paid and the impact of exchange rate movements.

The EPRA net assets attributable to ordinary shareholders and the corresponding EPRA NAV per share calculation have changed from that used in the previous reporting period in order to achieve consistency with the most recent update to the EPRA Best Practices Recommendations. EPRA NAV includes adjustments to include the unrecognised fair value uplift on trading properties and to exclude the fair value of derivatives. The 2009 position has been changed accordingly. Excluding these adjustments, the 2009 EPRA NAV as previously reported was 362 pence per share. The 2010 EPRA NAV under the old basis is 372 pence per share.

	£m	Shares million	Pence per share
EPRA net assets attributable to ordinary shareholders at 31 December 2009[1]	**2,686.9**	**733.2**	**367**
Realised and unrealised property gains	26.0		3
EPRA profit before tax	127.3		17
Dividends (2009 final and 2010 interim)[2]	(81.3)		(11)
Dilutive element of 2009 final scrip dividend	–		(4)
Joint ventures' EPRA adjustments	31.1		4
Exchange rate movement	(17.6)		(2)
Other	10.9		2
EPRA net assets attributable to ordinary shareholders at 31 December 2010	**2,783.3**	**740.3**	**376**

1. Amended following change in definition as discussed in more detail in note 13 to the financial statements.

2. Net of increase in share capital and premium due to scrip dividend.

REALISED AND UNREALISED PROPERTY GAIN/(LOSS)

A total realised and unrealised gain on property of £26.0 million (2009: £344.0 million loss) has been recognised in 2010, which includes an unrealised valuation surplus on investment properties of £32.4 million (2009: £271.2 million deficit). Losses of £2.8 million and £0.1 million arose in 2010 on disposal of investment and trading properties, respectively (2009: £54.7 million loss and £0.6 million profit, respectively). Impairment provisions of £3.6 million (2009: £16.1 million) were recorded on certain trading properties as the fair value is deemed to be less than the original cost. The total realised and unrealised property gain for the year is further analysed in note 7 to the financial statements.

In addition to the property gains outlined above, our share of realised and unrealised property gains generated from joint venture interests was £31.1 million (2009: £1.9 million) and are further analysed in note 6 to the financial statements.

The Group's trading property portfolio (including share of joint ventures) has an unrealised valuation surplus of £30.2 million at 31 December 2010 (2009: £27.1 million), which has not been recognised in the financial statements as they are recorded at the lower of cost or fair value.

EPS AND EPRA EPS

An EPS of 28.5 pence was achieved for 2010, compared to a loss of 41.3 pence in 2009. The main driver behind this turnaround was the unrealised property gains in 2010 compared to losses in 2009.

EPRA EPS of 17.1 pence per share is lower than the 2009 equivalent (18.3 pence per share) as a result of the dilutive impact of the rights issue that occurred in April 2009. While earnings have increased in 2010, the rights issue occurred part way through the previous period and, accordingly, the weighted average number of shares was much lower in 2009 than in 2010.

EPRA PROFIT

EPRA profit can be analysed as follows:

	2010 £m	2009 £m
Gross rental income	**344.6**	328.4
Property operating expenses	**(62.5)**	(59.0)
Net rental income	**282.1**	269.4
Joint venture management fee	**1.9**	–
Administration expenses, excluding prior year exceptional items	**(39.2)**	(40.3)
Share of joint ventures' EPRA profits[1]	**10.8**	2.8
EPRA operating profit	**255.6**	231.9
Net finance costs excluding fair value movements on derivatives	**(128.3)**	(127.6)
EPRA profit before tax	**127.3**	104.3
Tax on EPRA profit	**(4.3)**	(1.5)
EPRA profit after tax	**123.0**	102.8

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

A reconciliation between EPRA profit before tax and IFRS profit/(loss) before tax is provided in note 2 to the financial statements.

EPRA profit before tax increased by £23.0 million compared to 2009, primarily due to the impact of the Brixton acquisition and other acquisitions and disposals which drove a significant increase in net rental income, as described below.

NET RENTAL INCOME

Net rental income increased by £12.7 million, with an increase of £21.9 million (13.2 per cent) in the UK, is offset by a decrease of £9.2 million (8.9 per cent) in Continental Europe.

In the UK, the net impact of acquisitions and disposals led to an increase in net rental income of £15.2 million. The Brixton acquisition contributed £28.2 million to the increase (£23.7 million is reflected in the properties acquired line, while £4.5 million is included in the properties sold line as some of the acquired Brixton assets have since been sold), partially offset by the loss of income due to disposals, primarily the portfolio sold to APP in June 2010 and the Westcore portfolio sold in December 2010. The remaining increase is largely a result of development lettings (£7.5 million) and increased surrender premiums (£5.9 million, including a large individual amount of £4.5 million), offset by a reduction in "like for like" rents as a result of rent lost from takebacks and insolvencies within the original SEGRO portfolio.

DIRECTORS' REPORT: PERFORMANCE REVIEW

FINANCIAL REVIEW CONTINUED

Like for like rental income	United Kingdom 2010 £m	2009 £m	Continental Europe 2010 £m	2009 £m	Group 2010 £m	2009 £m
Completed properties owned throughout 2010 and 2009 (like for like rents)	**105.7**	109.5	**85.9**	89.5	**191.6**	199.0
Development lettings	**7.7**	0.2	**6.9**	3.9	**14.6**	4.1
Properties taken back for development	**0.2**	0.9	**–**	–	**0.2**	0.9
Net rental income pre acquisitions /disposals	**113.6**	110.6	**92.8**	93.4	**206.4**	204.0
Properties acquired	**49.2**	25.3	**–**	–	**49.2**	25.3
Properties sold	**14.2**	22.9	**1.4**	5.6	**15.6**	28.5
Net rental income before surrenders, dilapidations and exchange	**177.0**	158.8	**94.2**	99.0	**271.2**	257.8
Lease surrenders and dilapidations	**10.3**	4.4	**–**	–	**10.3**	4.4
Rent lost from lease surrenders	**0.6**	2.8	**–**	–	**0.6**	2.8
Exchange rate movement	**–**	–	**–**	4.4	**–**	4.4
Net rental income per financial statements	**187.9**	166.0	**94.2**	103.4	**282.1**	269.4

In Continental Europe, the decrease in net rental income is due to a reduction in like for like rent (£3.6 million) and exchange rate movements (£4.4 million), offset by an increase in development lettings (£3.0 million). The reduction in like for like rent is largely a result of rent lost from the insolvency of Karstadt-Quelle in Germany and the takeback of some space from Neckermann also in Germany, combined with higher unrecoverable costs from those properties being vacant.

TOTAL COSTS

The Group is focused on carefully managing its cost base and regards the total cost ratio as a key measure of performance. The total cost ratio is calculated by expressing the sum of property operating expenses (net of service charge recoveries and third party asset management fees) and administration expenses (excluding exceptional items) as a percentage of gross rental income and includes the Group's share of costs and revenue from joint ventures.

The total cost ratio for 2010 was 28.1 per cent compared to 29.9 per cent in 2009. The 180 basis point improvement in this ratio was achieved by keeping our total costs almost flat, despite the significant increase in the size of the portfolio under management. One of the Group's largest costs is associated with empty properties whereby property taxes, maintenance and other estate service expenses are borne by the Group. Such costs amounted to £22.7 million (2009: £21.2 million) in the year. Excluding empty property costs, the cost ratio for 2010 was 21.9 per cent (2009: 23.6 per cent).

NET FINANCE COSTS

Excluding fair value gains and losses on interest rate swaps and other derivatives, net finance costs increased by £0.7 million from £127.6 million to £128.3 million. The increase is mainly attributable to a decrease in development activity reducing the amount of interest capitalised and exchange differences which are partially offset by a reduction in the interest charge from lower floating rates in the year and lower average debt levels.

UNDERLYING TAX RATE

The underlying tax rate for the year ended 31 December 2010 on an EPRA profits basis was 3.4 per cent, which is within the range of 3 to 5 per cent targeted by the Group. The Group's target tax range reflects the tax exempt status as a REIT in the UK and a SIIC in France.

The overall tax position for the period was a credit of £11.1 million (2009: £14.0 million) which included the benefit of provision releases related to the prior year.

CASH FLOW

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

	2010 £m	2009 £m
Cash flow from operations	**244.9**	222.1
Finance costs (net)	**(141.1)**	(144.7)
Dividends received (net)	**8.8**	12.9
Tax paid (net)	**(6.0)**	(11.0)
Free cash flow	**106.6**	79.3
Net cash inflow arising on acquisition of Brixton	**–**	54.7
Settlement of Brixton derivatives	**–**	(126.3)
Capital expenditure (excluding trading properties)	**(63.9)**	(191.2)
Investment property sales (including joint ventures)	**397.0**	421.3
Dividends paid	**(82.8)**	(59.2)
Rights issue and placing and open offer net proceeds	**–**	741.4
Cost of derivatives close out	**23.4**	(64.4)
Investment in joint ventures	**(195.4)**	6.7
Other items	**8.8**	0.8
Net funds flow	**193.7**	863.1
Settlement of Brixton debt	**–**	(507.7)
Net decrease in other borrowings	**(260.6)**	(379.5)
Net cash outflow	**(66.9)**	(24.1)
Opening cash and cash equivalents	**111.9**	162.5
Exchange rate movements	**(0.4)**	(26.5)
Closing cash and cash equivalents	**44.6**	111.9

Free cash flow generated from operations was £106.6 million in 2010, an increase of £27.3 million from 2009. This is primarily due to the increase in net rental income with a full year impact of the Brixton acquisition and increased proceeds from the sale of trading properties.

Other significant movements include proceeds received from investment property sales (in particular to APP), offset by outflows in respect of the acquisition of the 50 per cent interest in the APP joint venture, dividend payments and the reduction of borrowings, including the repayment of a £125 million bond. Overall this resulted in a net cash outflow of £66.9 million (2009: £24.1 million) during the period.

CAPITAL EXPENDITURE/DIVESTMENT

The Group has taken a cautious approach to the deployment of capital over the past two years; accordingly, during 2010, there was a net divestment of capital amounting to £195.9 million compared with £240.7 million in 2009.

	2010 £m	2009 £m
Capital expenditure[1]		
Development expenditure on investment properties	**48.0**	161.3
Acquisitions	**14.6**	49.7
Expenditure on trading properties	**20.9**	27.1
Total capital expenditure	**83.5**	238.1
Less book value of disposals of:		
Investment properties	**(390.7)**	(453.3)
Trading properties	**(55.0)**	(6.6)
Joint ventures	**(11.8)**	(12.2)
Total disposals	**(457.5)**	(472.1)
Net investment/(divestment) in joint ventures	**178.1**	(6.7)
Net capital divestment	**(195.9)**	(240.7)

1. Values are stated on an accruals rather than a cash flow basis.

The Group acquired a 50 per cent interest in APP in 2010 for £111.5 million and sold a number of assets into the venture for net proceeds of £237.1 million. The Group generated net cash proceeds of £55.3 million (before acquisition costs of £13.8 million) from these transactions after allowing for a £70.3 million equity contribution into APP to fund SEGRO's share of the acquisition of the £237.1 million assets referred to above.

Contractual obligations in respect of future development expenditure on projects currently in progress or committed will amount to approximately £69.2 million.

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.

DIRECTORS' REPORT: PERFORMANCE REVIEW
FINANCIAL REVIEW CONTINUED

FINANCIAL POSITION AND FUNDING

At 31 December 2010 the Group's net borrowings were £2,203.2 million (31 December 2009: £2,420.1 million) comprising gross borrowings of £2,247.8 million (31 December 2009: £2,532.8 million) and cash balances of £44.6 million (31 December 2009: £112.7 million).

During the year the Group agreed new or extended bank facilities totalling £485.9 million. On 6 December 2010 SEGRO plc was substituted for Brixton Limited as the Issuer of all of the outstanding 5.25 per cent bonds due 2015 and the 6.00 per cent bonds due 2019.

At 31 December 2010 the weighted average maturity of the gross borrowings of the Group was 9.8 years. Secured borrowings at 31 December 2010 were £61.3 million representing just 3 per cent of the Group's total gross borrowings.

The market value of the gross borrowings of the Group at 31 December 2010 was £2,323.3 million, £75.5 million higher than the carrying value. The net market value of the Group's derivative portfolio of interest rate swaps and forward foreign exchange and currency swap contracts at 31 December 2010 was a net asset of £11.1 million.

GEARING AND FINANCIAL COVENANTS

The loan to value ratio (net borrowings divided by property assets) at 31 December 2010 was 46 per cent (2009: 47 per cent).

The gearing ratio of the Group at 31 December 2010 was 80 per cent (2009: 91 per cent) significantly lower than the Group's tightest financial gearing covenant of 160 per cent. Property valuations would need to fall by more than 28 per cent from their 31 December 2010 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 2010 the Group comfortably met this ratio at 2.2 times (2009: 2.0 times).

LIQUIDITY POSITION

Funds availability at 31 December 2010 totalled £527.1 million comprising £44.6 million of cash and £482.5 million of undrawn bank facilities of which only £14.9 million were uncommitted. The Group has a favourable debt funding maturity profile with less than £70 million of committed debt facilities maturing before 31 December 2011.

GOING CONCERN

Whilst wider economic conditions remain challenging, the Group has completed significant bank refinancing activity during 2010 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 have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

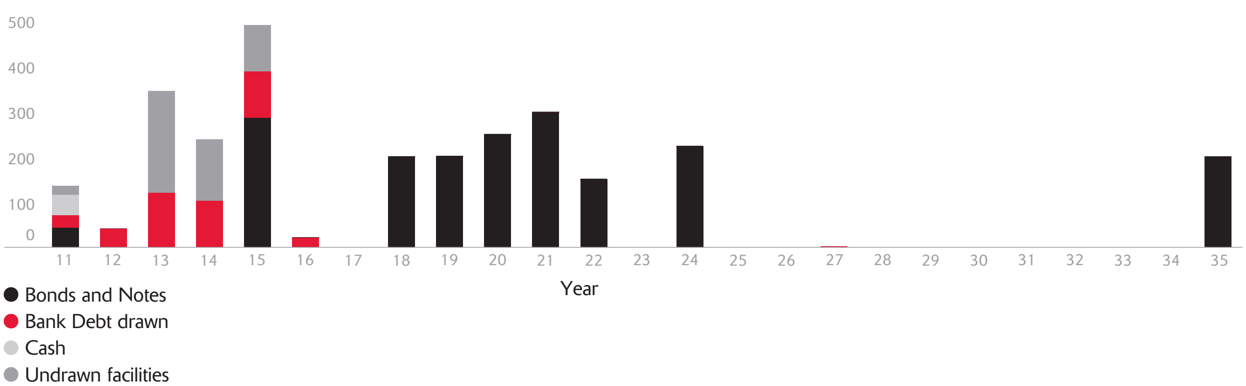
INTEREST RATE RISK EXPOSURE

A revised Group interest rate risk policy was approved by the Board in February 2010. Between 60 and 100 per cent of net borrowings should be at fixed or capped rates, both at a Group level and by major borrowing currency (currently euro and sterling) including the impact of derivative financial instruments.

At 31 December 2010, including the impact of derivative instruments, £1,790.4 million of borrowings were at fixed rates representing 81 per cent of the net borrowings of the Group. Furthermore 76 per cent of the euro denominated net borrowings of the Group of £1,244.6 million and 88 per cent of the remaining net borrowings (predominantly sterling) of £958.6 million were at fixed rates.

The weighted average maturity of fixed rate cover of £1,790.4 million at 31 December 2010 was 9.3 years at an average fixed interest rate of 5.6 per cent. Including the impact of derivative financial instruments, floating rate gross borrowings at 31 December 2010 were £457.4 million at

Debt profile (£m)



an average interest rate (including margin) of 3.3 per cent giving a weighted average interest rate for gross borrowings at that date, before commitment fees and amortised costs of 5.1 per cent or 5.5 per cent after allowing for such items.

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 EPRA profit before tax and EPRA 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 50 per cent and 90 per cent of foreign currency denominated assets with liabilities of the same currency to protect the Group's reported consolidated net asset value, earnings, cash flows and financial gearing covenant.

As at 31 December 2010, the Group had gross foreign currency assets amounting to £1,759.4 million, which were 81 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments) of £1,417.4 million.

A 10 per cent movement in the value of sterling against all currencies in which the Group operates at 31 December 2010 would have changed net assets by approximately £32 million and reported adjusted gearing by less than 1 per cent. Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets the impact on adjusted gearing would have been approximately 3 per cent.

The average exchange rate during 2010 was €1.17: £1. Based on the hedging position at 31 December 2010 and assuming that this position had applied throughout 2010, if the euro had been 10 per cent weaker than it was against sterling throughout the year (€1.29: £1), EPRA profits after tax for the year would have been approximately £4 million (3 per cent) lower than those reported.

David Sleath,
Finance Director

23 February 2011

DIRECTORS' REPORT: PERFORMANCE REVIEW
PRINCIPAL RISKS AND UNCERTAINTIES

MANAGING RISK RESPONSIBLY

Effective risk management is integral to delivering our strategic priorities. The process for identifying, assessing and reviewing risks faced by the Group is described in the Governance Report section page 55.

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 strategic risks are:

Risk factors	Mitigation	Commentary
THE ECONOMIC ENVIRONMENT SEGRO and its customers could be adversely affected by changes in the external economic environment, resulting in a reduced demand for business space, increased customer insolvency levels and falling asset values.	The Board and the Executive Committee actively monitor the external economic environment and seek to adapt the Group's business in order to respond to anticipated changes, as described in the sections set out below.	Over the last year the economic environment appears to have stabilised and there have been positive signs including an increase in UK property values and an improvement in occupancy markets. However, the economic environment remains challenging with particular risks stemming from government austerity measures and concerns over the solvency of weaker European countries and their banks. We expect that the economy will remain relatively flat through 2011 but prime locations will continue to outperform and present opportunities for investment. The main external risks are considered as the Group manages Strategic, Financial and Real Estate risks detailed below. The Chairman's Statement page 8.
STRATEGY The Group develops medium and long term plans based on a wide range of variables. Incorrect assumptions about our markets or changes in, for example, the needs of customers, or activities of competitors may adversely affect the returns achieved by the Group.	Strategy is developed by the Executive Committee and regularly reviewed with the Board. The strategy development process draws on internal and external analysis of geographic and property markets, emerging customer trends and a range of other factors. Independent third party data and analysis is used to underpin the strategy.	The Group's strategy involves the selection of geographic markets, asset types, customer strategy and investment approach. Also see the Chief Executive's Review page 10.
THE PROPERTY MARKET CYCLE The property market is cyclical and there is an inherent risk that the Group either misinterprets the market or fails to react appropriately to changing market conditions with capital being invested at the wrong time in the cycle.	The Board and Executive Committee monitor the property market cycle on a continual basis and seek to adapt the Group's capital investment/divestment strategy in anticipation of changing market conditions.	

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:

Risk factors	Mitigation	Commentary
SOLVENCY AND LIQUIDITY 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 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.	Group Treasury policies page 41.
THE COST OF BORROWING 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.	Group Treasury policies page 41. Interest rate exposure pages 42 and 94.
FOREIGN EXCHANGE RATES Foreign exchange rate fluctuations could reduce the sterling value of Continental European assets and earnings.	The majority of foreign currency assets are matched by liabilities denominated in the same currencies. This provides a natural hedge against the value of the Group's overseas assets and earnings. Significant exchange rate fluctuations can also impact the Group's gearing ratio.	Foreign currency risk management pages 43 and 92.

DIRECTORS' REPORT: PERFORMANCE REVIEW
PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

3. REAL ESTATE AND OPERATIONAL RISKS

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

Risk factors	Mitigation	Commentary
LOSS OF INCOME A potential loss of income and increased vacancy due to customer default, falling demand or oversupply.	SEGRO has over 1,700 customers in a wide range of business sectors and geographic territories and there is limited exposure to any single customer. The Group stays close to its customers, monitoring the credit worthiness of the customer base and working closely with individual customers facing financial difficulty. The Group has a strong focus on leasing and aims to provide a high level of customer service 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 across the portfolio is 12 per cent and has been improving through 2010 particularly in the last quarter. In 2011 we expect that despite a challenging occupier market, vacancy rates should continue to decline. Occupancy levels pages 4, 20 and 28.
CAPITAL RECYCLING / TRADING The failure to acquire or dispose of assets at attractive prices or acceptable terms could result in a loss of value or missed opportunities to create value.	Our property teams are tasked with identifying suitable assets to acquire or sell. All acquisitions are subject to a due diligence process and the Group uses reputable third party advisors to assist with due diligence and contractual negotiations. 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.	Despite challenging market conditions, in 2010 the Group was successful in acquiring the APP portfolio and continuing to dispose of non-core assets. Acquisition of APP page 22. Disposal pages 23 and 31.
DEVELOPMENT Development projects fail to deliver expected returns due to increased costs, delays, or changes in property market values.	The Executive Committee regularly reviews the Group's land holdings and seeks to balance the requirement for development land with the cost of holding a non-productive asset. The Capital Approvals Committee approves all significant developments. Sensitivity analysis is carried out on all potential investments to determine the effects of changes in the principal project assumptions on returns.	In 2010 the Group signed 12 pre-let developments. In 2011 we expect to initiate more construction developments primarily for customers who are committed to long term, pre-let contracts. Development information pages 22 and 31.

Risk factors	Mitigation	Commentary
OBSOLESCENCE Older or bespoke buildings may become obsolete more quickly than expected resulting in lower income and valuations.	The Group maintains asset management plans for all estates and these are intended to identify the optimum point at which to develop, refurbish, re-develop or sell each asset. Asset management plans are reviewed regularly by the Executive Committee. Our new developments and refurbishments are designed with an emphasis on flexible use in order to minimise the impact of obsolescence and maximise long-term value.	The Group operates a range of buildings to suit customer needs. The majority of older buildings continue to be attractive to customers but some age poorly and become difficult to lease at competitive rates, particularly if they have been highly customised. The Group's focus on flexible business space is one way in which we aim to counter the effects of obsolescence and ensure that our buildings provide a long term sustainable income. Operating review UK and Continental Europe pages 18 and 26.
REGULATORY A change or breach of regulatory requirements. Regulatory changes, particularly those affecting the UK assets could impact property values or operating costs.	The business is actively managed to maintain compliance with regulations. Senior managers lobby on property matters through the relevant industry bodies. The Group has Committees of the Executive in place to oversee internal policies in areas such as "Health and Safety" and "Sustainability" which go beyond legal compliance.	More information about Sustainability reporting page 32.
HEALTH AND SAFETY The potential for loss or injury to a range of employees, contractors, customers and members of the public.	The Health and Safety Committee oversees the implementation of a comprehensive, Group-wide health and safety programme.	Accident rates throughout the Group remain low. Safety page 35. More information will be provided in the SEGRO 2010 Sustainability Report, to be published in April 2011.

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.

DIRECTORS' REPORT: CORPORATE GOVERNANCE
BOARD OF DIRECTORS

NIGEL RICH CBE
CHAIRMAN

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 plc, a non-executive director of Bank of the Philippine Islands (Europe) Plc, Matheson & Co Limited, Pacific Assets Trust and Castle Asia Alternative PCC Limited. 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. Age 65.

IAN COULL
CHIEF EXECUTIVE

Member of the Nomination Committee

Appointed Chief Executive on 1 January 2003. He will retire from the Board with effect from 28 April 2011.

He is on the London Regional Board of RSA 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 a board member of European Public Real Estate Association and a director of London Scottish International Ltd. He has recently been appointed a non-executive director of Galliford Try Plc and Pendragon PLC. 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. Age 60.

DAVID SLEATH
FINANCE DIRECTOR

Appointed as Finance Director on 1 January 2006 and will be appointed Chief Executive with effect from 28 April 2011.

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 non-executive director of Bunzl plc and a fellow of the Institute of Chartered Accountants in England and Wales. Age 49.

IAN SUTCLIFFE
MANAGING DIRECTOR, UK

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. He is a non-executive director of Ashtead Group plc. Age 51.

ANDREW PALMER
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Member of the Audit, 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 and a fellow of the Institute of Chartered Accountants in England and Wales. Age 57.

CHRIS PEACOCK
INDEPENDENT NON-EXECUTIVE DIRECTOR

Chairman of the Remuneration Committee
Member of the Nomination Committee

Appointed a Non-Executive Director on 28 January 2004.

He is a director of Howard de Walden Estates Limited, a member of the advisory board to The Landon Trust and sits on the Advisory Investment Committee for Trinova Real Estate LLP. He was previously president and chief executive officer of Jones Lang LaSalle. He is a fellow of the Royal Institution of Chartered Surveyors. Age 65.

MARK ROBERTSHAW
INDEPENDENT NON-EXECUTIVE DIRECTOR

Member of the Remuneration Committee

Appointed a Non-Executive Director on 1 June 2010.

He is chief executive officer of The Morgan Crucible Company plc, a post he has held since August 2006, having joined the company in 2004 as chief financial officer. He was previously chief financial officer of Gartmore Investment Management plc. Prior to this he spent nine years with Marakon Associates, a leading management consultancy headquartered in the US. Age 42.

DOUG WEBB
INDEPENDENT NON-EXECUTIVE DIRECTOR

Chairman of the Audit Committee

Appointed a Non-Executive Director on 1 May 2010.

He is chief financial officer of London Stock Exchange Group plc, a post he has held since June 2008. He was previously chief financial officer of QinetiQ Group PLC, finance director Continental Europe at Logica plc and spent 12 years at Price Waterhouse. He is a member of the International Integrated Reporting Committee, the FSA Practitioner Panel and Hundred Group of Finance Directors. He is a fellow of the Institute of Chartered Accountants in England and Wales. Age 49.

THOM WERNINK
INDEPENDENT NON-EXECUTIVE DIRECTOR

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. Age 65.

COMMITTED TO GOOD GOVERNANCE

CHAIRMAN'S LETTER

At SEGRO we believe in the spirit of good governance, embedding it across our business, rather than simply complying with the Combined Code on Corporate Governance ('the Code'). Effective, meaningful and relevant governance is vital for ensuring that the business is run successfully and strategy is delivered. We continue to follow the principals set out in the Code and have explained in this report not only our compliance with the current Code but also the steps we have taken to comply with the new UK Corporate Governance Code.

The activities of the Nomination Committee, during what proved to be a busy year, are set out below. The retirement of three Non-Executive Directors within 18 months along with the retirement of the Chief Executive this year have given the Committee an opportunity to consider Board size, diversity and structure together with the balance of skills and experience required to take the business forward. We have undergone a thorough search process to fill three vacancies and, with the current Finance Director being appointed as Chief Executive, we are now in the process of recruiting a new Finance Director. The Board now has nine Directors reduced from 11 in 2009. I believe that these new appointments, including the appointment of new Committee Chairmen and Senior Independent Director, have refreshed the Board and provided opportunities for challenging debate.

There is increasing focus on risk management in the investor community. The process to identify and manage key risks, especially those that could impact on the Company's strategy, has received more Board attention this year and I expect this to continue to be a high priority for us in 2011.

Nigel Rich CBE,
Chairman

COMBINED CODE ON CORPORATE GOVERNANCE 2008

Throughout 2010, the Company complied with the provisions of part 1 of the Combined Code on Corporate Governance 2008.

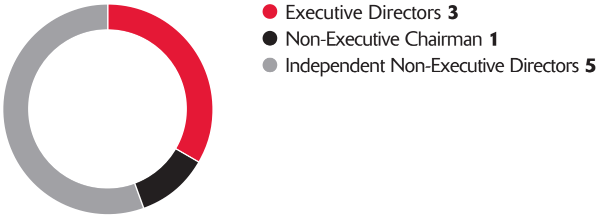
THE BOARD, BALANCE AND INDEPENDENCE

Details of the roles and biographies of the Directors who served during the year are shown on pages 48 and 49. 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.

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 and continues to be independent.

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



BOARD ACTIVITIES AND ATTENDANCE AT BOARD MEETINGS

All Directors are expected to attend each Board meeting and meetings of Board Committees of which they are members. In exceptional circumstances, when a Director is unable to attend, he will be provided with the papers and given an opportunity to discuss his comments with the Chairman prior to the meeting. This ensures that his views are given due consideration. Attendance at Board and Committee meetings is set out in the table on page 52.

Board papers are generally circulated one week in advance of the meetings. Board papers, copies of presentations made during meetings and analyst reports are available to the Directors on a secure internet site. In between meetings, the Chief Executive and the Chairman are available and regularly communicate with the Directors to update them on recent developments.

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

Throughout the year, the Chairman met with the Non-Executive Directors, individually and collectively, to discuss business matters. The Chairman, the Chief Executive and the Company Secretary are always available for the Directors to discuss any issues concerning Board meetings or other matters.

Board meetings are held on a regular basis, with additional meetings being arranged when necessary. During 2010 there were 10 scheduled meetings including a strategy day.

The Chairman, with the assistance of the Company Secretary, is responsible for ensuring good information flows within the Board. They manage the agendas to ensure that items reserved for consideration by the Board are discussed and they track the progress of actions raised at previous meetings. The Chairman further ensures that there is adequate time available for the discussion of all agenda items, in particular strategic issues. The table below sets out details of the matters considered at Board meetings.

The Board encourages the senior management team to join meetings to present on current issues. During 2010, these presentations included an update on the Slough Trading Estate Masterplan, progress with the Group's Sustainability Programme, a review of HR strategy, the APP joint venture investment and the Group's Treasury Policies.

BOARD ACTIVITIES

Each meeting	Annually	Throughout the year
Health and safety	Group insurance review	Regular reports from the Group Risk Management Committee on the Group's key risks
Monthly reports on the financial position of the Group	Group pension review	Approval of significant RNS announcements, including Interim Management Statements
Monthly operations report from the UK and Continental European businesses on letting performance, development and disposal opportunities and other business issues	Approval of full-year and half-year results, including the valuation report and approval of the dividend policy	Presentations from Business Unit Directors
Monthly reports on the Group's Key Performance Indicators	Approval of the Medium-Term Plan	Analyst reports and presentations about shareholder sentiment
Monthly report from the Chief Executive on key strategic issues and progress with matters considered by the Executive Committee and HR matters	Review of significant risks	Discussion and approval of Group strategy
	Off-site strategy day	Progress with the Group's sustainability programme and environmental issues
	Evaluation of the effectiveness of the Board and its Committees	Regular reports from the Chairmen of the Audit, Nomination and Remuneration Committee on the activities of these Committees
	Charity report	Updates on changes to laws and regulations such as the Bribery Act 2010 and reports on governance issues
		Capital approval requests

DIRECTORS' REPORT: CORPORATE GOVERNANCE
GOVERNANCE REPORT CONTINUED

TABLE OF ATTENDANCE

Name	Board	Remuneration Committee	Audit Committee	Nomination Committee
Nigel Rich	10			3
Lord Blackwell[1]	4	2	1	2
Ian Coull	10			4
Stephen Howard[1]	4	3	1	
Andrew Palmer[2]	10	6	4	3
Chris Peacock	10	8		3
Inès Reinmann[3]	0			
Mark Robertshaw[4]	5	4		
David Sleath	10			
Ian Sutcliffe	10			
Doug Webb[5]	6		3	
Thom Wernink	10		4	4
Total number of meetings	10	8	4	4

1. Lord Blackwell and Stephen Howard retired from the Board on 29 April 2010.

2. Andrew Palmer was appointed to the Nomination and Remuneration Committees in February 2010.

3. Inès Reinmann resigned from the Board on 11 January 2010 and did not attend any Board meetings during the year.

4. Mark Robertshaw joined the Board and the Remuneration Committee on 1 June 2010.

5. Doug Webb joined the Board and the Audit Committee on 1 May 2010.

ROLE OF THE BOARD AND COMMITTEE STRUCTURE

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

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

There is a Schedule of Matters Reserved for Decision by the Board. Matters requiring Board approval include:

- Group strategy;
- Group capital structure;
- Financial reporting including approval of results;
- Internal controls;
- Risk identification and 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 of the Company's website at www.SEGRO.com. The Company ensures that these Committees are provided with sufficient resources to undertake their duties.

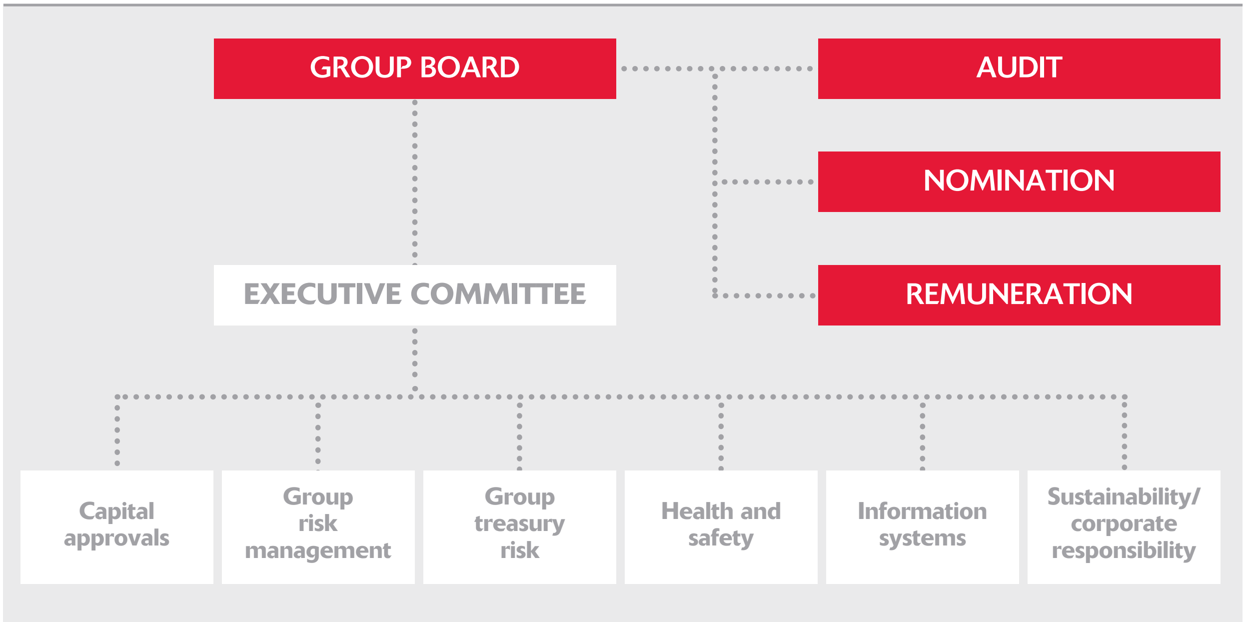
The division of responsibilities of the Chairman and Chief Executive are set out in writing and approved by the Board. The Board has appointed a Senior Independent Director who has a defined role. He acts as a sounding board to the Chairman and serves as an intermediary for other Directors when necessary. The Chairman is primarily responsible for the leadership and effective working of the Board. He ensures a constructive relationship exists between the Executive and the Non-Executive Directors. 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 and Andy Gulliford, Managing Director, Continental Europe. 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 and at least one member of the Executive Committee is a member of each Company.

GROUP BOARD AND COMMITTEES



EVALUATION

An external evaluation of the Board, its Committees and the performance of its Directors was conducted in 2008. The Board proposes to conduct an external review during 2011.

In 2009 and 2010, 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 Committees. There was agreement that the Board was operating effectively. The results were positive and action plans were agreed on the few points that were identified. The table overleaf sets out the action points identified in the 2009 evaluation, the progress made during 2010, along with the action points indentified in the 2010 evaluation.

The evaluation confirmed that adequate time was allocated to discuss agenda items. Further, that the Chairman promotes a culture of openness and debate and ensures constructive relations between the Executive and Non-Executive Directors.

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.

BOARD DEVELOPMENT

Directors are encouraged to continually update their professional skills and 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. The Board met in Belgium and the Netherlands, had meetings with the local management teams and a tour of the local property portfolios. The Board also visited the Neckermann site in Germany and the Slough Trading Estate and IQ Winnersh in the UK. Further site visits are planned in 2011. In addition, site visits are arranged for individual Directors throughout the year.

Site visits and meetings with the senior management team ensure that all Directors gain appropriate knowledge of the business and have access to its operations and people.

The Directors individually attend seminars and conferences associated with their areas of expertise or responsibility. These have included conferences on remuneration trends, risk management and the Financial Reporting Council's consultation on the Code. Bespoke training was arranged for those Non-Executive Directors who assumed new roles on the Remuneration Committee.

DIRECTORS' REPORT: CORPORATE GOVERNANCE

GOVERNANCE REPORT CONTINUED

BOARD EVALUATION

Evaluation 2009	Actions taken in 2010	Evaluation 2010
Regularise the process for post-investment reviews	The Board considered post-investment reviews as part of its strategic discussions	Encourage the Non-Executive Directors to meet with senior managers
Spend more time with regional management teams	The Board spent time with the senior management teams in the Netherlands, Germany and the UK	Arrange more site visits, especially for Non-Executive Directors
Continue to hold an off-site strategy day	This took place in November 2010	Allocate additional time to the consideration of risks associated with strategy
Review the succession planning process	Succession planning for the Board has been reviewed by the Nomination Committee. The Non-Executive Directors and the Group HR Director reviewed succession planning for senior executives during the year	Formalise the reporting on Bribery Act compliance

REMUNERATION COMMITTEE

The composition of the Remuneration Committee, its activities during 2010 and the way it applied the principles of the Code are described in the Remuneration Report on pages 58 to 66.

NOMINATION COMMITTEE

The Nomination Committee is chaired by Nigel Rich. The other members of the Nomination Committee are Ian Coull, Andrew Palmer, Chris Peacock and Thom Wernink. Lord Blackwell was a member of the Committee until he retired from the Board in April 2010.

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.

In January 2010, following the announcement that Inès Reinmann had resigned from the Board, it was agreed that the business required a Managing Director for the Continental European business but that this would not be a Board level appointment. Egon Zehnder undertook a search and review of internal and potential external candidates. Andy Gulliford, an internal candidate, was appointed to this role in April 2010.

In April 2010, both Lord Blackwell and Stephen Howard retired from the Board having both served nine years as Non-Executive Directors. Following a competitive tender, the Nomination Committee appointed Egon Zehnder to lead the process to appoint two new independent Non-Executive Directors including a new Audit Committee Chairman to succeed Andrew Palmer, who was appointed Senior Independent Director in May 2010.

The Nomination Committee reviewed the skills and experience of the current Directors and concluded that the ability to think strategically and broad business skills were required for the roles. Recent and relevant financial experience was necessary for the appointment of the Audit Committee Chairman. The Committee recognises the benefits of a diverse Board and Egon Zehnder's remit in the search for new Non-Executive Directors was to review candidates from a wide-range of backgrounds to ensure that the best candidate would be selected. Following an extensive search process, Mark Robertshaw and Doug Webb were appointed. The Nomination Committee considered the roles of the existing Non-Executive Directors. Andrew Palmer succeeded Lord Blackwell as Senior Independent Director and Chris Peacock replaced Stephen Howard as Chairman of the Remuneration Committee.

A full, formal tailored induction programme was arranged for each of the new Non-Executive Directors. The programme included site visits, meetings with the senior management teams within the business and the corporate centre as well as meetings with external advisers including the internal and external auditors, the brokers and the valuers.

In October 2010, Ian Coull announced that he would be retiring from full-time executive life during 2011. The Committee appointed Egon Zehnder to assist in the process of selecting a Chief Executive. The process included a thorough review of internal and external candidates. Ian Coull did not take part in this process. In December 2010, the Board announced that David Sleath, the current Finance Director, would succeed Ian Coull as Chief Executive following the Annual General Meeting ('the AGM') on 28 April 2011.

The Committee is now focusing on appointing a Finance Director to succeed David Sleath. Egon Zehnder has been retained to assist with this process.

As well as Board succession, the Committee also considered succession planning and talent management for the Company's senior executives below Board level. The Committee recognises that the senior management team have diverse skills and experience, which is essential for good leadership. Approximately half of the senior management team are women.

RE-ELECTION OF DIRECTORS

In accordance with the Articles of Association, one-third of the Directors are required to retire by rotation at each AGM, together with the Directors appointed by the Board since the last AGM. The appointment and replacement of the Directors is subject to shareholder approval at the AGM and is in accordance with the Code, the Companies Act and other prevailing legislation.

The Directors retiring by rotation at the 2011 AGM and offering themselves for re-election are Nigel Rich, Andrew Palmer and Chris Peacock. Mark Robertshaw and Doug Webb will also be retiring as they have been appointed since the last AGM. The Nomination Committee has confirmed that the Directors subject to re-election continue to perform effectively and demonstrate commitment to their respective roles.

The Nomination Committee did consider the provision in the UK Corporate Governance Code for all Directors to be subject to annual re-election by shareholders. It concluded that for all Directors to retire at the 2011 AGM would be unnecessarily destabilising for the Company at a time of considerable Board change.

RISK MANAGEMENT

The Board recognises that there are significant risks which can affect the strategy of the Company and it has overall responsibility for Group risk management. The Board reviews these risks twice a year and a risk matrix is created which details not only these significant risks but also operational and other risks that could affect the business. The Board delegates the assurance of the risk management process and review of controls to the Audit Committee.

The Group Risk Management Committee implements the Group risk management policy and oversees the process for the identification and management of risk. The Group Risk Management Committee is chaired by the Chief Executive 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 for monitoring risks and to the Board on the most significant risks and actions being taken to mitigate them.

Risks and opportunities associated with country, region and overall Group business objectives are reviewed regularly. 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 matrix 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 meetings. In addition, the Executive Committee regularly reviews emerging risks and considers actions to mitigate them as they arise.

This risk management reporting structure assists Board members in making informed judgements when taking strategic decisions. Risk management will continue to be an important priority for the Board in 2011. The principal risks and uncertainties facing the Group are set out on pages 44 to 47.

RELATIONS WITH SHAREHOLDERS

The Board is accountable to shareholders for the continued success of the Company. 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 is committed to providing investors with regular announcements of significant events affecting the Group and frequent updates on current trading. During the year investor tours were arranged in Continental Europe and the UK. In June 2010, a Head of Investor Relations was appointed to assist in providing day-to-day contact with investors.

The Company holds roadshows in London, Edinburgh and Amsterdam, following both its half-year and final results to meet both existing and potential investors. Other roadshows are held periodically throughout the year. In addition, the Chief Executive and Finance Director attend investor conferences to present, participate in panel discussions and meet investors. In 2010, the Chief Executive and / or Finance Director attended nine conferences in the USA, UK, Japan and the Netherlands.

The Chairman and Senior Independent Director are available to shareholders, should they have concerns where contact through the usual channels has failed to resolve or is otherwise inappropriate. In March 2010, the Chairman wrote to a number of major shareholders and offered a meeting with himself and the Senior Independent Director. All Directors are available for meetings with shareholders if requested.

The Chairman or the Senior Independent Director attend the financial results presentations. The Board is kept informed about any such discussions with shareholders and the Directors are regularly provided with analyst and broker reports.

During the summer, Makinson Cowell undertook an investor perception survey amongst institutional investors. Both the Company's investors as well as institutions who do not hold shares in the Company, were interviewed. The results, which were presented to the Board, were generally positive with support for the Company's strategy and management communications. Recommendations to further enhance communications have been addressed in investor relations planning for 2011.

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

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. At the meeting the Chief Executive makes a presentation to shareholders 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 2010 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 2010 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. The Company intends to continue with this practice.

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

I was appointed Chairman of the Audit Committee ('the Committee') in May 2010. Following a period of major corporate activity and with the integration of Brixton being substantially complete this year, the Committee was able to focus on the Group's control environment, the valuation process and the Group's business continuity planning, especially in relation to IT.

The priorities for the Committee during 2011, will be to undertake a thorough review of the effectiveness of the internal and external auditors, to monitor compliance with the Bribery Act 2010 and to continue to monitor the resilience of the Group's IT systems.

Doug Webb,
Chairman of the Audit Committee

The Committee comprised Doug Webb, Andrew Palmer and Thom Wernink. Lord Blackwell and Stephen Howard were members of the Committee, until the 2010 AGM when they retired from the Board. Andrew Palmer was the Chairman of the Committee until Doug Webb's appointment in May 2010. Andrew Palmer is a member of the Financial Reporting Review Panel of the Financial Reporting Council and a former Finance Director of a FTSE 100 company. Doug Webb is Chief Financial Officer of London Stock Exchange Group plc. Accordingly, both have 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 Board, the Chief Executive, the Finance Director, the Group Financial Controller and representatives of the internal auditors and external auditors. The Committee regularly meets with the external and internal auditors without management being present.

During the year, the Committee's principal activities included:

- reviewing the integrity, consistency and key judgements in the Company's final and half-year financial statements;
- reviewing the valuation reports and considering any significant changes to the valuation of individual assets;
- oversight and challenge of the internal control process and the control environment;
- monitoring the independence and effectiveness of the internal and external auditors;
- oversight of the risk management process; and
- reviewing business continuity plans.

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 reviewed and updated 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. Following the acquisition of Drivers Jonas by Deloitte LLP, this policy has been amended to formalise the occasions when the business can instruct them for real estate services.

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 £0.8 million compared with the non-audit fee for taxation advisory services of £0.4 million.

Deloitte LLP has provided written confirmation of their independence to the Committee. The Committee has recommended that the reappointment of Deloitte LLP be proposed to shareholders at the 2011 AGM.

The 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 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 Committee also receives reports from senior managers on specific business activities. During 2010, these included presentations from the Group Financial Controller and the IT Director.

The Board and the 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 Committee reviews the effectiveness of the internal auditors' activities. The internal audit function is performed by KPMG LLP. Each year, the Committee approves the proposed internal audit programme and receives reports on the conclusions of these audits. For 2011, the internal audit programme, has been designed in consultation with the Group Risk Management Committee, to improve the alignment of internal audit activities with key operational and financial risks.

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

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE (THE 'COMMITTEE')

I am pleased to present my first Remuneration Report as Chairman of the Committee. In 2010, the Committee operated against a backdrop of challenging trading conditions together with a number of planned changes to the composition of the Board. During this period, we retained our key focus of setting and implementing a reward strategy aimed at driving the creation of long-term shareholder value.

Early in 2010, we completed a review of executive remuneration and agreed that the Executive Directors' salaries would remain unchanged, but that their maximum bonus opportunity would be increased. In conjunction with the increase in maximum bonus opportunity, we introduced the Deferred Share Bonus Plan (DSBP), reinforcing the link between short-term incentives and longer-term business performance. Under the DSBP, 25 per cent of any bonus payable is deferred in shares for three years. Further details of the DSBP are provided on pages 60 and 61.

In 2011, we will undertake a full review of the structure of Executive remuneration to ensure that our reward strategy continues to reinforce the alignment between the interests of the Directors and those of our shareholders. If the outcome of this review is that material changes should be made to remuneration, the Committee will consult with shareholders prior to implementing any such changes.

The remuneration policy and the activities of the Committee during the year and planned activities for 2011, are described in greater detail below.

Chris Peacock,
Chairman of the Remuneration Committee

GOVERNANCE AND ACTIVITIES IN 2010

During 2010, the Committee comprised Chris Peacock, who was appointed Chairman of the Committee in April 2010, Andrew Palmer, who was appointed in February 2010 and Mark Robertshaw, who was appointed in June 2010. Lord Blackwell and Stephen Howard stepped down from the Committee on their retirement from the Board in April 2010. The Chairman, the Chief Executive, the Group HR Director and the General Counsel and Company Secretary may be invited to attend meetings, except when their own remuneration is discussed.

The Committee determines the reward strategy for the Executive Directors and other senior managers. Its key responsibilities include: setting the terms of appointment for the Chairman and Executive Directors; designing performance based pay structures and setting performance targets; ensuring that total remuneration reflects individual contribution to results; and appointing external advisors. The Committee retains oversight of the remuneration of a designated group of senior managers and advises the framework for remuneration across the Group. The Terms of Reference for the Committee are reviewed periodically and are available on the Company's website.

During 2010, the key activities of the Committee were:

- reviewing the Executive Directors' salaries;
- reviewing remuneration of the Chairman;
- considering the impact of changes in pensions legislation;
- assessing the 2009 bonus targets against performance;
- determining the performance conditions of the 2010 Bonus Scheme;
- implementing the Deferred Share Bonus Plan (DSBP);
- allocating the 2010 Long Term Incentive Plan (LTIP) award;
- assessing performance against the 2007 Long Term Incentive Scheme (LTIS) award conditions and the resultant lapse of this award;
- agreeing David Sleath's remuneration following the announcement of his appointment as Chief Executive; and
- agreeing terms for Inès Reinmann's departure from the Company.

Chart 1 – 2011 Bonus Scheme Criteria

Component	Proportions of bonus: Profit before tax/ profit before interest and tax %	Rent roll growth %	Personal objectives %	Maximum bonus opportunity as a percentage of salary
Chief Executive	33	33	34	120
Other Executive Directors	33	33	34	100

ACTIVITIES IN 2011

In early 2011, the Committee finalised the terms and conditions for David Sleath's appointment as Chief Executive. David Sleath will be entitled to a salary of £520,000 with a maximum bonus opportunity of 120 per cent of salary. His maximum entitlement for any one award under LTIP will be 175 per cent of salary.

In February 2011, the Committee determined that a bonus would be paid to the extent the 2010 Bonus Scheme targets were achieved. The 2011 Bonus Scheme will continue to be based on two key measures of financial performance and personal objectives (Chart 1).

To ensure we maintain absolute clarity on delivering business performance, the financial elements of the 2011 Bonus Scheme are common for all employees. The personal objectives are aimed at driving and rewarding superior individual performance. For the Executive Directors and certain senior managers, 25 per cent of any payments under the 2011 Bonus Scheme will be deferred as shares in accordance with the DSBP.

During 2011, the Committee will undertake a full review of the remuneration structure of the Executive Directors and certain senior managers to ensure its continued alignment with our strategic objectives. The Committee will also review the appointment of the independent remuneration consultant.

ADVICE

The Committee has access to sufficient resources to discharge its duties including advice from Towers Watson, independent remuneration consultants and access to the General Counsel and Company Secretary, the Group HR Director and other advisors as required. To ensure a consistent approach to remuneration across the Group, Towers Watson Limited also provided advice to the Company in respect of matters relating to the remuneration of all employees. During the year, Hogan Lovells LLP provided advice to the Committee and the Company on the DSBP and the Company's share schemes. Aon Hewitt Limited provided information to the Committee and the Company in respect of pension related matters. Both Towers Watson and the Committee take the Code of Conduct for Remuneration Consultants in the UK into account in discharging their respective roles and responsibilities.

REMUNERATION POLICY

Underpinning the reward strategy is a remuneration policy which aligns the interests of the Executive Directors and other senior executives with shareholders. The remuneration policy is structured to attract and retain leaders and to motivate them to promote the success of the Company through the delivery of long-term shareholder value (Chart 2). A substantial proportion of the Executive Directors' remuneration is subject to the achievement of short and long-term performance targets (Chart 3). These targets are structured so as not to encourage inappropriate risk taking. In setting remuneration policy, the Committee takes into consideration amongst other matters, the maximum amount of remuneration the Executive Directors could receive should all targets be met, the Key Performance Indicators (KPIs) and investor guidelines. The Executive Directors' remuneration is set within a remuneration framework which applies to employees across the Group.

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 the pay of Executive Directors in a peer group of 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 and will consider an executive's responsibilities, experience

Chart 2 Components of Executive Remuneration

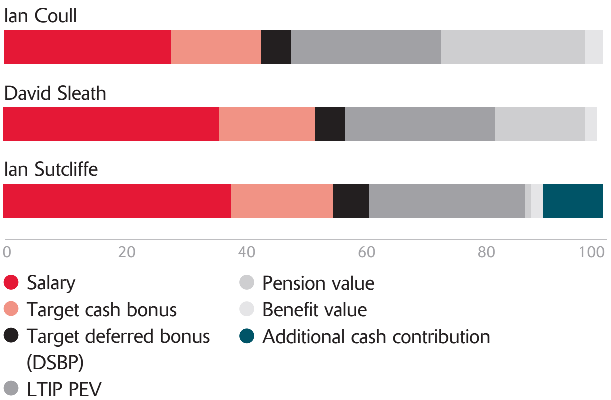
Component	Purpose
Salary	To attract high calibre individuals and recognise their skills, experience and contribution to Group performance.
Pension and benefits	To create a remuneration package that is competitive with that of peer companies.
Bonus Scheme including the DSBP	Cash element: targets set to focus on income generation and delivery of a sustainable dividend strategy. DSBP: to retain key managers and to provide a long-term link between the Bonus Scheme and share price growth.
LTIP	To drive delivery of total property return (TPR) and earnings per share (EPS) over the long term, and to retain senior managers.

and performance before making any remuneration decision. The criteria for establishing the comparator group companies remain unchanged from the prior year.

In order to further align the interests of the Executive Directors with those of shareholders, the Executive Directors are expected to build a shareholding in the Company to one times the value of their annual salary within five years of being appointed to the Board. The Chief Executive is expected to hold shares to the value of one and a half times his annual salary.

Chart 3 summarises the relative proportions of remuneration utilising target levels of LTIP and bonus, and indicates their relative importance.

Chart 3 Relative Proportions of Remuneration



Salary and Benefits

The salaries of the Executive Directors may be adjusted above or below the benchmark to reflect their responsibilities, experience and performance. Following the 2010 review, the Committee determined that none of the Executive Directors would be awarded an increase in salary. Ian Sutcliffe has not been awarded an increase in his salary since his appointment in 2008 and Ian Coull was not awarded an increase in 2009 or 2010.

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 participate in Sharesave and the Share Incentive Plan (SIP).

Bonus Scheme and the DSBP

The Bonus Scheme extends to all employees and is operated on an annual basis. In 2011, as in 2010, all bonus targets will be based on a combination of Profit Before Tax (PBT)/ Profit before Interest and Tax (PBIT), Rent Roll Growth (RRG) and stretching personal objectives centred on the achievement of measurable business targets. RRG was selected for its link to future income (short-term deals are excluded from the calculation) and, PBT and PBIT were selected as they support a sustainable dividend strategy.

The DSBP was introduced for the Executive Directors and other senior managers in 2010 and will operate in 2011. In conjunction with the introduction of the DSBP, the maximum bonus opportunity under the Bonus Scheme was increased from 100 to 120 per cent of salary for the Chief Executive and from 80 to 100 per cent of salary for the other Executive Directors. Twenty five per cent of any payment under the Bonus Scheme is deferred in shares in the DSBP and held in trust for a period of three years before vesting. There are no further performance conditions attached to the shares, although vesting is subject to employment status. Awards under the DSBP vest at the discretion of the Committee and the DSBP rules contain clawback provisions in the event of misstatement or misconduct.

Executive Directors received bonuses in relation to 2010 performance of 93.8 to 97.3 per cent of the maximum opportunity. This reflects strong operating performance in terms of profitability, RRG and vacancy reduction against a backdrop of challenging economic conditions, significant improvements to the property portfolio and prudent financial management.

Further details of the Bonus Scheme including the DSBP are provided in Chart 6.

LTIP AND LTIS (THE SCHEMES)

The LTIP is the main long-term incentive for Executive Directors and senior managers. Awards are made annually on the basis of individual performance. Vesting of awards is subject to the achievement of stretching three-year total property return (TPR) and earnings per share (EPS) performance conditions, and the approval of the Committee. In 2009, the structure of the awards was changed to provide an 18-month period in which to elect to receive shares, should performance conditions be met. Details of awards granted to the Executive Directors under the Schemes are set out in the table on page 65.

The performance conditions of the LTIP are detailed in Charts 4, 5 and 6. TPR, measured in relation to the Investment Property Databank (IPD) UK Industrial Index, and adjusted diluted EPS were selected as suitable measures by the Committee. TPR was selected for its close alignment to shareholder value and the IPD UK Industrial Index was selected as it is independent and provides for a measure of the Company's property portfolio performance relative to other UK industrial property investments. EPS was chosen as a performance condition as it underpins the delivery of earnings to shareholders. EPS is calculated according to the applicable European Public Real Estate Association (EPRA) guidelines excluding valuation gains/losses and exceptional items. Actual performance for EPS is calculated from the published figures in the Annual Report. These calculations are reviewed by the auditors and are approved by the Committee. The Committee retains the discretion to withhold vesting of awards, should such payments be deemed inappropriate.

Chart 4 LTIP EPS Performance Thresholds

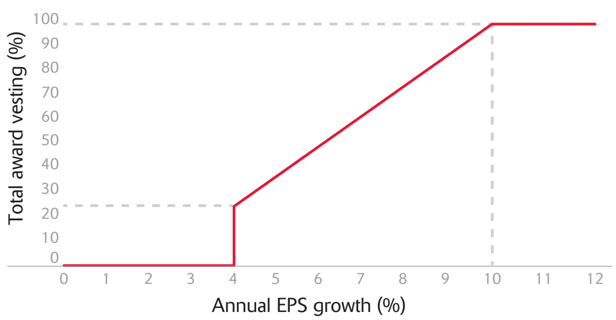
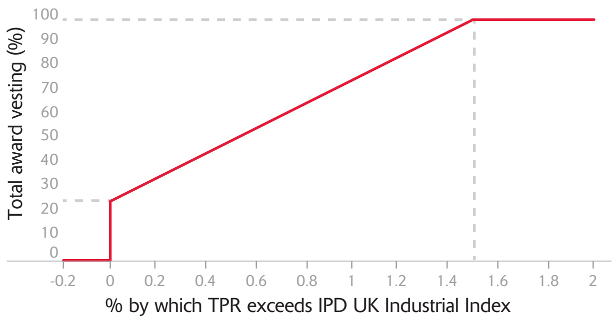


Chart 5 LTIP TPR Relative Performance Thresholds



For LTIS, the maximum entitlement under any one award for the Chief Executive was 175 per cent of salary and 140 per cent for other Executive Directors. The performance conditions were based on the achievement of EPS (60 per cent of the award) and net asset value (40 per cent of the award) targets measured over three financial years. The last LTIS award was made in 2007. As performance conditions for this award were not met, it lapsed in 2010. No further awards will be made under the LTIS.

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

Chart 6 Conditions for Performance Related Pay

Scheme	Year of allocation	Maximum allocation	Performance conditions and weighting	Performance period
Bonus Scheme including DSBP	2010	Chief Executive – up to 120% of salary. Finance Director – up to 100% of salary. Managing Director, UK – up to 100% of salary.	40% PBT, 40% RRG and 20% Personal Objectives. 40% PBT, 40% RRG and 20% Personal Objectives. 20% PBT, 20% PBIT, 40% RRG and 20% Personal Objectives.	Based on performance for the financial year. Bonus is paid following year-end and is subject to a 25% deferral into the DSBP for three years. There are no performance conditions during the holding period, but clawback provisions apply.
LTIP	2008, 2009 and 2010	Chief Executive – up to 175% of salary. Other Executive Directors – up to 140% of salary.	60% EPS and 40% TPR. 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 UK Industrial Index and 100% of the allocation vesting where TPR is 1.5% per annum above the IPD UK Industrial Index.	Measured over three financial years.

Sharesave

Sharesave is an HMRC approved 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 set at the beginning of the savings period. This price is usually set at a 20 per cent discount to the market price.

SIP and Global Share Incentive Plan (GSIP)

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. In 2010, up to three per cent of gross salary was awarded in shares. The Executive Directors' holdings under the SIP are included in the table showing Directors' interests in shares on page 64.

The GSIP is designed on a similar basis to the SIP but is not HMRC approved and is operated for non-UK based employees.

Pension and retirement benefits

The pension policy for Executive Directors did not change during 2010. Ian Coull and David Sleath are members of the defined benefit section of the SEGRO Pension Scheme (the SEGRO Scheme) which is registered with the HMRC and the Pensions Regulator. It is contracted out of the State Second Pension. Benefits under the SEGRO 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.

DIRECTORS' REPORT: CORPORATE GOVERNANCE
REMUNERATION REPORT CONTINUED

Ian Coull will retire on 28 April 2011, with a total pension of two-thirds final salary less any retained benefits from previous employment. Pension in respect of his 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 SEGRO Scheme less any retained benefits from previous employment. 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 SEGRO Scheme. In 2010, the Company acquired UK gilts, valued at £3.4 million as at 31 December 2010, which have been pledged as security to the trustees of the UURBS.

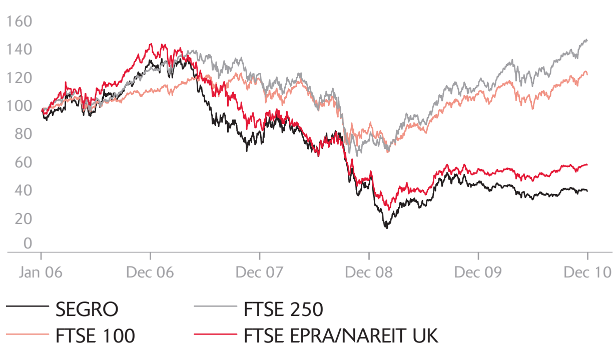
David Sleath will be entitled to retire under the SEGRO Scheme at age 62 with a total pension which broadly targets two-thirds final salary less any retained benefits from previous employment. Upon reaching the target, he may then accrue a pension of 1/60th of final pensionable salary for every completed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

Ian Sutcliffe participates in the defined contribution section of the SEGRO Scheme on the same basis as other UK employees. The Company makes a contribution of 12 per cent of his pensionable salary. Pensionable salary is defined as his 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. She did not contribute to the voluntary collective retirement plan.

Total Shareholder Return
Chart 7 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 FTSE EPRA / NAREIT UK Index. The Company is a constituent of the FTSE 250 Index and during the year, was a constituent of the FTSE 100. The Committee has determined that the FTSE EPRA / NAREIT UK Index is an appropriate index 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 7 Total Shareholder Return – value of a hypothetical £100 holding of shares



POLICY ON EXECUTIVE DIRECTORS' 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 will require is taken into consideration. Executive Directors may retain fees for external appointments. During the year, Ian Coull was a non-executive director of the London Regional Board of RSA. Having announced his forthcoming retirement as Chief Executive in April 2011, the Board gave its approval for Ian Coull to accept non-executive directorships at Galliford Try plc and Pendragon PLC. David Sleath and Ian Sutcliffe hold non-executive appointments at Bunzl plc and Ashtead Group plc respectively. Details of the fees paid in respect of these appointments are disclosed on page 64.

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 Combined Code on Corporate Governance and will take legal advice on the Company's liability to pay compensation.

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

The fees payable to Non-Executive Directors are set by reference to those paid by other companies and the time commitment and responsibilities of the role. During the year, the fees paid to the Non-Executive Directors were reviewed by the Board in the absence of the Non-Executive Directors and that of the Chairman was reviewed by the Committee. Neither the Chairman nor the Non-Executive Directors were involved in the setting of their own remuneration.

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. The letters of appointment of Non-Executive Directors and service contracts of Executive Directors are available for inspection at the Company's registered office.

The dates of appointment and the contractual notice periods are set out in the following table:

Name	Date of appointment	Notice period
Nigel Rich	1 July 2006	6 months
Ian Coull	1 January 2003	12 months by the Company 6 months by the Director
David Sleath	1 January 2006	12 months by the Company 6 months by the Director
Ian Sutcliffe	1 July 2008	12 months by the Company 6 months by the Director
Andrew Palmer	28 January 2004	3 months
Chris Peacock	28 January 2004	3 months
Mark Robertshaw	1 June 2010	3 months
Doug Webb	1 May 2010	3 months
Thom Wernink	23 May 2005	3 months

AUDITED INFORMATION

Directors' emoluments

Name	Salary/ fees £000	Additional payments £000	Benefit scheme[1] £000	Bonus cash £000	DSBP value of shares £000	Total 2010 £000	Total 2009 £000
Chairman							
Nigel Rich	228	–	–	–	–	228	220
Executive Directors							
Ian Coull Chief Executive	575	–	58	503	168	1,304	1,061
Inès Reinmann[2]	102	197	17	–	–	316	453
David Sleath	430	–	21	314	105	870	689
Ian Sutcliffe[3]	480	125	24	338	113	1,080	887
Non-Executive Directors – Fees							
Lord Blackwell[4]	18	–	–	–	–	18	55
Stephen Howard[5]	17	–	–	–	–	17	50
Andrew Palmer Senior Independent Director	56	–	–	–	–	56	50
Chris Peacock Chairman of the Remuneration Committee	51	–	–	–	–	51	45
Mark Robertshaw[6]	28	–	–	–	–	28	–
Doug Webb[7] Chairman of the Audit Committee	36	–	–	–	–	36	–
Thom Wernink	47	–	–	–	–	47	45
Total	**2,068**	**322**	**120**	**1,155**	**386**	**4,051**	**3,555**

1. The non-cash benefits included company car, fuel, healthcare and life assurance.

2. Inès Reinmann resigned from the Board on 11 January 2010. Her termination arrangements were governed by French labour law and collective bargaining agreements. She was paid £102,341 in lieu of notice. She received a payment of £197,096 comprised of 25% of monthly salary per year of service (£8,444), an amount agreed in termination (£168,208) and outplacement costs (£20,444). Her benefits for 2010 totalled £17,425 including holidays not taken (£13,811) and monthly car rent (£3,614). (Sterling: euro exchange rate 1:1.17).

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

4. Lord Blackwell retired from the Board on 29 April 2010.

5. Stephen Howard retired from the Board on 29 April 2010.

6. Mark Robertshaw was appointed to the Board on 1 June 2010.

7. Doug Webb was appointed to the Board on 1 May 2010.

DIRECTORS' REPORT: CORPORATE GOVERNANCE
REMUNERATION REPORT CONTINUED

FEES RECEIVED BY EXECUTIVE DIRECTORS IN RESPECT OF EXTERNAL APPOINTMENTS

	Company	Date of appointment	Fees (£)
Ian Coull	The London Regional Board of RSA	1 May 2001	1,300
	Galliford Try plc	8 November 2010	5,614
	Pendragon PLC	1 December 2010	3,334
David Sleath	Bunzl plc	1 September 2007	71,000
Ian Sutcliffe	Ashtead Group plc	7 September 2010	13,333

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors and their immediate families in the ordinary shares of the Company at 1 January 2010 and 31 December 2010 were:

	Beneficial interests[1]	
Number of Ordinary Shares	31.12.2010 Ordinary 10p shares	01.01.2010 Ordinary 10p shares
Nigel Rich[2]	96,708	93,931
Lord Blackwell	13,864	13,864
Ian Coull	328,006	317,558
Stephen Howard	9,942	9,942
Andrew Palmer	5,458	5,302
Chris Peacock	11,787	11,449
Inès Reinmann	–	–
Mark Robertshaw	–	–
David Sleath	72,885	69,768
Ian Sutcliffe	1,054	–
Doug Webb	3,300	–
Thom Wernink	20,000	13,388

1. *Beneficial interests in the table above represent shares beneficially held by each Director (as at date of joining or leaving the Company, where appropriate). 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 Directors' children under 18. Between 31 December 2010 and 23 February 2011 there were no changes in respect of the Directors' shareholdings. As at 31 December 2010, 1,186,801 shares (2009: 1,188,808 shares) were held by the Trustees of the 1994 SEGRO plc Employees' Benefit Trust. As at 23 February 2011, 1,184,850 shares were held by this Trust. The Trustees of the SIP held non-beneficial interest in 112,897 and 39,398 shares as at 31 December 2010 and 1 January 2010 respectively. 111,710 shares were held as at 23 February 2011. As with other employees, the Directors are deemed to have a potential interest in these shares, being beneficiaries under the trusts.*

2. *Nigel Rich has a technical interest, not disclosed in the table above, in 5,302 shares as a result of a trusteeship he holds; he has no voting rights over these shares.*

LTIS AND LTIP

Name	No. of shares under award 01.01.10	No. of shares lapsed / not released	No. of shares over which awards granted	Market value of shares on grant (pence)	No. of shares released	Market value on date of release (pence)	No. of shares under award 31.12.10	End of performance period over which performance conditions have to be met
Ian Coull								
29.06.07 LTIS[1]	94,240	94,240	–	1,093.57	–	–	–	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
28.04.10 LTIP	–	–	319,748	314.70	–	–	319,748	31.12.12
Total	**469,469**	**–**	**–**	**–**	**–**	**–**	**694,977**	
Inès Reinmann[2]								
26.11.07 LTIS[1]	29,229	29,229	–	748.81	–	–	–	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	**211,804**	**–**	**–**	**–**	**–**	**–**	**182,575**	
David Sleath								
29.06.07 LTIS[1]	45,692	45,692	–	1,093.57	–	–	–	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
28.04.10 LTIP		–	191,293	314.70	–	–	191,293	31.12.12
Total	**288,202**	**–**	**–**	**–**	**–**	**–**	**433,803**	
Ian Sutcliffe[3]								
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
28.04.10 LTIP	–	–	213,536	314.70	–	–	213,536	31.12.12
Total	**293,452**	**–**	**–**	**–**	**–**	**–**	**506,988**	

1. The 2007 LTIS performance conditions were not met and no shares were released to participants.

2. Inès Reinmann resigned from the Board on 11 January 2010. Her awards under the LTIP are subject to performance conditions and will be time apportioned to her date of leaving the Company.

3. As part of the terms agreed in respect of the appointment of Ian Sutcliffe, he was awarded shares under the 2008 LTIP award to the value of 200% of his 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.

DIRECTORS' REPORT: CORPORATE GOVERNANCE
REMUNERATION REPORT CONTINUED

SHARESAVE OPTIONS

Name	No. of shares under option 01.01.10	Options granted during the year	Date of grant	Option price (pence)	Options lapsed during the year	No. of shares under option at 31.12.10[1]	Period in which options can be exercised
Ian Coull	5,027	–	19.05.09	182.0	–	5,027	01.06.12–31.12.12
David Sleath	8,598	–	19.05.09	182.0	–	8,598	01.06.14–31.12.14
Inès Reinmann[2]	–	–	–	–	–	–	–
Ian Sutcliffe	5,027	–	19.05.09	182.0	–	5,027	01.06.12–31.12.12

1. Between 31 December 2010 and 23 February 2011 there were no changes in these holdings.

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

No Directors held options under any of the Company's legacy executive option schemes during 2010. There were no aggregate gains made on the exercise of options during the year.

The market price of the shares as at 31 December 2010 was 286.4 pence. The highest and lowest market prices of ordinary shares during the financial year were 351.9 pence and 250.2 pence.

DEFINED BENEFIT SCHEMES

Name	Additional accrued pension earned in the year £ p.a.	Accrued pension at 31.12.10 £ p.a.	Transfer value at 31.12.09 £	Transfer value at 31.12.10 £	Increase in transfer value less Directors' contributions £
Ian Coull	26,913	215,318	3,781,730	4,356,533	540,303
David Sleath	15,397	61,128	625,642	837,391	186,699

The values given include the effect of inflation. Transfer values have been calculated in accordance with the SEGRO 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 Directors would be entitled to if they left service at the year end. Retained benefits are payable from normal retirement age.

Name	Additional accrued pension in the year excluding inflation £ p.a.	Transfer value of increase in accrued pension less Directors' contributions £
Ian Coull	26,913	481,478
David Sleath	15,397	185,149

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

DEFINED CONTRIBUTION SCHEMES

Name	Company contributions £
Inès Reinmann	3,781
Ian Sutcliffe	14,832

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 received £12,500 (2009: £36,000) as Chairman of the Trustees of the SEGRO Scheme. He resigned from this position on 31 May 2010. Richard Kingston, a former Director, was appointed as a Company nominated Trustee of the SEGRO Scheme on 1 January 2007. He received fees from the Company of £15,000 (2009: £15,000). Ex gratia payments for former Directors and their dependants totalled £63,220 (2009: £65,410).

This report was approved by the Board on 23 February 2011 and signed on its behalf by

Chris Peacock,
Chairman of the Remuneration Committee

23 February 2011

DIRECTORS' REPORT: CORPORATE GOVERNANCE

OTHER STATUTORY INFORMATION

SHARE CAPITAL

The issued share capital for the year is set out on page 99.

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

DIVIDENDS

Subject to approval by shareholders at the AGM, a final dividend of 9.6 pence per share will be paid (2009: 9.4 pence) bringing the total dividend for 2010 to 14.3 pence (2009: 14.0 pence). The 2010 final dividend will be paid half as a Property Income Distribution and half as an ordinary cash dividend.

The ex-dividend date for the final dividend will be 13 April 2011, the record date will be 15 April 2011 and the payment date will be 5 May 2011.

CHANGE OF CONTROL

Contracts and joint venture agreements

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

Borrowings and other financial instruments

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

Employee share plans

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

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 appointment 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 15 days at 31 December 2010 (2009: 14 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 Annual General Meeting.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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 ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

By order of the Board

Elizabeth Blease,
General Counsel and Company Secretary

23 February 2011

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 23 February 2011, the following major interests (three per cent or more) in the ordinary share capital had been notified to the Company:

Shareholder	Direct voting rights	Indirect voting rights	Aggregate voting rights	Percentage
APG Algemene Pensioen Groep N.V. and its subsidiaries	55,716,480	–	55,716,480	7.51%
AXA S.A. and its subsidiaries	908,414	29,131,266	30,039,680	4.05%
BlackRock, Inc. and its subsidiaries	–	50,120,085	50,120,085	6.76%
Legal & General Group plc and its subsidiaries	25,417,864	5,008,673	30,426,537	4.10%
Prudential plc and its subsidiaries	34,718,369	2,307	34,720,676	4.68%
Issued capital at 23 February 2011			**741,539,073**	

DIRECTORS' REPORT: CORPORATE GOVERNANCE

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,
Chief Executive

23 February 2011

David Sleath,
Finance Director

23 February 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEGRO plc

We have audited the financial statements of SEGRO plc for the year ended 31 December 2010 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 30. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Group's profit 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;
- 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; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Mark Beddy
(Senior Statutory Auditor)

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

23 February 2011

FINANCIAL STATEMENTS

GROUP INCOME STATEMENT For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Revenue	3	**433.6**	365.5
Gross rental income	3	**344.6**	328.4
Property operating expenses	4	**(62.5)**	(59.0)
Net rental income		**282.1**	269.4
Joint venture management fee income	3	**1.9**	–
Administration expenses	5	**(39.2)**	(48.1)
Share of profit from joint ventures after tax	6	**41.9**	4.6
Realised and unrealised property gain/(loss)	7	**25.9**	(342.0)
(Loss)/gain on sale of investment in joint ventures	6	**(0.5)**	12.9
Other investment income/(loss)	8	**5.8**	(8.0)
(Amounts written off)/gain recognised on acquisitions	9	**(13.9)**	8.6
Operating profit/(loss)		**304.0**	(102.6)
Finance income	10	**55.8**	13.6
Finance costs	10	**(162.6)**	(159.1)
Profit/(loss) before tax		**197.2**	(248.1)
Tax	11	**11.1**	14.0
Profit/(loss) after tax		**208.3**	(234.1)
Attributable to equity shareholders		**210.3**	(233.1)
Attributable to non-controlling interests		**(2.0)**	(1.0)
		208.3	(234.1)
Earnings per share			
Basic and diluted earnings/(loss) per share	13	**28.5p**	(41.3p)

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Profit/(loss) for the year		**208.3**	(234.1)
Other comprehensive income			
Foreign exchange movement arising on translation of international operations		**(17.6)**	(35.5)
Valuation surplus/(deficit) on owner occupied properties	7	**0.1**	(2.0)
Actuarial loss on defined benefit pension schemes	21	**(0.1)**	(3.8)
Increase in value of available-for-sale investments		**4.5**	–
Fair value movements on derivatives in effective hedge relationships		**1.3**	–
Tax on items taken directly to equity		**–**	1.9
Net loss recognised directly in equity		**(11.8)**	(39.4)
Transfer to income statement on sale and impairment of available-for-sale investments		**(3.3)**	(1.9)
Total comprehensive profit/(loss) for the year		**193.2**	(275.4)
Attributable to equity shareholders		**195.2**	(274.4)
Attributable to non-controlling interests		**(2.0)**	(1.0)
Total comprehensive profit/(loss) for the year		**193.2**	(275.4)

BALANCE SHEETS As at 31 December 2010

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Assets					
Non-current assets					
Goodwill and other intangibles		**1.7**	1.0	**–**	–
Investment properties	14	**4,498.3**	4,825.3	**–**	–
Owner occupied properties		**7.8**	8.1	**–**	–
Plant and equipment		**7.3**	7.5	**1.8**	1.7
Investments in subsidiaries	6	**–**	–	**5,626.2**	4,990.3
Investments in joint ventures	6	**279.8**	79.3	**–**	–
Finance lease receivables	15	**8.5**	8.9	**–**	–
Available-for-sale investments	16	**26.8**	25.9	**3.4**	–
		4,830.2	4,956.0	**5,631.4**	4,992.0
Current assets					
Trading properties	14	**289.9**	337.8	**–**	–
Trade and other receivables	17	**130.7**	109.2	**49.5**	32.9
Tax recoverable		**2.1**	3.6	**–**	–
Cash and cash equivalents	19	**44.6**	112.7	**7.3**	18.3
		467.3	563.3	**56.8**	51.2
Total assets		**5,297.5**	5,519.3	**5,688.2**	5,043.2
Liabilities					
Non-current liabilities					
Borrowings	19	**2,177.9**	2,187.6	**2,123.6**	1,592.7
Deferred tax provision	11	**47.9**	56.9	**–**	–
Other provisions for liabilities and charges		**15.2**	16.3	**12.4**	11.0
Trade and other payables	18	**20.1**	15.4	**835.4**	416.4
		2,261.1	2,276.2	**2,971.4**	2,020.1
Current liabilities					
Trade and other payables	18	**229.4**	263.5	**47.8**	46.0
Borrowings	19	**69.9**	345.2	**11.9**	273.3
Tax liabilities		**28.1**	41.2	**6.5**	5.4
		327.4	649.9	**66.2**	324.7
Total liabilities		**2,588.5**	2,926.1	**3,037.6**	2,344.8
Net assets		**2,709.0**	2,593.2	**2,650.6**	2,698.4
Equity					
Share capital	22	**74.2**	73.5	**74.2**	73.5
Share premium	23	**1,069.5**	1,047.6	**1,069.5**	1,047.6
Capital redemption reserve		**113.9**	113.9	**113.9**	113.9
Own shares held	24	**(13.3)**	(13.5)	**(13.3)**	(13.5)
Revaluation reserve		**0.2**	0.1	**–**	–
Other reserves		**194.9**	196.8	**219.6**	217.7
Retained earnings		**1,270.9**	1,174.1	**1,186.7**	1,259.2
Total shareholders' equity		**2,710.3**	2,592.5	**2,650.6**	2,698.4
Non-controlling interests		**(1.3)**	0.7	**–**	–
Total equity		**2,709.0**	2,593.2	**2,650.6**	2,698.4
Net assets per ordinary share					
Basic and diluted	13	**366p**	354p		

The financial statements of SEGRO plc (registered number 167591) on pages 70 to 104 were approved by the Board of Directors and authorised for issue on 23 February 2011 and signed on its behalf by:

ID Coull **DJR Sleath**
Directors

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY For the year ended 31 December 2010

GROUP	Balance 1 January 2010 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2010 £m
Ordinary share capital	73.5	–	–	–	0.7	–	–	–	74.2
Share premium	1,047.6	–	–	–	21.9	–	–	–	1,069.5
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(13.5)	–	–	–	–	0.2	–	–	(13.3)
Revaluation reserve[1]	0.1	–	–	0.1	–	–	–	–	0.2
Other reserves:									
Share based payments reserve	2.6	–	–	–	–	3.6	–	–	6.2
Fair value reserve for AFS[2]	4.8	0.2	–	4.5	–	(3.3)	–	–	6.2
Translation and other reserves	20.3	(8.2)	–	1.3	–	–	–	–	13.4
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	196.8	(8.0)	–	5.8	–	0.3	–	–	194.9
Retained earnings	1,174.1	(9.6)	210.3	(0.1)	–	–	(103.8)	–	1,270.9
Total equity attributable to equity shareholders	2,592.5	(17.6)	210.3	5.8	22.6	0.5	(103.8)	–	2,710.3
Non-controlling interests	0.7	–	(2.0)	–	–	–	–	–	(1.3)
Total equity	2,593.2	(17.6)	208.3	5.8	22.6	0.5	(103.8)	–	2,709.0

For the year ended 31 December 2009

GROUP	Balance 1 January 2009 £m	Exchange movement £m	Retained loss £m	Items taken directly to reserves £m	Shares (cancelled) /issued £m	Other £m	Dividends £m	Transfers[3] £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)
Revaluation reserve[1]	438.4	(11.1)	–	(1.2)	–	–	–	(426.0)	0.1
Other reserves:									
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)	–	–	–	–	–	(0.8)	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
Non-controlling 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

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. In the prior year a transfer reclassifying cumulative revaluation movements on investment and development properties from revaluation reserves to retained earnings was made, as discussed further in note 14.

COMPANY	Balance 1 January 2010 £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividends £m	Balance 31 December 2010 £m
Ordinary share capital	**73.5**	**–**	**–**	**0.7**	**–**	**–**	**74.2**
Share premium	**1,047.6**	**–**	**–**	**21.9**	**–**	**–**	**1,069.5**
Capital redemption reserve	**113.9**	**–**	**–**	**–**	**–**	**–**	**113.9**
Own shares held	**(13.5)**	**–**	**–**	**–**	**0.2**	**–**	**(13.3)**
Other reserves:							
Share based payments reserve	**1.2**	**–**	**–**	**–**	**1.7**	**–**	**2.9**
Translation and other reserves	**47.4**	**–**	**0.2**	**–**	**–**	**–**	**47.6**
Merger reserve	**169.1**	**–**	**–**	**–**	**–**	**–**	**169.1**
Total other reserves	**217.7**	**–**	**0.2**	**–**	**1.7**	**–**	**219.6**
Retained earnings	**1,259.2**	**33.0**	**(1.5)**	**–**	**(0.2)**	**(103.8)**	**1,186.7**
Total equity attributable to equity shareholders	**2,698.4**	**33.0**	**(1.3)**	**22.6**	**1.7**	**(103.8)**	**2,650.6**

For the year ended 31 December 2009

COMPANY	Balance 1 January 2009 £m	Retained profit £m	Items taken directly to reserves £m	Shares (cancelled)/ issued £m	Other £m	Dividends £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

FINANCIAL STATEMENTS

CASH FLOW STATEMENTS For the year ended 31 December 2010

		Group		Company	
	Notes	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Cash flows from operating activities	29	**244.9**	222.1	**(26.5)**	4.9
Interest received		**16.4**	3.7	**160.4**	76.3
Dividends received		**8.8**	12.9	**182.3**	137.5
Interest paid		**(157.5)**	(148.4)	**(143.0)**	(89.0)
Tax paid		**(6.0)**	(11.0)	**(0.3)**	–
Net cash received from operating activities		**106.6**	79.3	**172.9**	129.7
Cash flows from investing activities					
Net cash inflow/(outflow) arising on the acquisition of Brixton		**–**	54.7	**–**	(13.0)
Purchase and development of investment properties		**(61.1)**	(187.5)	**–**	–
Sale of investment properties		**385.7**	396.2	**–**	–
Purchase of property, plant and equipment		**(2.8)**	(3.7)	**(0.2)**	(1.7)
Sale of property, plant and equipment		**–**	0.2	**–**	–
Purchase of available-for-sale investments		**(6.3)**	(2.3)	**(3.2)**	–
Sale of available-for-sale investments		**13.1**	2.9	**–**	–
Additional net investment in subsidiary undertakings		**–**	–	**(125.2)**	(303.9)
Loan advances to subsidiary undertakings		**–**	–	**(282.1)**	(586.2)
Sale of investment in joint ventures		**11.3**	25.1	**0.2**	25.1
Investment in joint ventures		**(195.4)**	6.7	**–**	(7.4)
Net decrease in loans to joint ventures		**1.9**	–	**4.3**	–
Net cash received from/(used in) investing activities		**146.4**	292.3	**(406.2)**	(887.1)
Cash flows from financing activities					
Dividends paid to ordinary shareholders		**(82.8)**	(59.2)	**(82.8)**	(59.2)
Proceeds from new bonds		**–**	296.2	**682.0**	296.2
Repayment of bonds		**(142.3)**	–	**(400.4)**	–
Net decrease in other borrowings		**(118.3)**	(675.7)	**–**	(152.7)
Net settlement of foreign exchange derivatives		**23.4**	–	**23.4**	–
Cost of early closure of financial derivatives		**–**	(64.4)	**–**	(51.0)
Close out of Brixton debt and derivatives		**–**	(634.0)	**–**	–
Proceeds from the issue of ordinary shares		**0.1**	741.4	**0.1**	741.4
Net cash (used in)/received from financing activities		**(319.9)**	(395.7)	**222.3**	774.7
Net (decrease)/increase in cash and cash equivalents		**(66.9)**	(24.1)	**(11.0)**	17.3
Cash and cash equivalents at the beginning of the year		**111.9**	162.5	**18.3**	1.0
Effect of foreign exchange rate changes		**(0.4)**	(26.5)	**–**	–
Cash and cash equivalents at the end of the year		**44.6**	111.9	**7.3**	18.3
Cash and cash equivalents per balance sheet	19	**44.6**	112.7	**7.3**	18.3
Bank overdrafts		**–**	(0.8)	**–**	–
Cash and cash equivalents per cash flow		**44.6**	111.9	**7.3**	18.3

NOTES TO THE FINANCIAL STATEMENTS

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 42.

The Directors have taken advantage of the exemption offered by Section 408 of the Companies Act 2006 not to present a separate income statement and statement of comprehensive income for the Company. The financial statements have been prepared under the historical cost convention as modified by the revaluation of properties, available-for-sale investments and 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 and the valuation of available-for-sale investments and are described in more detail in the accounting policy notes below, or the applicable note to the financial statements.

In the current year, the following new and revised standards and interpretations have been adopted by the Group, none of which had a material impact on the current or prior year reported results:

- 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 2, Share-Based Payment – Group Cash-settled Share-based Payment Transactions;
- IFRS 3 (revised 2008), Business Combinations;
- IAS 27 (revised 2008), Consolidated and Separate Financial Statements;
- IAS 28 (revised 2008), Investments in Associates;
- IAS 39 (amended), Financial Instruments: Recognition and Measurement: Eligible Hedged Items;
- IFRIC 12, Service Concession Arrangements;
- IFRIC 17, Distributions of Non-cash Assets to Owners;
- IFRIC 18, Transfer of Assets from Customers; and
- Improvements to IFRSs (April 2009).

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

- IFRS 9, Financial Instruments;
- IAS 24 (amended), Related Party Disclosures;
- IAS 32 (amended), Classification of Rights Issues;
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments;
- IFRIC 14 (amended), Repayments of a Minimum Funding Requirement; and
- Improvements to IFRSs (May 2010).

IFRS 9 is expected to replace IAS 39 Financial Instruments: Recognition and Measurement applicable from 1 January 2013, subject to EU adoption. IFRS 9 in issue at the date of this report concerns classification and measurement of financial assets and liabilities. It is expected that, during 2011, new requirements for the derecognition of financial instruments, impairment and hedge accounting will be added and we will assess the impact of the new standard when it is finalised. The Directors do not expect that the adoption of other standards listed above will have a material impact on the financial statements of the Group in future periods.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Acquisition related costs are recognised in the income statement as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

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

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

Foreign currency transactions

Foreign currency transactions are translated into sterling at the exchange rates ruling on the transaction date. Foreign exchange gains and losses resulting from settling these, or from retranslating monetary assets and liabilities held in foreign currencies, are booked in the Group income statement. The exception is for foreign currency loans 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 = €1.17 (31 December 2009: £1 = €1.13)

Income statement: £1 = €1.17 (2009: £1 = €1.12)

Investment properties

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

Trading properties

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

Property acquisitions and disposals

Property acquisitions and disposals are recognised in accordance with IAS 40 'Investment Properties' on the date of unconditional exchange, or, where exchange is conditional, on the date that the conditions have been satisfied.

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 rental income, joint venture management fee income, income from service charges and proceeds from the sale of trading properties. Joint venture management fee income is recognised as income when earned.

Rental income

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

Service charges and other recoveries from tenants

These include income in relation to service charges, directly recoverable expenditure and management fees. Revenue from services is recognised by reference to the state of completion of the relevant services provided at the reporting date. Service charge income is presented against property operating expenses.

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 (principally interest rate swaps, currency swaps and forward foreign exchange contracts) in managing interest rate risk and currency risk, and does not use them for trading. They are recorded, and subsequently revalued, at fair value, with revaluation gains or losses being immediately taken to the income statement. The exception is for derivatives qualifying as hedges, when the treatment of the gain/loss depends upon the item being hedged.

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 21.

Share-based payments

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

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. SEGMENTAL ANALYSIS

The Group's reportable segments are the geographic locations of the United Kingdom and Continental Europe, which are managed and reported to the Board as separate distinct locations.

	United Kingdom		Continental Europe		Group	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Segment revenue	**267.8**	219.8	**165.8**	145.7	**433.6**	365.5
Gross rental income	**233.5**	207.0	**111.1**	121.4	**344.6**	328.4
Property operating expenses	**(45.6)**	(41.0)	**(16.9)**	(18.0)	**(62.5)**	(59.0)
Net rental income	**187.9**	166.0	**94.2**	103.4	**282.1**	269.4
Joint venture management fee income	**1.9**	–	**–**	–	**1.9**	–
Administration expenses (excluding exceptional items)	**(24.7)**	(24.5)	**(14.5)**	(15.8)	**(39.2)**	(40.3)
Share of joint ventures' EPRA profit after tax	**9.7**	2.6	**1.1**	0.2	**10.8**	2.8
EPRA operating profit before interest and tax	**174.8**	144.1	**80.8**	87.8	**255.6**	231.9
Net finance costs	**(95.3)**	(86.9)	**(33.0)**	(40.7)	**(128.3)**	(127.6)
EPRA profit before tax	**79.5**	57.2	**47.8**	47.1	**127.3**	104.3
Adjustments:						
Exceptional administration expenses	**–**	(7.8)	**–**	–	**–**	(7.8)
Adjustments to the share of profit/(loss) from joint ventures after tax[1]	**31.8**	1.8	**(0.7)**	–	**31.1**	1.8
Loss on sale of investment properties	**(2.4)**	(52.2)	**(0.4)**	(2.5)	**(2.8)**	(54.7)
Valuation surplus/(deficit) on investment and owner occupied properties	**94.4**	(100.2)	**(62.0)**	(171.6)	**32.4**	(271.8)
(Loss)/profit on sale of trading properties	**0.7**	(0.1)	**(0.8)**	0.7	**(0.1)**	0.6
Increase in provision for impairment of trading properties	**(1.3)**	(0.3)	**(2.3)**	(15.8)	**(3.6)**	(16.1)
(Loss)/gain on sale of investment in joint ventures	**(0.5)**	12.9	**–**	–	**(0.5)**	12.9
Other investment income/(loss)	**5.8**	(8.0)	**–**	–	**5.8**	(8.0)
(Amounts written off)/gain recognised on acquisitions	**(13.9)**	8.6	**–**	–	**(13.9)**	8.6
Net fair value gain/(loss) on interest rate swaps and other derivatives	**23.6**	(9.4)	**(2.1)**	(8.5)	**21.5**	(17.9)
Total adjustments	**138.2**	(154.7)	**(68.3)**	(197.7)	**69.9**	(352.4)
Profit/(loss) before tax	**217.7**	(97.5)	**(20.5)**	(150.6)	**197.2**	(248.1)
Tax						
On EPRA profits	**–**	1.4	**(4.3)**	(2.9)	**(4.3)**	(1.5)
In respect of adjustments	**9.8**	(8.1)	**5.6**	23.6	**15.4**	15.5
	9.8	(6.7)	**1.3**	20.7	**11.1**	14.0
Profit/(loss) after tax						
EPRA profit after tax	**79.5**	58.6	**43.5**	44.2	**123.0**	102.8
Adjustments	**148.0**	(162.8)	**(62.7)**	(174.1)	**85.3**	(336.9)
Group profit/(loss) after tax	**227.5**	(104.2)	**(19.2)**	(129.9)	**208.3**	(234.1)
Summary balance sheet						
Total property assets	**3,175.1**	3,423.7	**1,620.9**	1,747.5	**4,796.0**	5,171.2
Investments in joint ventures	**255.3**	54.6	**24.5**	24.7	**279.8**	79.3
Net borrowings	**(1,202.4)**	(1,090.7)	**(1,000.8)**	(1,329.4)	**(2,203.2)**	(2,420.1)
Other net (liabilities)/assets	**(81.3)**	(480.0)	**(82.3)**	242.8	**(163.6)**	(237.2)
Segment net assets	**2,146.7**	1,907.6	**562.3**	685.6	**2,709.0**	2,593.2
Capital expenditure in the year	**44.6**	143.2	**39.9**	98.0	**84.5**	241.2

1. A detailed breakdown of the adjustments to the share of profit/(loss) from joint ventures is included in note 6.

Revenues from the most significant countries within Continental Europe were Germany £55.4 million (2009: £42.4 million) and France £33.3 million (2009: £37.2 million).

The adjustments outlined above arise from adopting the Best Practices Recommendations of European Public Real Estate Association (EPRA) or relate to the exceptional items that are disclosed separately due to their size or incidence to enable better understanding of performance. The EPRA profit measures highlight the underlying recurring performance of the property rental business, which is our core operational activity and also provide a consistent basis to enable a comparison between European property companies.

3. REVENUE

	2010 £m	2009 £m
Rental income from investment properties	**304.9**	295.8
Rental income from trading properties	**19.5**	22.1
Rental income from short-term licences	**1.0**	0.5
Rent averaging	**11.2**	5.7
Surrender premiums	**7.4**	3.6
Interest received on finance lease assets	**0.6**	0.7
Gross rental income	**344.6**	328.4
Joint venture management fee	**1.9**	–
Service charge income	**32.2**	30.2
Proceeds from sale of trading properties	**54.9**	6.9
Total revenue	**433.6**	365.5

4. PROPERTY OPERATING EXPENSES

	2010 £m	2009 £m
Vacant property costs	**22.7**	21.2
Letting, marketing, legal and professional fees	**11.9**	10.4
Bad debt expense	**3.4**	1.9
Other expenses, net of service charge income	**9.6**	11.0
Property management expenses	**47.6**	44.5
Property administration expenses[1]	**16.1**	15.9
Costs capitalised	**(1.2)**	(1.4)
Total property operating expenses	**62.5**	59.0

1. Property administration expenses predominantly relate to the employee staff costs of personnel directly involved in managing the property portfolio.

5. ADMINISTRATION EXPENSES

5(i) – Total administration expenses

	2010 £m	2009 £m
Directors' remuneration	**4.1**	3.6
Depreciation	**2.6**	2.1
Other administration expenses	**32.5**	34.6
Administration expenses – excluding exceptional items	**39.2**	40.3
Exceptional administration expenses	**–**	7.8
Total administration expenses	**39.2**	48.1

Exceptional administration expenses in 2009 related to one-off integration costs in relation to the acquisition of Brixton.

The full 2010 depreciation charge, including amounts charged under other headings, is £3.2 million (2009: £2.8 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.

5(ii) – Fees in relation to audit and other services
Services provided by the Group's auditor

	2010 £m	2009 £m
Audit services:		
Parent company	**0.4**	0.5
Subsidiary undertakings	**0.4**	0.4
	0.8	0.9
Amounts for statutory and regulatory filings	**–**	1.0
Audit and audit related services	**0.8**	1.9
Other services:		
Taxation	**0.4**	0.5
Total fees in relation to audit and other services	**1.2**	2.4

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

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5. ADMINISTRATION EXPENSES (CONTINUED)

The Group's auditor also earned £45,000 in respect of the statutory audit of APP in 2010 (2009: £nil).

5(iii) – Staff costs

The table below presents staff costs which are recognised in both property operating expenses and administration expenses in the income statement.

	2010 £m	2009 £m
Wages and salaries	**25.8**	25.6
Social security costs	**3.8**	4.3
Pension costs	**2.6**	1.6
Share scheme costs	**3.8**	1.0
Termination benefits	**1.9**	4.7
Total	**37.9**	37.2
Average number of Group employees	**294**	318

Disclosures on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement are included on pages 58 to 66 in the Remuneration Report and form part of these financial statements.

The aggregate remuneration of employees of the Company is £4.1 million (2009: £3.6 million). All the Executive Directors are employees of SEGRO plc.

6. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

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

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

	Airport Property Partnership £m	Heathrow Big Box Industrial and Distribution Fund £m	Other £m	2010 £m	2009 £m
Gross rental income	**12.7**	**7.1**	**4.0**	**23.8**	12.9
Property operating expenses	**(2.7)**	**(0.3)**	**(0.6)**	**(3.6)**	(2.6)
Net rental income	**10.0**	**6.8**	**3.4**	**20.2**	10.3
Net finance costs	**(5.0)**	**(2.6)**	**(2.0)**	**(9.6)**	(6.1)
EPRA profit before tax	**5.0**	**4.2**	**1.4**	**10.6**	4.2
Tax	**–**	**–**	**0.2**	**0.2**	(1.4)
EPRA profit after tax	**5.0**	**4.2**	**1.6**	**10.8**	2.8
Adjustments:					
Profit on sale of investment properties	**0.5**	**–**	**–**	**0.5**	1.7
Valuation surplus on investment properties	**15.4**	**17.2**	**–**	**32.6**	4.5
Profit/(loss) on sale of trading properties	**–**	**–**	**0.3**	**0.3**	(0.2)
Increase in provision for impairment of trading properties	**–**	**–**	**(2.3)**	**(2.3)**	(4.1)
Net fair value gain on interest rate swaps and other derivatives	**0.1**	**–**	**0.4**	**0.5**	(0.3)
Tax on adjustments	**–**	**–**	**(0.5)**	**(0.5)**	0.2
Total adjustments	**16.0**	**17.2**	**(2.1)**	**31.1**	1.8
Profit/(loss) after tax	**21.0**	**21.4**	**(0.5)**	**41.9**	4.6

Trading properties held by joint ventures were externally valued resulting in an increase in the provision for impairment of £2.3 million (2009: £4.1 million). Based on the fair value at 31 December 2010, the Group's share of joint ventures' trading property portfolio has an unrecognised surplus of £5.1 million (2009: £5.0 million).

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

	Airport Property Partnership £m	Heathrow Big Box Industrial and Distribution Fund £m	Other £m	2010 £m	2009 £m
Investment properties (completed and development)	357.3	102.0	4.5	463.8	100.3
Other investments	8.4	–	–	8.4	–
Total non-current assets	365.7	102.0	4.5	472.2	100.3
Trading properties	–	–	36.4	36.4	42.7
Other receivables	3.3	–	7.7	11.0	8.9
Cash	9.2	2.1	3.1	14.4	3.4
Total current assets	12.5	2.1	47.2	61.8	55.0
Total assets	378.2	104.1	51.7	534.0	155.3
Borrowings	160.7	45.0	0.5	206.2	45.7
Deferred tax	–	–	1.5	1.5	1.3
Other liabilities	5.9	1.4	7.9	15.2	7.9
Total non-current liabilities	166.6	46.4	9.9	222.9	54.9
Borrowings	–	–	11.4	11.4	14.0
Other liabilities	13.4	2.2	4.3	19.9	7.1
Total current liabilities	13.4	2.2	15.7	31.3	21.1
Total liabilities	180.0	48.6	25.6	254.2	76.0
Group share of net assets	198.2	55.5	26.1	279.8	79.3

In June 2010, the Group acquired a 50 per cent interest in the Airport Property Partnership (APP) for £109.7 million and a further injection of £70.3 million, giving a total investment of £180.0 million. In conjunction with the acquisition, the Group sold £237.1 million of property and joint venture investments to the APP joint venture.

6(iii) – Investments by the Group

	2010 £m	2009 £m
Cost or valuation at 1 January	79.3	67.5
Exchange movement	(1.0)	(3.4)
Acquisition	180.0	42.4
Disposals	(11.8)	(12.2)
Loan repayments	(1.9)	(6.7)
Dividends received	(8.8)	(12.9)
Share of profit after tax	41.9	4.6
Items taken directly to reserves	2.1	–
Cost or valuation at 31 December	279.8	79.3

The amount of loans advanced by the Group to joint ventures is £127.2 million (2009: £152.0 million). The Group's investment (50 per cent stake) in Colnbrook Industrial Limited Partnership was sold to APP in 2010 for net proceeds of £11.3 million, resulting in a loss on sale of £0.5 million. The Group's investment (50 per cent stake) in Shopping Centres Limited was sold in 2009 for net proceeds of £25.1 million, resulting in a profit on sale of £12.9 million.

6(iv) – Investments by the Company

	Subsidiaries 2010 £m	Subsidiaries 2009 £m	Joint ventures 2009 £m
Cost or valuation at 1 January	4,990.3	3,840.4	5.5
Exchange movement	(26.6)	(18.6)	–
Additions	125.2	490.7	–
Disposals	–	–	(5.5)
Net loan movement	701.1	650.3	–
(Increase)/decrease in provision for investments and loans in the income statement	(163.8)	27.5	–
Cost or valuation at 31 December	5,626.2	4,990.3	–

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7. REALISED AND UNREALISED PROPERTY GAIN/(LOSS)

	2010 £m	2009 £m
Loss on sale of investment properties	(2.8)	(54.7)
Valuation surplus/(deficit) on investment properties	32.4	(271.2)
Valuation deficit on owner occupied properties	–	(0.6)
(Loss)/profit on sale of trading properties	(0.1)	0.6
Increase in provision for impairment of trading properties	(3.6)	(16.1)
Total realised and unrealised property gain/(loss) – income statement	25.9	(342.0)
Valuation surplus/(deficit) on owner occupied properties	0.1	(2.0)
Total realised and unrealised property gain/(loss) – other comprehensive income	0.1	(2.0)
Total realised and unrealised property gain/(loss)	**26.0**	(344.0)

8. OTHER INVESTMENT INCOME/(LOSS)

	2010 £m	2009 £m
Net profit/(loss) on available-for-sale investments	2.5	(2.0)
Transfer of fair value surplus realised on sale of available-for-sale investments	3.3	3.0
Impairment of available-for-sale investments – in the year	–	(8.0)
– recycled from reserves	–	(1.0)
Total other investment income/(loss)	**5.8**	(8.0)

9. (AMOUNTS WRITTEN OFF)/GAIN RECOGNISED ON ACQUISITIONS

	2010 £m	2009 £m
Acquisition of APP	(13.8)	–
Amortisation of intangibles	(0.1)	–
Acquisition of Brixton	–	8.6
Total (amounts written off)/gain recognised on acquisitions	**(13.9)**	8.6

APP
Amounts written off on acquisition in the current period relate to the APP acquisition (further details are included in note 6). The total cost of acquisition exceeded the fair value of net assets acquired by £13.8 million, primarily due to stamp duty costs. Given that the underlying assets are carried at fair value, this excess has been written off to the income statement. The Group acquired a management contract for £1.8 million as part of the APP acquisition, which is being treated as an intangible asset and amortised over 10 years, the length of the contract. The amortisation charge in the year is £0.1 million.

Brixton
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. The acquisition has been accounted for in accordance with IFRS 3, Business Combinations. The fair value of assets acquired was £195.4 million and consequently a gain of £8.6 million arose on acquisition which was immediately credited to the income statement. Brixton was previously an investor in industrial and warehousing property in the UK, listed on the London Stock Exchange.

10. NET FINANCE COSTS

Finance income	2010 £m	2009 £m
Interest received on bank deposits and related derivatives	**23.8**	3.7
Fair value gain on interest rate swaps and other derivatives	**31.4**	8.4
Return on pension assets less unwinding of discount on pension liabilities	**0.6**	–
Exchange differences	**–**	1.5
Total finance income	**55.8**	13.6

Finance costs	2010 £m	2009 £m
Interest on overdrafts, loans and related derivatives	**(149.2)**	(132.5)
Amortisation of issue costs	**(6.1)**	(7.0)
Unwinding of discount on the pension liabilities less return on assets	**–**	(0.2)
Total borrowing costs	**(155.3)**	(139.7)
Less amounts capitalised on the development of properties	**2.9**	6.9
Net borrowing costs	**(152.4)**	(132.8)
Fair value loss on interest rate swaps and other derivatives	**(9.9)**	(26.3)
Exchange differences	**(0.3)**	–
Total finance costs	**(162.6)**	(159.1)
Net finance costs	**(106.8)**	(145.5)

The interest capitalisation rates for 2010 were: UK 6.25 per cent (2009: 6.25 per cent) and in Continental Europe, rates ranging from 1.7 per cent to 2.0 per cent (2009: 1.7 per cent to 5.0 per cent). Interest is capitalised gross of tax relief.

11. TAX

11(i) – Tax on profit/loss

	2010 £m	2009 £m
Tax on:		
EPRA profits	**4.3**	1.5
Adjustments	**(15.4)**	(15.5)
Total tax credit	**(11.1)**	(14.0)
Current tax		
United Kingdom		
Adjustments in respect of earlier years	**(9.8)**	–
	(9.8)	–
Continental Europe		
Current tax charge	**4.3**	3.1
Adjustments in respect of earlier years	**1.4**	1.1
	5.7	4.2
Total current tax (credit)/charge	**(4.1)**	4.2
Deferred tax		
Origination and reversal of temporary differences	**2.1**	6.4
Released in respect of property disposals in the year	**(2.3)**	(4.4)
On valuation movements	**(10.0)**	(22.7)
Total deferred tax in respect of investment properties	**(10.2)**	(20.7)
Other deferred tax	**3.2**	2.5
Total deferred tax credit	**(7.0)**	(18.2)
Total tax credit on profit/loss on ordinary activities	**(11.1)**	(14.0)

A tax credit of £10.9 million is included within current tax in the UK due to the release of provisions made at the time of the acquisition of Brixton which are no longer required.

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11. TAX (CONTINUED)

11(ii) – Factors affecting tax credit for the year
The tax credit is lower than the standard rate of UK corporation tax. The differences are:

	2010 £m	2009 £m
Profit/(loss) on ordinary activities before tax	197.2	(248.1)
Add back valuation (surplus)/deficit in respect of UK properties not taxable	(94.3)	100.2
	102.9	(147.9)
Multiplied by standard rate of UK corporation tax of 28 per cent (2009: 28 per cent)	28.8	(41.4)
Effects of:		
Exempt SIIC & REIT (gains)/losses	(39.8)	11.5
Permanent differences	(0.8)	(0.1)
Profit on joint ventures already taxed	(0.2)	(1.2)
Higher tax rates on international earnings	4.4	2.7
Adjustments in respect of earlier years and assets not recognised	(3.5)	14.5
Total tax credit on loss on ordinary activities	(11.1)	(14.0)

11(iii) – Deferred tax provision

Movement in deferred tax was as follows:

Group – 2010	Balance 1 January £m	Exchange movement £m	Recognised in income £m	Balance 31 December £m
Valuation surpluses on properties	5.4	(0.1)	(12.3)	(7.0)
Accelerated tax allowances	53.9	(1.9)	2.1	54.1
Deferred tax asset on revenue losses	(6.8)	–	1.8	(5.0)
Others	4.4	–	1.4	5.8
Total deferred tax provision	56.9	(2.0)	(7.0)	47.9

At the balance sheet date, the Group has recognised revenue tax losses of £20.0 million (2009: £35.0 million) available for offset against future profits. Further unrecognised tax losses of £496.0 million also exist at 31 December 2010 (2009: £508.0 million) of which £40.0 million (2009: £41.0 million) expires in 15 years.

11(iv) – Factors that may affect future tax charges
No deferred tax is recognised on the unremitted earnings of international subsidiaries and joint ventures. In the event of their remittance to the UK, no net UK tax is expected to be payable.

The standard rate of UK corporation tax is due to fall in stages to 24 per cent by 2014. This is unlikely to significantly impact the Group's tax charge.

12. DIVIDENDS

	2010 £m	2009 £m
Ordinary dividends paid		
Interim dividend for 2010 @ 4.7 pence per share	34.8	–
Final dividend for 2009 @ 9.4 pence per share	69.0	–
Interim dividend for 2009 @ 4.6 pence per share	–	31.6
Final dividend for 2008 @ 5.4 pence per share	–	23.4
Total dividends	103.8	55.0

The Board has proposed a final dividend for 2010 of 9.6 pence (2009: 9.4 pence) which will result in a further distribution of £71.1 million (2009: £69.0 million). The total dividend paid and proposed per share in respect of the year ended 31 December 2010 is 14.3 pence (2009: 14.0 pence).

The final dividend for 2009 was partially satisfied by an issue of 7.1 million shares (£0.7 million ordinary share capital and £21.8 million share premium) under the scrip dividend scheme.

13. EARNINGS AND NET ASSETS PER SHARE

The earnings per share calculations use the weighted average number of shares in issue during the year and the net assets per share calculations use the number of shares in issue at year end. Both earnings per share and net assets per share calculations exclude 1.3 million shares held on trust for employee share schemes (2009: 1.3 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. An adjustment factor of 6.92 has been applied to the number of shares prior to the rights issue in the comparative period EPS calculation 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 number of shares prior to the consolidation used in the comparative period EPS calculation.

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

	2010			2009		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**210.3**	**737.9**	**28.5**	(233.1)	563.8	(41.3)
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.2	–
Diluted EPS	**210.3**	**738.0**	**28.5**	(233.1)	564.0	(41.3)
EPRA EPS						
Adjustments to profit before tax[1]	**(69.9)**		**(9.4)**	352.4		62.5
Tax adjustments:						
– deferred tax on investment property which does not crystallise unless sold	**(8.5)**		**(1.2)**	(14.4)		(2.6)
– other tax	**(6.9)**		**(0.9)**	(1.1)		(0.2)
Non-controlling interest on adjustments	**1.0**		**0.1**	(0.4)		(0.1)
EPRA EPS	**126.0**	**738.0**	**17.1**	103.4	564.0	18.3

1. Details of adjustments are included in note 2.

13(ii) – Net assets per share – (NAV)

	2010			2009		
	Equity attributable to ordinary shareholders £m	Shares million	Pence per share	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**2,710.3**	**740.2**	**366**	2,592.5	733.0	354
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.2	–
Diluted NAV	**2,710.3**	**740.3**	**366**	2,592.5	733.2	354
Fair value of adjustment in respect of derivatives – Group	**(11.1)**		**(2)**	7.2		1
Fair value of adjustment in respect of derivatives – Joint ventures	**6.8**		**1**	–		–
Fair value adjustment in respect of trading properties – Group	**25.1**		**4**	22.1		3
Fair value adjustment in respect of trading properties – Joint ventures	**5.1**		**1**	5.0		1
Deferred tax in respect of depreciation	**54.1**		**7**	54.6		7
Deferred tax in respect of valuation surpluses	**(7.0)**		**(1)**	5.5		1
EPRA NAV	**2,783.3**	**740.3**	**376**	2,686.9	733.2	367
Fair value adjustment in respect of debt	**(75.5)**		**(11)**	38.0		5
Tax effect of fair value adjustment in respect of debt	**21.1**		**3**	(10.6)		(1)
Fair value adjustment in respect of derivatives – Group	**11.1**		**2**	(7.2)		(1)
Fair value adjustment in respect of derivatives – Joint ventures	**(6.8)**		**(1)**	–		–
Deferred tax in respect of depreciation	**(54.1)**		**(7)**	(54.6)		(7)
Deferred tax in respect of valuation surpluses	**7.0**		**1**	(5.5)		(1)
EPRA triple net NAV (NNNAV)	**2,686.1**	**740.3**	**363**	2,647.0	733.2	362

The EPRA net NAV calculation has changed from that used in the previous reporting periods in order to achieve consistency with the Best Practices Recommendations of EPRA (issued in October 2010) and the 2009 comparatives have been changed accordingly. EPRA NAV now includes adjustments to include the unrecognised fair value uplift on trading properties and to exclude the fair value of derivatives and, excluding these adjustments, the 2009 EPRA NAV as previously reported was 362 pence per share.

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14. PROPERTIES

14(i) – Investment properties

	Completed £m	Development £m	Total £m
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
Property acquisitions	–	49.7	49.7
Additions to existing investment properties	9.0	152.3	161.3
Disposals	(445.3)	(8.0)	(453.3)
Transfers 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
Total investment properties	**4,430.6**	**394.7**	**4,825.3**

At 1 January 2010	**4,383.7**	**394.7**	**4,778.4**
Exchange movement	**(44.2)**	**(6.0)**	**(50.2)**
Property acquisitions	**2.8**	**11.8**	**14.6**
Additions to existing investment properties	**9.5**	**38.5**	**48.0**
Disposals	**(369.5)**	**(21.2)**	**(390.7)**
Transfers on completion of development	**70.6**	**(70.6)**	**–**
Revaluation surplus during the year	**32.6**	**(0.2)**	**32.4**
At 31 December 2010	**4,085.5**	**347.0**	**4,432.5**
Add tenant lease incentives, letting fees and rental guarantees	**65.8**	**–**	**65.8**
Total investment properties	**4,151.3**	**347.0**	**4,498.3**

For further details on the Group's portfolio, please refer to the 2010 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 properties are stated at market value as at 31 December 2010 based on external valuations performed by professionally qualified valuers. The Group's wholly owned property portfolio is valued by DTZ Debenham Tie Leung (DTZ). Valuations for some of the joint venture properties within the UK portfolio are performed by King Sturge and Colliers CRE. 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, 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 three 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. 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 £4,222.2 million (2009: £4,660.4 million) and the cumulative valuation surplus at 31 December 2010 amounted to £276.1 million (2009: £164.9 million).

Long-term leasehold values within investment properties amount to £10.1 million (2009: £9.8 million). All other properties are freehold.

Prepaid operating lease incentives at 31 December 2010 were £42.5 million (2009: £32.7 million).

14(ii) – Trading properties

	Completed £m	Development £m	Total £m
At 1 January 2009	282.7	75.1	357.8
Exchange movement	(19.1)	(5.3)	(24.4)
Property acquisitions	–	1.8	1.8
Additions	2.3	23.0	25.3
Disposals	(4.5)	(2.1)	(6.6)
Transfers on completion of development	4.1	(4.1)	–
Revaluation (deficit)/surplus during the year	(16.2)	0.1	(16.1)
At 31 December 2009	249.3	88.5	337.8

	Completed £m	**Development £m**	**Total £m**
At 1 January 2010	**249.3**	**88.5**	**337.8**
Exchange movement	**(8.2)**	**(2.5)**	**(10.7)**
Additions	**4.1**	**16.8**	**20.9**
Disposals	**(33.5)**	**(21.5)**	**(55.0)**
Revaluation (deficit)/surplus during the year	**(4.1)**	**0.5**	**(3.6)**
At 31 December 2010	**207.6**	**81.8**	**289.4**
Add tenant lease incentives, letting fees and rental guarantees	**0.5**	**–**	**0.5**
Total trading properties	**208.1**	**81.8**	**289.9**

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

Trading properties were externally valued resulting in a net increase in the provision for impairment of £3.6 million (2009: £16.1 million). Based on the fair value at 31 December 2010, the portfolio has an unrecognised surplus of £25.1 million (2009: £22.1 million).

15. 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:

	Minimum lease payments		Present value of minimum lease payments	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Amounts receivable under finance leases:				
Within one year	**0.6**	0.7	**–**	–
In the second to fifth years inclusive	**3.1**	3.1	**0.4**	0.4
Later than five years	**20.4**	21.3	**8.1**	8.5
	24.1	25.1	**8.5**	8.9
Less unearned finance income	**(15.6)**	(16.2)	**n/a**	n/a
Present value of minimum lease payments receivable	**8.5**	8.9	**8.5**	8.9
Analysed as:				
Non-current finance lease receivables	**23.5**	24.4	**8.5**	8.9
Current finance lease receivables	**0.6**	0.7	**–**	–
Total finance lease receivables	**24.1**	25.1	**8.5**	8.9

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 2010 is 6.9 per cent (2009: 7.8 per cent).

At 31 December 2010, the fair value of the Group's finance lease receivables is £8.5 million (2009: £8.9 million), while the unguaranteed residual values of assets leased under finance leases are estimated at £1.7 million (2009: £1.8 million).

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16. AVAILABLE-FOR-SALE INVESTMENTS

	2010 £m	2009 £m
Valuation at 1 January	**25.9**	41.9
Exchange movement	**0.7**	(3.7)
Additions	**6.3**	2.3
Fair value movement – Income statement	**–**	(8.0)
– Other comprehensive income	**4.5**	–
Disposals and return of capital	**(10.6)**	(6.6)
Valuation at 31 December	**26.8**	25.9

Available-for-sale investments comprise holdings in private equity funds investing in UK, Continental Europe and USA and a UK gilt investment of £3.4 million (2009: £nil) which is held by the Company.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current				
Trade receivables	**30.2**	53.2	**0.1**	0.1
Other receivables	**36.2**	12.0	**–**	–
Prepayments and accrued income	**25.5**	26.4	**0.2**	–
Fair value of interest rate swaps – non hedge	**30.6**	–	**30.6**	–
Fair value of forward foreign exchange and currency swap contracts – non hedge	**0.9**	8.2	**1.0**	8.2
Fair value of forward foreign exchange and currency swap contracts – hedge	**0.1**	–	**–**	–
Amounts due from subsidiaries	**–**	–	**3.6**	6.3
Amounts due from related parties	**7.0**	9.2	**14.0**	18.3
	130.5	109.0	**49.5**	32.9
Non-current				
Other receivables	**0.2**	0.2	**–**	–
Total trade and other receivables	**130.7**	109.2	**49.5**	32.9

Group trade receivables are net of provisions for doubtful debts of £5.4 million (2009: £3.8 million).

Amounts due from subsidiaries are unsecured and attract interest at market rates.

18. TRADE AND OTHER PAYABLES

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Due within one year				
Trade payables	**52.4**	47.6	**–**	–
Non-trade payables and accrued expenses	**156.5**	200.5	**35.4**	37.8
Fair value of interest rate swaps – non hedge	**17.4**	15.4	**9.3**	8.2
Fair value of forward foreign exchange and currency swap contracts – non hedge	**2.8**	–	**3.1**	–
Fair value of forward foreign exchange and currency swap contracts – hedge	**0.3**	–	**–**	–
Total trade and other payables due within one year	**229.4**	263.5	**47.8**	46.0
Due after one year				
Obligations under finance leases	**0.6**	0.4	**–**	–
Other payables	**19.5**	15.0	**–**	–
Loans from subsidiaries	**–**	–	**835.4**	416.4
Total other payables due after one year	**20.1**	15.4	**835.4**	416.4

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

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

	Minimum lease payments 2010 £m	Minimum lease payments 2009 £m	Present value of minimum lease payments 2010 £m	Present value of minimum lease payments 2009 £m
Payable between second to fifth years	**0.1**	0.1	**–**	–
Payable after five years	**2.3**	2.2	**0.6**	0.4
	2.4	2.3	**0.6**	0.4
Less future finance charges	**(1.8)**	(1.9)	**n/a**	n/a
Present value of lease obligations	**0.6**	0.4	**0.6**	0.4

These are non-current finance lease liabilities on investment properties with a carrying value of £10.1 million (2009: £9.8 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.

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19. NET BORROWINGS

19(i) – Net borrowings by type

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Secured borrowings:				
Euro mortgages (repayable within 1 year)	**5.9**	30.7	**–**	–
Euro mortgages (repayable within 1 to 4 years)	**33.8**	24.4	**–**	–
Euro mortgages (repayable within 4 to 16 years)	**21.6**	39.6	**–**	–
Total secured (on land, buildings and other assets)	**61.3**	94.7	**–**	–
Unsecured borrowings:				
Bonds				
6.0% bonds 2010	**–**	17.3	**–**	–
7.125% bonds 2010	**–**	124.9	**–**	124.9
5.25% bonds 2015	**135.1**	134.7	**145.2**	–
6.25% bonds 2015	**148.9**	148.6	**148.9**	148.6
5.5% bonds 2018	**198.5**	198.3	**198.5**	198.3
6.0% bonds 2019	**199.3**	198.8	**216.1**	–
5.625% bonds 2020	**247.4**	247.3	**247.4**	247.3
6.75% bonds 2021	**296.4**	296.2	**296.4**	296.2
7.0% bonds 2022	**149.0**	148.9	**149.0**	148.9
6.75% bonds 2024	**221.4**	221.1	**221.4**	221.1
5.75% bonds 2035	**198.1**	198.0	**198.1**	198.0
Notes				
6.0% unsecured loan notes 2010	**–**	5.2	**–**	–
7.417% euro notes 2011	**42.7**	44.1	**–**	–
	1,836.8	1,983.4	**1,821.0**	1,583.3
Bank loans and overdrafts	**349.4**	454.4	**314.5**	282.7
Preference shares held by subsidiary	**0.3**	0.3	**–**	–
Total unsecured	**2,186.5**	2,438.1	**2,135.5**	1,866.0
Total borrowings	**2,247.8**	2,532.8	**2,135.5**	1,866.0
Cash and cash equivalents	**(44.6)**	(112.7)	**(7.3)**	(18.3)
Net borrowings	**2,203.2**	2,420.1	**2,128.2**	1,847.7

The maturity profile of borrowings is as follows:

Maturity profile of borrowings	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
In one year or less	**69.9**	345.2	**11.9**	273.3
In more than one year but less than two	**39.7**	188.6	**–**	49.7
In more than two years but less than five	**606.2**	167.2	**596.8**	84.6
In more than five years but less than ten	**665.8**	718.6	**662.0**	346.9
In more than ten years	**866.2**	1,113.2	**864.8**	1,111.5
In more than one year	**2,177.9**	2,187.6	**2,123.6**	1,592.7
Total borrowings	**2,247.8**	2,532.8	**2,135.5**	1,866.0
Cash and cash equivalents	**(44.6)**	(112.7)	**(7.3)**	(18.3)
Net borrowings	**2,203.2**	2,420.1	**2,128.2**	1,847.7

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

There are no early settlement or call options on any of the borrowings. Financial covenants relating to the borrowings include maximum limits to the Group's gearing ratio and minimum limits to permitted interest cover. Financial covenants are discussed in more detail in the Gearing and Financial Covenants section in the Financial Review on page 42.

Maturity profile of undrawn borrowing facilities	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
In one year or less	**20.4**	101.3	**1.0**	18.7
In more than one year but less than two	**–**	173.7	**–**	173.7
In more than two years	**462.1**	314.6	**449.3**	101.3
Total available undrawn borrowing facilities	**482.5**	589.6	**450.3**	293.7

19(ii) – Net borrowings by interest rates

The interest rate profile of Group and Company net borrowings were as follows:

Interest rate profile – Group	31 December 2010					31 December 2009				
	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	**Weighted average after derivative instruments**					Weighted average after derivative instruments				
Sterling	**6.43**	**14.8**	**846.3**	**103.7**	**950.0**	6.16	11.4	1,639.3	(316.9)	1,322.4
Euros	**4.88**	**4.3**	**943.8**	**334.5**	**1,278.3**	5.24	3.8	339.6	845.4	1,185.0
US dollars	**–**	**–**	**–**	**19.2**	**19.2**	–	–	–	25.1	25.1
Subsidiary preference shares	**–**	**–**	**0.3**	**–**	**0.3**	–	–	0.3	–	0.3
Total borrowings	**5.61**	**9.3**	**1,790.4**	**457.4**	**2,247.8**	6.00	10.1	1,979.2	553.6	2,532.8
Cash and cash equivalents										
Sterling				**(9.5)**	**(9.5)**				(41.7)	(41.7)
Euros				**(33.7)**	**(33.7)**				(49.1)	(49.1)
US dollars				**(0.2)**	**(0.2)**				(11.2)	(11.2)
Canadian dollars				**(0.2)**	**(0.2)**				(1.6)	(1.6)
Polish zloty				**(1.0)**	**(1.0)**				(9.1)	(9.1)
Total cash and cash equivalents				**(44.6)**	**(44.6)**				(112.7)	(112.7)
Net borrowings			**1,790.4**	**412.8**	**2,203.2**			1,979.2	440.9	2,420.1

Interest rate profile – Company	31 December 2010					31 December 2009				
	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	**Weighted average after derivative instruments**					Weighted average after derivative instruments				
Sterling	**6.23**	**14.4**	**873.0**	**102.8**	**975.8**	6.21	12.4	1,283.4	(317.6)	965.8
Euros	**4.86**	**5.0**	**664.6**	**475.9**	**1,140.5**	2.62	5.0	44.2	831.1	875.3
US dollars	**–**	**–**	**–**	**19.2**	**19.2**	–	–	–	24.9	24.9
Total borrowings	**5.64**	**10.5**	**1,537.6**	**597.9**	**2,135.5**	6.08	12.1	1,327.6	538.4	1,866.0
Cash and cash equivalents										
Sterling				**(4.8)**	**(4.8)**				(18.0)	(18.0)
Euros				**(2.3)**	**(2.3)**				(0.3)	(0.3)
Canadian dollars				**(0.2)**	**(0.2)**				–	–
Total cash and cash equivalents				**(7.3)**	**(7.3)**				(18.3)	(18.3)
Net borrowings			**1,537.6**	**590.6**	**2,128.2**			1,327.6	520.1	1,847.7

The Group has entered into currency swap contracts during the year and consequently the above table has been prepared including all derivative instruments in order to give more meaningful disclosure. The 2009 table has been amended accordingly.

20. FINANCIAL INSTRUMENTS AND FAIR VALUES

Categories of financial instruments

Financial assets in the Group comprise forward foreign exchange contracts and interest rate swaps which are categorised as derivatives designated as fair value through the income statement (non hedge) and cross currency swap contracts designated as a net investment 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, forward foreign exchange contracts and currency swap contracts which are categorised as fair value through the income statement (non hedge) and forward foreign exchange contracts designated as net investment hedges. Financial liabilities also include 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 2010 the fair value of £1,794.1 million of unsecured bond issues was £1,869.6 million (2009: £1,934.1 million compared to £1,892.8 million fair value), the fair value of £61.3 million of secured bank loans was £59.9 million (2009: £94.7 million compared to £97.5 million fair value), and the fair value of £42.7 million of unsecured loan notes was £44.1 million (2009: £49.8 million compared to £49.3 million fair value).

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

- Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Interest rate swaps and currency swap contracts are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates and the appropriate exchange rate at the balance sheet date.
- The fair value of non-derivative financial assets and financial liabilities traded on active liquid markets 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 arm's 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 Company to support bank borrowings of 100 per cent owned subsidiary companies domiciled overseas. The face value of these borrowings is already included in the Group balance sheet. As the borrowing entity will have unencumbered directly owned property assets exceeding the value of the guaranteed borrowings the probability of the Parent entity having to recognise any loss in respect to these guarantees is considered to be highly unlikely. Hence no fair value liability has been ascribed to these guarantees in the accounts of the Parent entity.

Fair value measurements recognised in the balance sheet

The Group and Company financial instruments that are measured subsequent to initial recognition at fair value are available-for-sale assets, forward exchange and currency swap contracts and interest rate swaps as detailed in notes 16, 17 and 18. All of these financial instruments would be classified as Level 2 fair value measurements, as defined by IFRS 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 a going concern and as such it aims to maintain a prudent mix between debt and equity financing. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued capital, reserves and retained earnings as disclosed in the statement of changes in equity and notes 22 to 24. Debt primarily comprises long-term debt issues and drawings against medium-term committed revolving credit facilities from banks as disclosed in note 19.

The Group is not subject to externally imposed capital requirements.

Foreign currency risk management

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

The Group's approach to managing balance sheet translation exposure is described in the Foreign Currency Translation Exposure section in the Financial Review on page 43.

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

Group	2010 Euros £m	2010 US dollars £m	2010 Total £m	2009 Euros £m	2009 US dollars £m	2009 Total £m
Gross currency assets	**1,726.6**	**32.8**	**1,759.4**	1,867.5	32.4	1,899.9
Gross currency liabilities	**(1,398.0)**	**(19.4)**	**(1,417.4)**	(1,315.8)	(24.9)	(1,340.7)
Net exposure	**328.6**	**13.4**	**342.0**	551.7	7.5	559.2
Company						
Gross currency assets	**938.9**	**12.7**	**951.6**	871.4	–	871.4
Gross currency liabilities	**(1,145.7)**	**(31.9)**	**(1,177.6)**	(870.4)	(24.9)	(895.3)
Net exposure	**(206.8)**	**(19.2)**	**(226.0)**	1.0	(24.9)	(23.9)

2010 gross currency liabilities include EUR244.2 million (£208.7 million) and USD30.3 million (£19.4 million) designated as net investment hedges.

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

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 £31.8 million (2009: £62.1 million), with a sensitivity of £30.6 million against the euro (2009: £61.3 million) and £1.2 million against the US dollar (2009: £0.8 million).

For the Company, the blended sensitivity is £21.4 million (2009: £2.9 million) with a sensitivity of £19.6 million against the euro (2009: £0.1 million) and £1.8 million against the US dollar (2009: £2.8 million).

Forward foreign exchange and currency swap contracts

Some of the forward foreign exchange and currency swap contracts held by the Group are designated as net investment hedges of euro and US dollar denominated subsidiaries, where exchange differences are booked in reserves and recognised in the income statement when the operation is sold. The remaining forward foreign exchange and currency swap contracts are effectively economic cash flow hedges, using the surplus cash in one currency to fund paying off debt in another currency. These have not been designated as hedges and as a consequence their change in fair value is taken through the income statement.

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

	Average exchange rates		Currency contract (local currency)		Contract value		Fair value	
	2010 rate	2009 rate	**2010 m**	2009 m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Group								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.17**	1.11	**735.5**	688.5	**628.6**	609.4	**(1.9)**	8.2
Buy US dollars (sell sterling)	**1.56**	–	**19.5**	–	**12.5**	–	**–**	–
Net investment hedges								
Sell euros (buy sterling)	**1.17**	–	**244.2**	–	**208.7**	–	**0.1**	–
Sell US dollars (buy sterling)	**1.58**	–	**30.3**	–	**19.4**	–	**(0.3)**	–
Total							**(2.1)**	8.2
Company								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.17**	1.11	**979.7**	688.5	**837.3**	609.4	**(1.8)**	8.2
Buy US dollars (sell sterling)	**1.56**	–	**19.5**	–	**12.5**	–	**–**	–
Sell US dollars (buy sterling)	**1.58**	–	**30.3**	–	**19.4**	–	**(0.3)**	–
Total							**(2.1)**	8.2

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

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 net borrowings should be at fixed rates 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 Group Treasury Risk Committee and are evaluated and reported on regularly to ensure that the policy is being adhered to. The Board reviews the policy on interest rate exposure annually with a view to establishing that it is still relevant in the prevailing and forecast economic environment.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming 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 2010 would decrease/increase by £4.3 million (2009: decrease/increase by £5.5 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 revalued 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.

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

	Average contract – fixed interest rate		Notional principal amount		Fair value	
Pay fixed, receive floating contracts:	**2010 %**	2009 %	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Group						
In one year or less	**–**	5.68	**–**	17.7	**–**	(0.7)
In more than one year but less than two	**–**	–	**–**	–	**–**	–
In more than two years but less than five	**2.53**	3.01	**474.4**	243.4	**(9.1)**	(7.1)
In more than five years	**2.52**	–	**384.6**	–	**(4.5)**	–
Total			**859.0**	261.1	**(13.6)**	(7.8)
Company						
In one year or less	**–**	–	**–**	–	**–**	–
In more than one year but less than two	**–**	–	**–**	–	**–**	–
In more than two years but less than five	**2.15**	2.62	**282.1**	44.2	**(1.0)**	(0.6)
In more than five years	**2.52**	–	**384.6**	–	**(4.5)**	–
Total			**666.7**	44.2	**(5.5)**	(0.6)

Receive fixed, pay floating contracts:	Average contract – fixed interest rate 2010 %	2009 %	Notional principal amount 2010 £m	2009 £m	Fair value 2010 £m	2009 £m
Group						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	**5.67**	–	**239.0**	–	**(1.9)**	–
More than 5 years	**6.18**	6.75	**709.0**	300.0	**28.7**	(7.6)
Total			**948.0**	300.0	**26.8**	(7.6)
Company						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	**5.67**	–	**239.0**	–	**(1.9)**	–
More than 5 years	**6.18**	6.75	**709.0**	300.0	**28.7**	(7.6)
Total			**948.0**	300.0	**26.8**	(7.6)

The above are effectively economic hedges although the Group has not elected to adopt hedge accounting for them, hence their change in fair value is taken directly to the income statement.

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

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 2010 and at 31 December 2009. The Directors are of the opinion that the credit risk associated with unpaid rent is low. In excess of 95 per cent of rent due is generally collected within 21 days of the due date.

Ageing of past due but not impaired receivables were as follows:	2010 £m	2009 £m
0-30 days	**9.7**	11.6
30-60 days	**0.1**	3.5
60-90 days	**0.4**	0.6
90-180 days	**0.2**	1.0
180+ days	**0.6**	–
Past due but not impaired	**11.0**	16.7
Not due	**19.2**	36.5
Total trade receivables	**30.2**	53.2

No other receivables were considered impaired or overdue.

Investment in financial instruments is restricted to banks and short-term liquidity funds with a good credit rating. Derivative financial instruments are transacted via 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, committed development spend, trade related and corporate cash flows forward over a rolling 18 month period. This is achieved by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk management is discussed in more detail in the Liquidity Position and Going Concern sections in the Financial Review on page 42.

FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. FINANCIAL INSTRUMENTS AND FAIR VALUES (CONTINUED)

Liquidity and interest risk tables

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

	2010						2009					
	Weighted average interest rate %	Under 1 year £m	1 – 2 years £m	2 – 5 years £m	Over 5 years £m	Total £m	Weighted average interest rate %	Under 1 year £m	1 – 2 years £m	2 – 5 years £m	Over 5 years £m	Total £m
Group												
Non-derivative financial liabilities:												
Trade and other payables		124.9	19.5	0.1	2.3	146.8		178.2	15.6	0.1	2.2	196.1
Non-interest bearing liabilities		28.1	–	–	47.9	76.0		41.2	–	–	56.9	98.1
Variable rate debt instruments	4.2	37.2	51.2	331.0	–	419.4	3.2	209.8	152.7	183.1	–	545.6
Fixed rate debt instruments	6.1	160.4	115.2	649.1	2,259.6	3,184.3	6.2	271.7	162.7	358.1	2,652.2	3,444.7
Derivative financial instruments:												
Net settled interest rate swaps		6.3	2.6	(4.9)	(1.4)	2.6		(3.0)	(1.8)	2.8	23.0	21.0
Gross settled foreign exchange – Forward contracts												
– Inflowing		(653.9)	–	–	–	(653.9)		(617.6)	–	–	–	(617.6)
– Outflowing		656.4	–	–	–	656.4		609.4	–	–	–	609.4
Total		359.4	188.5	975.3	2,308.4	3,831.6		689.7	329.2	544.1	2,734.3	4,297.3

	2010						2009					
	Weighted average interest rate %	Under 1 year £m	1 – 2 years £m	2 – 5 years £m	Over 5 years £m	Total £m	Weighted average interest rate %	Under 1 year £m	1 – 2 years £m	2 – 5 years £m	Over 5 years £m	Total £m
Company												
Non-derivative financial liabilities:												
Trade and other payables		3.8	835.4	–	–	839.2		37.8	416.4	–	–	454.2
Non-interest bearing liabilities		6.5	–	–	–	6.5		5.4	–	–	–	5.4
Variable rate debt instruments	4.2	21.7	11.8	331.0	–	364.5	3.7	154.1	54.6	87.9	–	296.6
Fixed rate debt instruments	6.1	111.7	111.7	624.4	2,236.3	3,084.1	6.3	221.3	91.9	275.6	2,219.1	2,807.9
Derivative financial instruments:												
Net settled interest rate swaps		3.5	1.0	(5.1)	(1.4)	(2.0)		(7.8)	(3.7)	3.0	23.0	14.5
Gross settled foreign exchange – Forward contracts												
– Inflowing		(653.9)	–	–	–	(653.9)		(617.6)	–	–	–	(617.6)
– Outflowing		656.4	–	–	–	656.4		609.4	–	–	–	609.4
Total		149.7	959.9	950.3	2,234.9	4,294.8		402.6	559.2	366.5	2,242.1	3,570.4

21. RETIREMENT BENEFIT SCHEMES

Background

The Group has four defined benefit schemes in the UK, the SEGRO Pension Scheme (the 'SEGRO scheme'), the Bilton Group Pension Scheme (the 'Bilton scheme') and two additional schemes following the acquisition of Brixton, 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 for which £1.3 million has been recognised as an expense (2009: £1.0 million).

All four defined benefit schemes are closed to new members. Valuation of the schemes has been based on the most recent actuarial valuations; 31 March 2007 for SEGRO, 5 April 2010 for Bilton, 31 December 2008 for Brixton and 30 June 2010 for Industrious and updated by the independent actuaries in order to assess the liabilities of the schemes at 31 December 2010. The actuarial valuation for the SEGRO scheme at 31 March 2010 is expected to be finalised during the first half of 2011.

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 SEGRO scheme. At 31 December 2010, there are no assets supporting this UURBS. In 2010 the Company acquired gilts, valued at £3.4 million as at 31 December 2010, which have been pledged as security to the Trustees of the UURBS.

The major assumptions used were as follows:	2010 %	2009 %
Discount rate for scheme liabilities	**5.4**	5.7
Rate of inflation	**3.6**	3.7
Rate of increase to pensions in payment in excess of GMP		
Before April 2003 (SEGRO/Bilton)	**4.3 / 3.4**	4.3 / 3.6
From April 2003 to October 2005	**3.4**	3.6
After October 2005	**2.2**	2.3
Rate of general long-term increase in salaries	**5.6**	5.7

Composition of scheme assets	Expected return 2010 %	Analysis of assets 2010 £m	Expected return 2009 %	Analysis of assets 2009 £m
Equities	**8.2**	**71.3**	8.5	70.6
Gilts	**4.2**	**56.9**	4.5	29.8
Bonds	**5.2**	**37.6**	5.5	53.7
Property	**n/a**	**–**	9.0	0.8
Insured pensions	**5.4**	**1.9**	5.7	2.0
Other assets	**1.0**	**1.6**	1.0	0.7
Overall – SEGRO scheme	**6.2**	**110.7**	6.7	102.3
Overall – Bilton scheme	**5.6**	**23.1**	6.3	21.9
Overall – Brixton and Industrious schemes	**6.2**	**35.5**	6.7	33.4

The mortality rates used are as follows:	Mortality table	Life expectancy at age 65 (years) Male	Female
Current pensioners	PNxA00U2007MC with 1% p.a. underpin to future improvements	22.2	24.6
Future pensioners	PNxA00U2007MC with 1% p.a. underpin to future improvements	23.7	26.0

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 basis of the assumptions were:		2010 £m	2009 £m
Charge/(credit) to Group income statement			
Operating profit:	Current service cost	**1.3**	1.4
	Curtailments	**–**	(0.8)
Net finance costs:	Interest on pension liabilities	**9.7**	7.6
	Expected return on scheme assets	**(10.3)**	(7.4)
Net charge to the Group income statement		**0.7**	0.8
Charge to Group statement of comprehensive income		**0.1**	3.8

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21. RETIREMENT BENEFIT SCHEMES (CONTINUED)

All actuarial gains and losses are recognised immediately and relate to continuing operations. The cumulative recognised actuarial losses are £18.8 million (2009: £18.7 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:

	2010 £m	2009 £m
Movement in assets		
1 January	**157.6**	110.2
Acquired in Brixton schemes	**–**	31.5
Expected return on scheme assets	**10.3**	7.4
Actuarial gains	**6.1**	11.4
Employer cash contributions	**1.7**	1.6
Member cash contributions	**0.3**	0.2
Benefits paid	**(6.7)**	(4.7)
31 December	**169.3**	157.6
Movement in liabilities		
1 January	**173.3**	115.6
Acquired in Brixton schemes	**–**	37.4
Service cost	**1.3**	1.4
Curtailments	**–**	(0.8)
Interest cost	**9.7**	7.6
Actuarial gains	**6.2**	16.4
Benefits paid	**(6.7)**	(4.7)
Other	**0.2**	0.4
31 December	**184.0**	173.3
Analysis of net liabilities:		
Market value of schemes' assets	**169.3**	157.6
Present value of funded schemes' liabilities	**(180.4)**	(170.0)
Net liabilities for funded schemes	**(11.1)**	(12.4)
Present value of UURBS' liabilities	**(3.6)**	(3.3)
Retirement benefit obligation recognised in other provisions in the balance sheet	**(14.7)**	(15.7)

The actual return on the scheme assets in the period was a gain of £16.4 million (2009: gain of £21.5 million of which £2.7 million arose on the Brixton schemes prior to acquisition).

History of experience adjustments	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of defined benefit obligations	**(184.0)**	(173.3)	(116.5)	(121.0)	(129.5)
Fair value of schemes' assets	**169.3**	157.6	110.2	117.0	112.3
Deficit in schemes	**(14.7)**	(15.7)	(6.3)	(4.0)	(17.2)
Experience adjustments on schemes' assets					
Amounts	**6.1**	11.4	(21.4)	(2.9)	11.4
Percentage of schemes' assets	**3.6%**	7.2%	(19.4%)	(2.5%)	10.2%
Experience adjustments on schemes' liabilities					
Amounts	**2.9**	1.2	(0.7)	1.7	(1.8)
Percentage of present value of schemes' liabilities	**(1.6%)**	(0.7%)	0.6%	(1.4%)	1.4%
Effect of changes in assumptions underlying the present value of the schemes' liabilities	**3.3**	15.2	6.3	7.9	12.3
Total amount recognised in the statement of other comprehensive income					
Amounts	**(0.1)**	(3.8)	(17.2)	6.8	10.2
Percentage of present value of schemes' liabilities	**0.1%**	2.2%	14.8%	(5.6%)	(7.9%)

The expected employer's contributions to be paid in the year ending 31 December 2011 is £1.8 million (2010: £1.7 million).

22. SHARE CAPITAL AND SHARE-BASED PAYMENTS

Share capital

Issued and fully paid	Number of shares Shares m	Par value of shares £m
Ordinary shares of 10p each at 1 January 2010	**734.3**	**73.5**
Shares issued	7.2	0.7
Ordinary shares of 10p each at 31 December 2010	**741.5**	**74.2**

Shares issued include 7.1 million (£0.7 million) in respect of the scrip dividend allotted in May 2010.

Following the AGM in April 2010, the Company resolved to remove the requirement to have an authorised share capital in accordance with the Companies Act 2006. Disclosure of authorised share capital is therefore no longer required.

Share-based payments

The Company operates the following employee share schemes: the long term incentive plan (LTIP), the share incentive plan (SIP), the global share incentive plan (GSIP), the Brixton share incentive plan (Brixton SIP), Sharesave and the executive share option plan (ESOP).

22(i) – LTIP and long term incentive scheme (LTIS)

The last award under the LTIS was made in 2007 and in 2008, the LTIS was replaced by the LTIP. The LTIP is a discretionary employee share scheme. Shares are conditionally awarded based on salary and individual performance. Vesting of awards is subject to three-year performance conditions and the discretion of the Remuneration Committee. The performance conditions of the LTIP are detailed in the Remuneration Report on pages 60 to 61. Since 2010, employees in the LTIP will have an 18-month period in which to elect to receive the shares. If a participant ceases to be employed by the Group, the award will lapse, unless the participant is deemed to be entitled to the award, in which case the award will be pro-rated on length of employment in relation to the award date.

	2010 Number	2009 Number
At 1 January	**4,390,723**	2,802,008
Shares granted LTIP	**2,461,756**	2,213,227
Shares vested	**–**	(107,057)
Shares expired/lapsed	**(764,651)**	(517,455)
At 31 December	**6,087,828**	4,390,723

The 2010 LTIP award was made on 28 April 2010. The calculation of the award was based on a share price of 314.7 pence; the closing mid-market share price on 27 April 2010. No consideration was paid for the grant of any award.

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

Date of grant	30-Jun-08	20-Oct-09	28-Apr-10
Market price	602.0p	385.0p	314.7p
Risk-free interest rate	4.0%	1.8%	1.8%
Dividend yield	5.8%	2.6%	4.4%
Volatility	25.5%	56.0%	57.0%
Term of option	3 years	3 years	3 years
Fair value per share	505.8p	356.0p	275.7p

22(ii) – SIP

The SIP is an HMRC approved all-employee share plan. UK employees, who have been employed by the Group since 1 October of the preceding year may be awarded shares in relation to the Company's prior year performance and their salary. Participating employees may be awarded shares annually up to a maximum of seven per cent of their salary, or £3,000 whichever is lower. The award for 2010 was three per cent of salary. If a participant ceases to be employed by the Group within three years from date of award the shares will be forfeited, unless the employee is entitled to the shares due to certain leaver circumstances, in which case the shares will be transferred out of the trust to the participant.

	2010 Number	2009 Number
At 1 January	**39,222**	28,534
Shares granted	**93,143**	–
Shares taken up in rights issue	**–**	27,692
Shares forfeited	**(1,576)**	(329)
Shares released	**(19,777)**	(16,675)
At 31 December	**111,012**	39,222

As at 31 December 2010 113,304 shares (2009: 39,938) are held in the SIP trust.

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

22(iii) – GSIP
The GSIP was launched in 2008 as an all-employee share scheme for non-UK based employees. It is not HMRC approved but the eligibility and performance conditions of the award are designed to replicate SIP. Employees are granted awards which are released by the Trustees at conclusion of a three-year holding period. If a participant ceases to be employed by the Group before the end of the three-year period then the award will lapse unless the participant is entitled to the award due to the terms of leaving.

	2010 Number	2009 Number
At 1 January	19,944	24,819
Shares granted	51,749	–
Shares released	(2,649)	(1,686)
Shares forfeited	(3,591)	(3,189)
At 31 December	65,453	19,944

22(iv) – Brixton SIP
Prior to acquisition in 2009, Brixton operated a share incentive plan, Brixton shares in the Brixton SIP were converted to SEGRO shares under the scheme of arrangement. As at 31 December 2010 7,940 shares were held in trust for the Brixton SIP.

22(v) – Sharesave
The Group operates an HMRC approved all-employee savings related share option plan. UK employees can save on a monthly basis, over a three, five or seven-year period and if they remain in employment can purchase shares in the Company at a price which is fixed at the start of the saving period. The price is usually set at a 20 per cent discount to the market. If a participant ceases to be employed by the Group, in certain circumstances, the participant may be able to exercise their options within a fixed period from date of leaving. During 2010, the movements in Sharesave options are as follows:

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
At 1 January	494,560	205.8p	196,378	569.5p
Options granted	79,118	255.7p	485,107	182.0p
Options exercised	(24,615)	182.0p	(686)	182.0p
Options expired/lapsed	(119,163)	254.1p	(186,239)	523.4p
At 31 December	429,900	202.8p	494,560	205.8p

The consideration received by the Company from options exercised during the year was £44,799 (2009: £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
26 September 2007	2,508	743.0p	594.4p	5.8%	3.7%	23.3%	2010-2011	198p	n/a[1]	n/a[1]
04 April 2008	6,104	703.2p	562.6p	4.1%	4.8%	46.5%	2011-2015	234p	252p	256p
19 May 2009	345,292	227.5p	182.0p	0.5%	8.7%	53.0%	2012-2014	61p	59p	n/a[2]
29 April 2010	75,996	319.6p	255.7p	1.8%	5.5%	57.0%	2013-2015	112p	118p	n/a[2]
Total	429,900									

1. No options currently outstanding.

2. The seven year option was not offered in 2009 or 2010.

22(vi) – ESOP
Under the ESOP, senior employees of the Group were granted options to purchase shares in the Company at a stated exercise price. If the performance conditions have not been met by the third anniversary of the date of grant the options lapse. Participants are able to exercise their options after a three-year holding period subject to continuous employment. Options expire ten years after grant. In certain circumstances a participant may exercise their options up to a year, after leaving the Group. The last grant under ESOP was made in 2005 and the Company has no current intention of making further grants under this scheme.

	2010		2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
At 1 January	227,380	685.0p	461,859	661.7p
Options expired/lapsed	(63,061)	665.5p	(234,479)	601.0p
At 31 December	164,319	667.8p	227,380	685.0p

The options outstanding at 31 December 2010 were exercisable between 419.2 pence and 689.2 pence 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
Option 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	106p
Options exercisable	3,746	10,591	149,982

* *Not applicable for schemes prior to 7 November 2002.*

A total of 594,219 (2009: 721,940) options exist at 31 December 2010 in relation to the ESOP and Sharesave scheme with a weighted average remaining contractual life of 2.6 years (2009: 3.4 years).

22(vii) – Cash settled overseas scheme

A cash settlement overseas scheme exists, which mirrors the ESOP (note 22(vi) on page 100). 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 grant. In 2005, the equivalent of 54,148 shares were granted based on the performance and assumptions of 29 April 2005 ESOP grant. The Black-Scholes model was used to fair value this award at prevailing market rates, at a share price equivalent to 689.2 pence. There have been no further grants since 2005 and the Company does not intend to make further grants under this scheme.

23. SHARE PREMIUM ACCOUNT

Group and Company		2010 £m	2009 £m
Balance at 1 January		**1,047.6**	370.6
Premium arising on the issue of shares	– rights issue	**–**	447.3
	– placing and open offer	**–**	229.7
	– scrip dividend	**21.8**	–
	– other	**0.1**	–
Balance at 31 December		**1,069.5**	1,047.6

24. OWN SHARES HELD

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Balance at 1 January	**13.5**	13.4	**13.5**	13.4
Shares purchased	**–**	0.2	**–**	0.2
Disposed of on exercise of options	**(0.2)**	(0.1)	**(0.2)**	(0.1)
Balance at 31 December	**13.3**	13.5	**13.3**	13.5

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

25. COMMITMENTS

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

Group	UK 2010 £m	UK 2009 £m	Continental Europe 2010 £m	Continental Europe 2009 £m	Total 2010 £m	Total 2009 £m
Properties	**35.0**	18.5	**34.2**	9.3	**69.2**	27.8
Available-for-sale investments	**–**	–	**1.0**	2.5	**1.0**	2.5
Total capital commitments	**35.0**	18.5	**35.2**	11.8	**70.2**	30.3

There are no significant capital commitments in the Group's joint ventures at 31 December 2010 and 2009.

There are no significant commitments relating to repairs, maintenance or enhancements relating to investment properties at 31 December 2010 and 2009.

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26. CONTINGENT LIABILITIES

The Group has given performance guarantees to third parties amounting to £15.9 million (2009: £21.6 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 £82.7 million (2009: £158.6 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. No provision has been made at 31 December 2010 in relation to the representations and warranties provided.

27. OPERATING LEASES

The Group as lessor

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

	2010 £m	2009 £m
Not later than one year	**317.2**	317.2
Later than one year but not later than five years	**847.2**	862.7
Later than five years	**741.6**	671.3
Total	**1,906.0**	1,851.2

The Group as lessee

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

	2010 £m	2009 £m
Not later than one year	**2.2**	0.5
Later than one year but not later than five years	**6.7**	8.3
Later than five years	**0.4**	0.7
Total	**9.3**	9.5

28. RELATED PARTY TRANSACTIONS

Group

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

		2010 £m	2009 £m
New loans to joint ventures during the year	– Existing	**5.1**	13.9
	– Acquired in Brixton	**–**	102.2
Loans repaid by joint ventures during the year		**(29.3)**	(11.9)
Loans outstanding to joint ventures at the year end		**127.2**	152.0
Dividends received		**8.8**	12.9
Management fee income		**1.9**	–

As disclosed in note 6 the Group sold £237.1 million of property and joint venture investments into APP on an arm's length basis.

Company

Balances outstanding between the Company and external related parties at balance sheet date are £14.0 million (2009: £18.3 million). Transactions between the Company and its subsidiaries eliminate on consolidation and are not disclosed in this note. Amounts due from subsidiaries are disclosed in note 17 and amounts due to subsidiaries are disclosed in note 18.

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

Remuneration of key management personnel

Key management personnel comprise Executive and Non-Executive Directors and any other members of the Executive Committee, as outlined in the Governance Report on page 52. Key management personnel compensation is shown in the table below:

	2010 £m	2009 £m
Salaries and short-term benefits	**3.9**	3.6
Termination benefits	**0.2**	–
Post employment benefits	**0.9**	0.8
Share-based payments	**1.2**	0.6
Total remuneration	**6.2**	5.0

More detailed information concerning directors' remuneration, shareholdings, pension entitlements, share options and other long-term incentive plans, as required by the Companies Act 2006, is shown in the audited part of the Report on Directors' Remuneration on pages 58 to 66.

29. NOTES TO THE CASH FLOW STATEMENTS

29(i) – Reconciliation of cash generated from operations

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Operating profit/(loss)	**304.0**	(102.6)	**(4.9)**	176.8
Adjustments for:				
Depreciation of property, plant and equipment	**3.2**	2.8	**–**	–
Share of profit from joint ventures after tax	**(41.9)**	(4.6)	**–**	–
Loss on sale of investment properties	**2.8**	54.7	**–**	–
Loss/(gain) on sale of investment in joint ventures	**0.5**	(12.9)	**(0.2)**	(19.6)
Cost/(gain) recognised on acquisitions	**13.9**	(8.6)	**–**	–
Revaluation (surplus)/deficit on investment and owner occupied properties	**(32.4)**	271.8	**–**	–
Gain on sale of available-for-sale investments	**(5.8)**	(1.0)	**–**	–
Impairment of available-for-sale investments	**–**	9.0	**–**	–
Other income reallocated	**–**	–	**(182.3)**	(137.5)
Other provisions	**2.1**	3.5	**165.8**	(28.0)
	246.4	212.1	**(21.6)**	(8.3)
Changes in working capital:				
Decrease/(increase) in trading properties	**22.4**	(2.1)	**–**	–
(Increase)/decrease in debtors and tenant incentives	**(18.4)**	20.1	**(5.8)**	(3.2)
(Decrease)/increase in creditors	**(5.5)**	(8.0)	**0.9**	16.4
Net cash inflow/(outflow) generated from operations	**244.9**	222.1	**(26.5)**	4.9

29(ii) – Deposits

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

29(iii) – Analysis of net debt

	At 1 January 2010 £m	Exchange movement £m	Cash flow £m	Non-cash[1] adjustment £m	**At 31 December 2010 £m**
Group					
Banks loans and loan capital	2,568.2	(26.9)	(260.6)	–	**2,280.7**
Capitalised finance costs[2]	(36.2)	–	(2.8)	6.1	**(32.9)**
Bank overdrafts	0.8	–	(0.8)	–	**–**
Total borrowings	2,532.8	(26.9)	(264.2)	6.1	**2,247.8**
Cash in hand and at bank	112.7	(0.4)	(67.7)	–	**44.6**
Net debt	2,420.1	(26.5)	(196.5)	6.1	**2,203.2**
Company					
Banks loans and loan capital	1,885.6	(12.1)	281.6	–	**2,155.1**
Capitalised finance costs[2]	(19.6)	–	(2.8)	2.8	**(19.6)**
Total borrowings	1,866.0	(12.1)	278.8	2.8	**2,135.5**
Cash in hand and at bank	18.3	–	(11.0)	–	**7.3**
Net debt	1,847.7	(12.1)	289.8	2.8	**2,128.2**

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

2. Capitalised finance costs cash flows are recognised in interest paid in the cash flow statement.

FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. GROUP ENTITIES

The principal entities at 31 December 2010 are listed below (all equity holdings unless otherwise stated).

	Country of incorporation/operation	Subsidiaries % holding	Joint ventures % holding
Property			
Airport Property Partnership	Great Britain		50
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 (Jersey) Limited	Great Britain	100	
Brixton (Metropolitan Park) 1 Limited	Great Britain	100	
Brixton Premier Park Limited	Great Britain	100	
Brixton Properties Limited	Great Britain	100	
Brixton (West Cross) Limited	Great Britain	100	
Farnborough Business Park Limited	Great Britain	100	
SEGRO (Blanc Mesnil) Sárl	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) SASU	France	100	
SEGRO Properties Limited*	Great Britain	100	
SEGRO (Winnersh) Limited	Great Britain	100	
SEGRO Zwölfte Grundbesitz GmbH	Germany	100	
SEGRO Dreiundzwanzigste Grundbesitz GmbH	Germany	100	
Slough Trading Estate Limited*	Great Britain	100	
Quendis Polska I Sp z.o.o.	Poland	100	
The Heathrow Big Box Industrial and Distribution Fund	Great Britain		50
Service			
Followcastle Limited	Great Britain	100	
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.*

FIVE YEAR FINANCIAL RESULTS

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Group income statement					
Net rental income	**282.1**	269.4	244.9	246.3	247.2
Administration expenses, excluding exceptional items	**(39.2)**	(40.3)	(40.0)	(39.7)	(28.9)
Share of joint ventures' EPRA profit after tax	**10.8**	2.8	0.9	1.2	0.3
Joint venture management fee income	**1.9**	–	–	–	–
Net finance cost including notional preference share interest, excluding exceptional items and fair value of derivatives	**(128.3)**	(127.6)	(116.5)	(100.4)	(99.3)
Net income from utilities	**–**	–	–	2.4	2.1
EPRA profit before tax	**127.3**	104.3	89.3	109.8	121.4
Exceptional administration expenses	**–**	(7.8)	(2.6)	–	–
Adjustments to the share of profit/(loss) from joint ventures after tax	**31.1**	1.8	(8.3)	6.2	13.0
(Loss)/profit on sale of investment and development properties	**(2.8)**	(54.7)	(34.8)	3.0	4.8
Valuation surplus/(deficit) on investment and development properties	**32.4**	(271.8)	(975.6)	(349.1)	532.2
(Loss)/profit on sale of trading properties	**(0.1)**	0.6	27.9	23.3	6.1
Increase in provision for impairment of trading properties	**(3.6)**	(16.1)	(4.0)	(1.3)	–
(Loss)/gain on sale of investment in joint ventures	**(0.5)**	12.9	–	–	–
Other investment income/(loss)	**5.8**	(8.0)	1.7	18.4	8.5
(Amounts written off)/gain arising from bargain purchase	**(13.9)**	8.6	–	0.9	–
Net fair value gain/(loss) on interest rate swaps and other derivatives	**21.5**	(17.9)	(32.8)	3.1	4.1
Profits from the sale of Slough Heat & Power and US property business	**–**	–	–	445.0	–
Exceptional cost of debt repayment	**–**	–	–	(16.4)	–
Profit/(loss) before tax	**197.2**	**(248.1)**	**(939.2)**	**242.9**	**690.1**
Group balance sheet					
Investment properties	**4,498.3**	4,825.3	4,311.1	4,761.9	5,668.9
Owner occupied properties	**7.8**	8.1	11.1	13.1	14.1
Trading properties	**289.9**	337.8	357.8	236.0	232.3
Total properties	**4,796.0**	5,171.2	4,680.0	5,011.0	5,915.3
Plant and equipment	**7.3**	7.5	9.1	5.8	48.1
Investments in joint ventures	**279.8**	79.3	67.5	73.4	84.5
Other assets	**169.8**	148.6	190.7	186.0	180.7
Cash and cash equivalents	**44.6**	112.7	165.8	348.3	161.4
Total assets	**5,297.5**	5,519.3	5,113.1	5,624.5	6,390.0
Borrowings	**(2,247.8)**	(2,532.8)	(2,661.6)	(2,039.1)	(2,384.8)
Deferred tax provision	**(47.9)**	(56.9)	(78.2)	(65.4)	(298.5)
Other liabilities and non-controlling interests	**(291.5)**	(337.1)	(365.8)	(531.0)	(334.0)
Total shareholders' equity	**2,710.3**	**2,592.5**	**2,007.5**	**2,989.0**	**3,372.7**
Total movement in shareholders' equity					
Profit/(loss) attributable to ordinary shareholders	**210.3**	(233.1)	(938.1)	(74.9)	916.5
Other equity movements	**(92.5)**	818.1	(43.4)	(308.8)	15.8
	117.8	585.0	(981.5)	(383.7)	932.3
Data per ordinary share[1]:					
Earnings per share:					
Basic earnings/(loss) per share	**28.5p**	(41.3p)	(312.2p)	(23.7p)	291.7p
EPRA earnings per share	**17.1p**	18.3p	29.1p	33.2p	30.3p
Net assets per share basic:					
Basic net assets per share	**366p**	354p	668p	997p	1,038p
Diluted net assets per share	**366p**	354p	668p	996p	1,035p
EPRA net assets per share[2]	**376p**	367p	745p	1,045p	1,118p

1. Data for ordinary share for the 2008 and earlier periods has been restated for the rights issue and share consolidation, as discussed further in note 13.

2. EPRA net assets per share has been restated for comparative periods in order to achieve consistency with EPRA Best Practice Recommendations, as discussed further in note 13.

FURTHER INFORMATION

FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

February 2011		
Payment	6 ¾ per cent bonds 2024 interest	23 February
Announcement of year end results		24 February
March 2011		
Payment:	7 per cent bonds 2022 interest	14 March
Payment:	6 per cent bonds 2019 interest	30 March
April 2011		
Ex-dividend date for final dividend	Property Income Distribution & Dividend	13 April
Record date	Property Income Distribution & Dividend	15 April
Payment:	5 ¼ per cent bonds 2015 interest	21 April
Annual General Meeting		28 April
May 2011		
Payment:	Property Income Distribution & Dividend	5 May
Payment:	6 ¾ per cent 2021 interest	23 May
June 2011		
Payment:	5 ½ per cent bonds 2018 interest	20 June
Payment:	5 ¾ per cent bonds 2035 interest	20 June
August 2011		
Payment:	6 ¾ per cent bonds 2024 interest	23 August
Announcement of half year results		August
September 2011		
Payment:	7 per cent bonds 2022 interest	14 September
Payment:	6 ¼ per cent bonds 2015 interest	30 September
Payment:	6 per cent bonds 2019 interest	30 September
October 2011		
Payment:	Property Income Distribution & Dividend	October
Payment:	5 ¼ per cent bonds 2015 interest	21 October
November 2011		
Payment:	6 ¾ per cent bonds 2021 interest	23 November
December 2011		
Payment:	5 ⅝ per cent bonds 2020 interest	7 December

ANALYSIS OF SHAREHOLDERS – 31 DECEMBER 2010

Shareholder Analysis

Range	Holdings	% of Holdings	Shares	% of Shares
1 – 1000	6,933	66.30	1,749,173	0.24
1,001 – 10,000	2,700	25.82	7,836,406	1.06
10,001 – 100,000	491	4.69	17,014,838	2.29
100,001 – 1,000,000	231	2.21	84,866,864	11.44
1,000,001+	102	0.98	630,069,173	84.97
Totals	**10,457**	**100.00**	**741,536,454**	**100.00**

Category Analysis

Category	Holdings	% of Holdings	Shares	% of Shares
Individual (certificated)	7662	73.27	10,915,169	1.47
Individual (uncertificated)	253	2.42	1,258,248	0.17
Nominee and Institutional Investors	2,542	24.31	729,363,037	98.36
Totals	**10,457**	**100.00**	**741,536,454**	**100.00**

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 share in issue was sub-divided and re-classified into one ordinary share of one pence each and one deferred share of 26 1/12 pence each. The deferred shares were created for technical reasons in order to maintain the aggregate nominal value of the Company's share capital upon sub-division of its ordinary shares. The very limited rights attached to the deferred shares rendered them effectively valueless and they were cancelled on 8 May 2009.
- In relation to the acquisition of Brixton on the 24 August 2009, SEGRO plc undertook a share consolidation, open offer and private placing. On 31 July 2009, every 10 ordinary shares of one pence each were consolidated into one ordinary share of ten pence each and, 0.10484 open offer shares of ten pence each were offered to every shareholder of SEGRO plc who, on 13 July 2009, held ten ordinary shares of one pence each. The acquisition of Brixton was conducted by a scheme of arrangement. Brixton shareholders were offered 0.175 consideration shares of ten pence each in SEGRO plc for each Brixton share held.

SHAREHOLDER ENQUIRIES

If you have any questions about your shareholding or if you require further guidance (e.g. to notify a change of address) please contact Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Telephone +44 (0)870 707 1296. Alternatively you can send your query via the web by accessing www.investorcentre.co.uk/contactus. You can also check your shareholding by registering at www.investorcentre.co.uk.

ELECTRONIC COMMUNICATIONS

Shareholders now have the opportunity to elect to receive shareholder communications electronically e.g. Annual Reports, Interim Reports, Notice of the Annual General Meeting and Proxy Forms. 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 under the name The Orr Mackintosh Foundation, registered charity number 1052686) which specialises in accepting donations of small numbers of shares which are uneconomic to sell on their own. Shares which have been donated to ShareGift are aggregated and sold when practicable, with the proceeds passed onto a wide range of UK charities. ShareGift can also help with larger donations of shares. Further details about ShareGift can be obtained from their website at www.sharegift.org or by writing to ShareGift at 17 Carlton House Terrace, London, SW19 5AH, telephone: +44 (0)207 930 3737.

DIVIDENDS

A requirement of the REIT regime is that a REIT must distribute to shareholders by way of dividend at least 90 per cent of its profits from the tax-exempt UK property rental business (calculated under UK tax principles after the deduction of interest and capital allowances and excluding chargeable gains). Such distributions are referred to as Property Income Distributions or PIDs. Any further distributions, may be paid as ordinary dividends or PIDs, which are derived from profits earned by its UK, non-REIT taxable business, as well as the Group's overseas operations.

WITHHOLDING TAX

SEGRO is required to withhold tax at source from its PIDs at the basic tax rate (20 per cent). UK shareholders need take no immediate action (unless they qualify for exemption as described below) and will receive with each dividend payment a tax deduction certificate stating the amount of tax deducted.

UK shareholders who fall into one of the classes of shareholder able to claim an exemption from withholding tax may be able to receive a gross PID payment if they have submitted a valid relevant Exemption Declaration form, either as a beneficial owner of the shares, or as an intermediary if the shares are not registered in the name of the beneficial owner, to Computershare. (The Exemption Declaration form is available at www.SEGRO.com under Investors/Shareholder Information/REIT). A valid declaration form, once submitted, will continue to apply to future payments of PIDs until rescinded, and so it is a shareholder's responsibility to notify SEGRO 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.

FURTHER INFORMATION

GLOSSARY OF TERMS

BASIS POINT
A unit that is equal to 1/100th of 1 per cent.

BRIXTON
On 24 August 2009, SEGRO plc acquired the entire issued capital of Brixton plc (company number 202342). On acquisition of Brixton plc, shares were delisted and the company 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.

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

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

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.

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

GROSS RENTAL INCOME
Contracted rental income recognised in the period, 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 a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

LOAN TO VALUE (LTV)
Net borrowings divided by the carrying value of total property assets (investment, owner occupied and trading properties).

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

NET RENTAL INCOME
Gross rental income less ground rents paid, service charge expenses and property operating expenses.

PASSING RENT
The annual cash rental income currently receivable on a property as at the balance sheet date (which may be more or less than the ERV).

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

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

RENT ROLL
See passing rent.

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.

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

TOPPED UP NET INITIAL YIELD
Net Initial Yield adjusted to include notional rent in respect of let properties which are subject to a rent free period at the valuation date. This is an accordance with EPRA's Best Practices Recommendations.

TOTAL PROPERTY RETURN (TPR)
A measure of the ungeared return for the portfolio and is calculated as the total realised and unrealised property gain or loss plus net rental income, expensed as a percentage of capital employed.

TOTAL SHAREHOLDER RETURN (TSR)
Total shareholder return based upon share price movement over the period and assuming reinvestment of dividends.

** For full Glossary of Terms go to http://www.segro.com/segro/Investors/Shareholder-Information/Key-Definitions-Glossary.htm*

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 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.

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