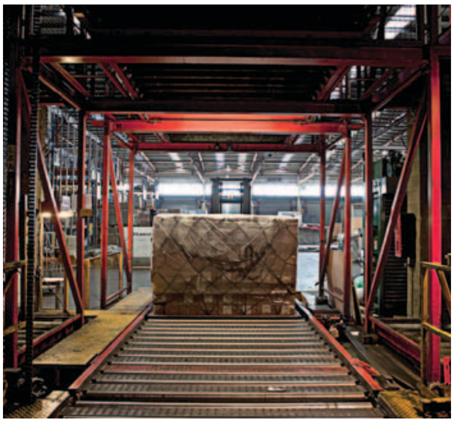
2012 ANNUAL REPORT & ACCOUNTS

SEGRO
WHERE BUSINESS WORKS




The Directors present the Annual Report for the year ended 31 December 2012 which includes the business review, governance report and audited financial statements for the year. References to 'SEGRO', the 'Group', the 'Company', 'we', or 'our' are to SEGRO plc and/or its subsidiaries, or any of them as the context may require. Pages 1 to 67, inclusive, of this Annual Report comprise a Directors' Report that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that Report shall be subject to the limitations and restrictions provided by such law.

The Annual Report contains forward looking statements. For further information see the inside back cover.

CONTENTS

SEGRO is a leading owner, asset manager and developer of modern warehousing, light industrial and data centre properties, with £4.7 billion of assets (including our share of joint venture assets) principally concentrated in London's Western Corridor (including the Thames Valley) and in key conurbations in France, Germany and Poland, as well as suburban office buildings in the Thames Valley, Brussels and Milan.

The Group serves over 1,300 customers spread across a diverse range of industry sectors. It has 5.3 million square metres of built space and a passing rent roll of £318 million.

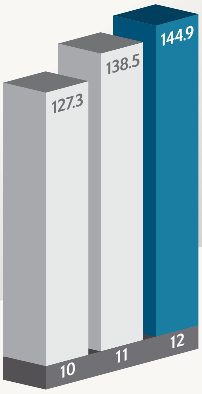
SEGRO IS A REAL ESTATE INVESTMENT TRUST (REIT) AND IS LISTED ON THE LONDON STOCK EXCHANGE

A Real Estate Investment Trust (REIT) is a qualifying entity which has elected to be treated as a REIT 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. Entities which elect for REIT status are exempt from UK corporation tax on the profits of their UK property rental business, provided that they distribute 90 per cent of these to shareholders. SEGRO plc and its UK subsidiaries elected for REIT status with effect from 1 January 2007.

OUR HIGHLIGHTS

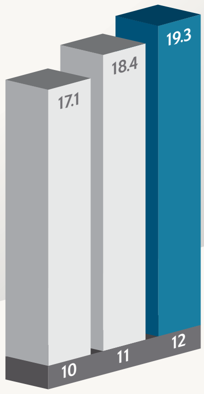
EPRA PROFIT BEFORE TAX[1]

£144.9 MILLION



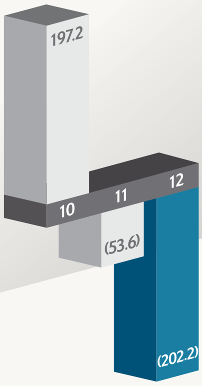
EPRA EARNINGS PER SHARE[4]

19.3 PENCE



PROFIT/(LOSS) BEFORE TAX[2]

£(202.2) MILLION



TOTAL DIVIDEND PER SHARE[5]

14.8 PENCE

PORTFOLIO VALUE[3]

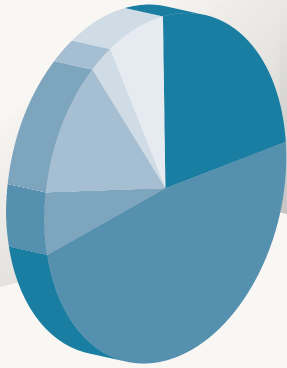
£4.7 BILLION

EPRA NET ASSET VALUE PER SHARE[4]

294 PENCE

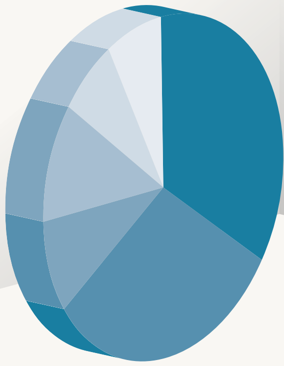
OUR PORTFOLIO

ASSET TYPE



- 24% LARGER LOGISTICS WAREHOUSES
- 48% SMALLER WAREHOUSES AND LIGHT INDUSTRIAL BUILDINGS
- 6% DATA CENTRES
- 12% OFFICES
- 3% OTHER BUSINESS SPACE
- 7% LAND AND DEVELOPMENTS

GEOGRAPHICAL SPLIT



- 35% GREATER LONDON, UK
- 31% THAMES VALLEY AND NATIONAL LOGISTICS, UK
- 9% GERMANY
- 11% FRANCE
- 7% POLAND
- 7% OTHER

1 As referred to in note 2 of the financial statements
2 Includes property valuation movements
3 Includes Group share of properties held within joint ventures
4 As referred to in note 14 of the financial statements
5 As referred to in note 13 of the financial statements

CHAIRMAN'S STATEMENT

OVERVIEW

2012 has been a year focused on delivering against our strategic objectives, set out in November 2011, to reshape the portfolio and drive operational excellence across the business. Against those objectives, we have made good progress.

Firstly, we have achieved £700 million of non-core asset disposals since January 2012 (including £152 million of disposals after the year end), which exceeded our own initial expectations and included the sale of three of the six large non-strategic assets identified as part of our strategic review.

Secondly, in line with our strategy, we have reinvested some of the disposal proceeds into the acquisition of two logistics portfolios and into a number of profitable development projects.

Thirdly, we reduced net borrowings by £213 million to £2,090.3 million, before taking into account the additional sale proceeds received since the year end. We have also been delivering on our commitment to build critical mass using third party capital, having partnered with Moorfield Group to acquire one of the two logistics portfolios referred to above.

Lastly, despite the challenging economic conditions, we have continued to deliver strong operational results during the year. Our core portfolio is concentrated in the most resilient areas in the UK, France, Germany and Poland and this, combined with the limited supply of good-quality product in those markets, has supported good levels of occupancy, despite the wider unsettled macro-economic conditions. As a result of this, and the expertise and commitment of our team, EPRA earnings per share has increased by 4.9 per cent to 19.3 pence.

There have also been some challenges during the year. In July, Neckermann, the Frankfurt-based mail order company, filed for insolvency. This has affected the valuation of the asset and will see the loss of about £12 million of income in 2013. Additionally, our EPRA net asset value per share has reduced to 294 pence per share, compared with 340 pence a year ago. Whilst our core warehousing, light industrial and data centre property valuations have remained very resilient, our non-core assets (including the Neckermann site) and our suburban offices in the South East of the UK with shorter lease lengths have seen a significant reduction in their valuation.

These adverse property valuation movements resulted in our loan to value ratio increasing from 49 per cent to 51 per cent. We remain committed to reducing our leverage over time but continue to believe this objective should be balanced against opportunities for profitable investment in the near to mid-term.

Overall, it has been a successful year for the Group and we have made good progress towards our goal of creating a leading income-focused REIT. The Board is thankful to all employees for their hard work and diligence in delivering these results.

DIVIDEND

The recommended final dividend of 9.9 pence per share (2011: 9.9 pence) will be paid as a Property Income Distribution, giving a total dividend for the year of 14.8 pence (2011: 14.8 pence). The final dividend will be paid on 26 April 2013 to shareholders on the register at the close of business on 22 March 2013. As previously stated, the Board expects to at least maintain the dividend throughout the reshaping process, and is committed to a progressive dividend policy in the longer term.

The Board continues to offer a Dividend Reinvestment Plan for the 2012 final dividend.

BOARD CHANGES

In September 2012 we announced the appointments of Christopher Fisher and Margaret Ford as Non-Executive Directors, with effect from 1 October 2012 and 1 January 2013, respectively. Both have a broad range of experience and are providing valuable input to the Board.

Andrew Palmer, Senior Independent Director, and Chris Peacock, Chairman of the Remuneration Committee, will retire from the Board at our AGM in April 2013, both having served nine years as Non-Executive Directors. On behalf of the Board, I thank them both for their wise counsel and contributions to the business over that time. Margaret Ford will become the Senior Independent Director and Chairman of the Remuneration Committee after the AGM.

NIGEL RICH CBE
CHAIRMAN

SEGRO TODAY

OUR BUSINESS

SEGRO is a leading owner, asset manager and developer of modern warehousing, light industrial and data centre properties (collectively referred to as 'industrial properties') with £4.7 billion of assets (including our share of joint venture assets) principally concentrated in London's Western Corridor (including the Thames Valley) and in key conurbations in France, Germany and Poland. We also own suburban office buildings in the Thames Valley, Brussels and Milan.

In the UK, we have a leading market position around Heathrow with £0.6 billion of assets (including our share of joint venture assets) in some of the most sought-after airside and off-airport locations. We have a £0.6 billion portfolio at Park Royal and Greenford, which has become a primary focus for businesses seeking 'urban logistics' space to service Central London. We also own the £1.0 billion Slough Trading Estate, which is a well established, modern business park in the Thames Valley and has also grown to become one of Europe's largest data centre hubs.

In Continental Europe, we have £1.6 billion of warehousing and light industrial assets concentrated in attractive sub-markets such as the Ile de France region around Paris, which shares similar characteristics to Greater London, the Rhine Rhür region in Germany and key markets in Poland.

OUR STRATEGY

In November 2011, we set out our strategy to address areas of historical underperformance and deliver better future returns to our shareholders. Our ambition is to be the best owner-manager and developer of 'industrial' properties in Europe and a leading income-focused REIT. We are aiming to deliver attractive returns for shareholders in the form of a low-risk, progressive dividend stream, supported by long-term growth in net asset value per share.

In order to achieve that vision, we are creating a portfolio comprised predominantly of modern warehousing, light industrial and data centre assets which are well specified and located, with good sustainability credentials, and which will benefit from a low structural void rate and relatively low-intensity asset management requirements. These assets will be concentrated in the strongest sub-markets which have attractive property market characteristics, including good growth prospects and limited supply availability, where we already have, or can achieve, critical mass. We believe such a portfolio should deliver attractive, low risk income returns, with above average rental and capital growth when market conditions are positive and show resilience in a downturn. We aim to enhance these returns through development, but seeking to ensure that the 'drag' associated with holding land does not outweigh the potential benefits. Our overall portfolio strategy will be underpinned with an efficient overhead structure and relatively modest financial leverage through the cycle.

Fundamental to the implementation of our strategy are two key pillars of activity:

– Disciplined Capital Allocation, which consists of picking the right geographical markets and assets, creating the right portfolio shape and actively managing the portfolio composition in order to time the property market cycle and individual asset lifecycles; and,

– Operational Excellence, which consists of optimising performance from the portfolio through customer service, expert asset management, development and operational efficiency.

Through Disciplined Capital Allocation and Operational Excellence we aim to apply our business model of 'Buy Smart, Add Value and Sell Well' with the goal of producing attractive, income-oriented total property returns ('TPR'). We believe that strong TPR, if underpinned by the right capital structure and a lean overhead base, should translate into the attractive shareholder returns referred to above.

In order to implement our strategy, we set out a plan which has four key priorities to reshape the existing portfolio by divesting non-core assets and reinvesting in our core markets and asset types, reduce financial leverage and drive operational performance across the business.

These priorities, and our progress against each of them during the year, are detailed further on pages 11–12 in the Chief Executive's Review.

OUR EXECUTIVE MANAGEMENT TEAM

DAVID SLEATH*
CHIEF EXECUTIVE OFFICER
*Main Board members

JUSTIN READ*
GROUP FINANCE DIRECTOR

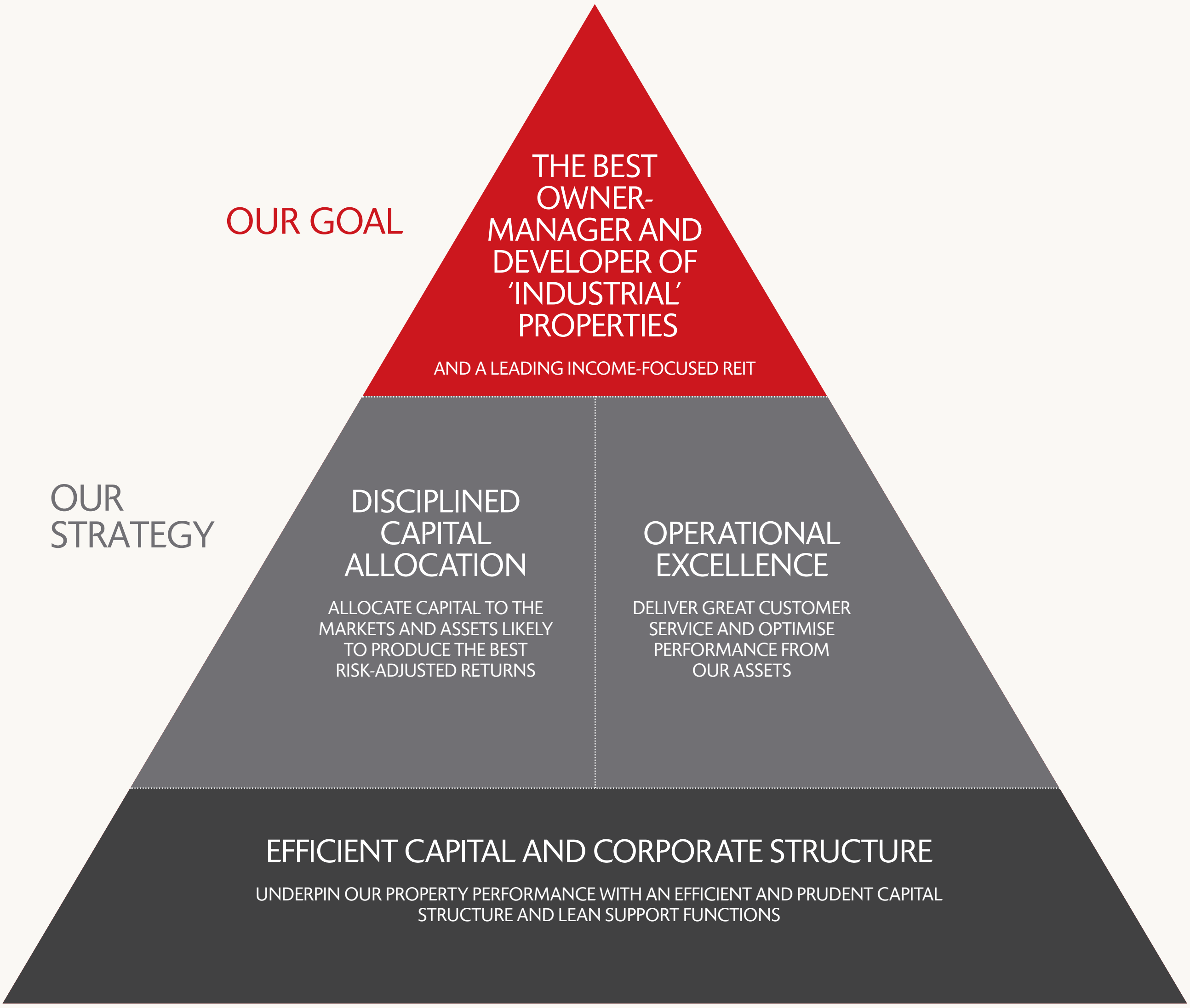
ANDY GULLIFORD
CHIEF OPERATING OFFICER

PHIL REDDING
CHIEF INVESTMENT OFFICER

LIZ REILLY
GROUP HR DIRECTOR

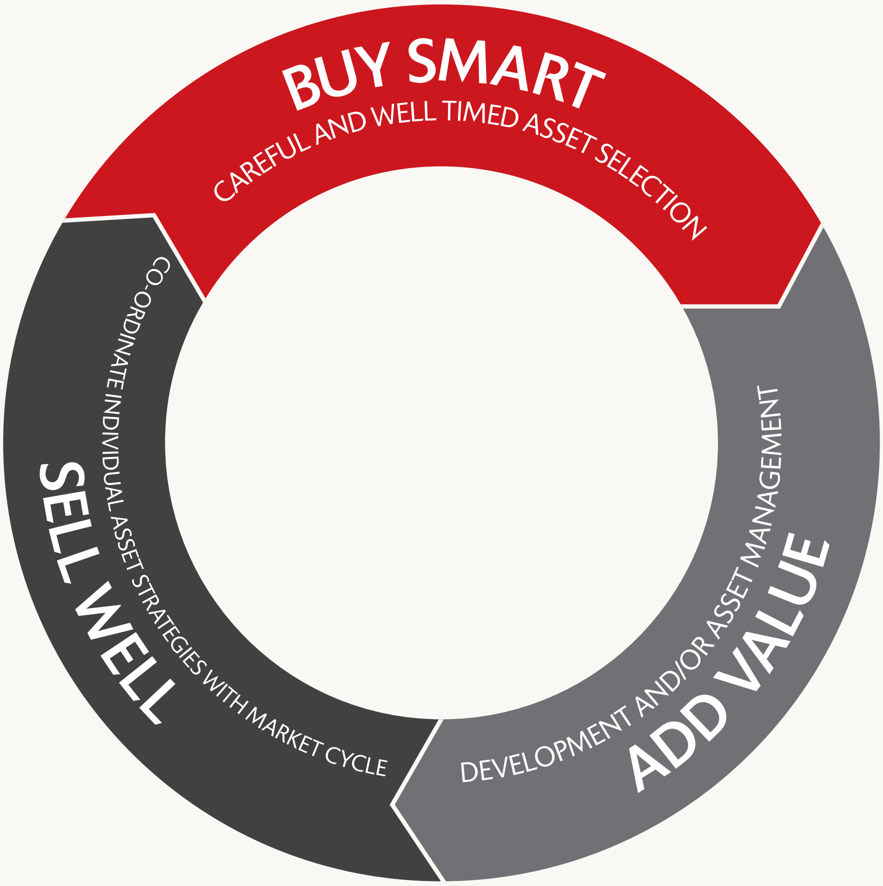
OUR STRATEGY MODEL

Our strategy is focused on the two key pillars of Disciplined Capital Allocation and Operational Excellence which, if underpinned by an efficient and prudent capital structure and lean support functions, should translate into attractive shareholder returns.



OUR BUSINESS MODEL

Through Disciplined Capital Allocation and Operational Excellence we aim to apply our business model of 'Buy Smart, Add Value and Sell Well.' This means carefully assessing and timing the acquisition of land and buildings, being an expert developer and applying asset management initiatives to increase income and add value to our portfolio. Equally critical is the crystallisation of gains at the right stage of an asset's lifecycle and the overall market cycle so that those gains can be recycled back into new opportunities.



OUR CUSTOMERS

Delivering first-class customer service is a key aspect of our priority to drive Operational Excellence across the business.

Our properties are occupied by more than 1,300 customers across a wide range of industry sectors and geographies. While retailers, light industrial businesses and third party logistics operators continue to account for the majority of requirements in our market, the structural shift in internet consumption and local shopping is noticeably stimulating demand for large warehouses and smaller, edge-of-town or 'urban logistics' warehouses, with parcel carriers being particularly active in leasing new space. The ongoing growth in requirements for electronic data storage solutions has also continued to fuel demand for data centres in and around major financial centres.

TOP 20 CUSTOMERS[1]

CUSTOMER	TYPE
1 Deutsche Post (DHL)	Transport & distribution
2 Telefonica O2	Communications & technology
3 IAG (BA/BMI)	Transport & distribution
4 Infinity	Communications & technology
5 Royal Mail	Transport & distribution
6 Mars	Food
7 Sainsbury's	Retail
8 Alcatel-Lucent	Communications & technology
9 UCB	Chemicals & commodities
10 Tesco	Retail

CUSTOMER	TYPE
11 Jacobs Engineering	Engineering & electrical
12 Equinix	Communications & technology
13 DAHER	Transport & distribution
14 FedEx	Transport & distribution
15 Antalis	Timber, paper & printing
16 Savvis	Communications & technology
17 Ducros Express	Transport & distribution
18 Lonza	Chemicals & commodities
19 Barclays Bank	Financial
20 Booker	Retail

1 Excluding Neckermann (take back in January 2013) and post year end disposals.

OUR PRODUCTS

Our £4.7 billion portfolio is concentrated in modern and well-located properties covering more than 5 million sq m across three product categories:

LARGER LOGISTICS WAREHOUSES

24 per cent of our portfolio by value is invested in larger distribution warehouses, typically over 10,000 sq m, serving the logistics industry. These types of assets attract a range of occupiers including large retailers, manufacturers and logistics service providers. Often with relatively long leases, strong occupier covenants, and limited ongoing capital expenditure requirements, these properties offer secure and attractive income returns.

SMALLER WAREHOUSES AND LIGHT INDUSTRIAL BUILDINGS

48 per cent of our portfolio by value is invested in multi-occupier light industrial estates, typically comprising units of 10,000 sq m or less, which are built to suit a wide variety of customer requirements. These estates are located in and around major conurbations offering good road access, making them ideal centres for the distribution of goods direct to the customer, to retail units or for business-to-business distribution.

HIGHER VALUE USES

We seek to generate additional rents and returns by exploiting opportunities to redevelop industrial land into higher value uses such as data centres, suburban offices, trade counters, car showrooms, research and development facilities, or self-storage centres. These sub-sectors represent 21 per cent of our portfolio by value, including 25 data centres.

TOP
Tulipan Park, Warsaw

MIDDLE LEFT
La Courneuve, Ile de France

MIDDLE RIGHT
Spacewaye, Heathrow

BOTTOM LEFT
Data Centre, Slough Trading Estate

BOTTOM RIGHT
Audi Garage, Slough Trading Estate

OUR MARKETS

As part of our strategic portfolio reshaping, our assets will be concentrated in the strongest sub-markets which have attractive property market characteristics, including good growth prospects and a limited supply availability, where we have, or can achieve, critical mass.

The portfolio is well balanced, with 92 per cent of assets in key Western European geographies (of which 66 per cent is in the UK), and the remaining 8 per cent invested in emerging Central European locations.

O LARGER LOGISTICS WAREHOUSES
O LARGER LOGISTICS WAREHOUSES, SMALLER WAREHOUSES/LIGHT INDUSTRIAL BUILDINGS AND DATA CENTRES
* SUBURBAN OFFICES

STRONG DEMAND DRIVERS FOR MODERN WAREHOUSE SPACE

We believe that a focus on high-quality and well-located 'industrial' property, predominantly comprised of warehousing, light industrial and data centre assets, provides a good basis from which to deliver attractive returns for shareholders. Over the last 25 years, total returns from industrial property, as measured by the UK IPD Index, have been higher than from retail and office sectors, principally due to the higher income returns (i.e. yields) typically available.

Increased levels of international trade, the outsourcing of distribution by manufacturers and retailers and growth in consumer spending have created robust demand for warehousing space over this period. The opportunity to convert industrial land to 'higher-value uses' such as offices, retail units or trade counters, has also enhanced the returns available from owning industrial property. More recently, growth in 'high-tech' manufacturing and the engineering services sector, the pressure for more efficient supply chains and the trend towards online and convenience shopping have all been driving demand for modern warehouses. Additionally, growth in the financial services and technology, media and telecommunications sectors has been feeding requirements for new data centres.

We believe that these trends are likely to continue in the years ahead and will serve to provide robust levels of demand for modern, well-located property.

Our urban logistics and data centre portfolios are two excellent examples of how we are positioning ourselves to benefit from some of the trends discussed above. In addition, our Chief Investment Officer, Phil Redding, talks in more detail on pages 22–23 about supply and demand dynamics in the 'big box' logistics market and how we have strengthened our platform through the acquisition of two prime logistics portfolios during the year.

URBAN LOGISTICS

One of the key trends we are seeing is rising demand for 'urban logistics' space from businesses, particularly retailers, to service major conurbations. At our Park Royal and Greenford estates in West London we have a range of existing customers, such as H&M and Sainsbury's serving their London store networks. We also completed a large letting at Heathrow during the year to Wincanton, a third party logistics provider, which is contracted to supply Morrisons' West London convenience stores.

At our new development at La Courneuve, located next to the A86 ring road close to the centre of Paris, we completed a letting to Chateau D'Eau, a leading distributor of water to offices. From here it delivers to clients in the city centre and suburbs of Paris. We also let space at the estate to a major global parcel company, which chose the location for its proximity to Paris city centre and Charles de Gaulle Airport. As a result of these two lettings, our new 8,500 sq m speculative development is now 80 per cent let. Casino, the supermarket chain, also delivers to 800 stores in Paris daily from our 28,000 sq m cold storage facility in Gonesse, just north of Paris.

The 'last mile solution' is also becoming increasingly critical for e-retailers, needing to deliver directly to their customers within short lead times. We are starting to see demand manifest itself through third party parcel delivery companies, such as Fedex, UPS, Geopost/DPD and DHL Express.

The major supermarket chains are also embracing a new type of 'dark store', or dot.com only store, to meet the rising demand for home delivery. Our estates in West London and the Ile de France, positioned on the edge of large conurbations, are ideally situated to take advantage of these changes to supply chains.

ABOVE
Casino in Gonesse, Ile de France

LEFT
Geopost, Enfield

BELOW LEFT
Premier Park, Park Royal

DATA CENTRE PROVIDERS

Advances in technology and the growth of the internet have become key drivers of demand for data centre facilities. This is coming from corporates, such as financial institutions, managing their information and communication technology infrastructure in-house, managed services providers, and co-location operators providing outsourced services.

During 2012, we continued to build our data centre portfolio, reinforcing our position as one of the UK's leading providers of data centre facilities. We now have 25 data centres in the UK, totalling 144,000 sq m, let to a range of financial institutions, telecoms companies and specialist third-party providers.

For mission-critical facilities providing real time back-up, there are a number of factors which dictate location. At SEGRO, we are proud that the Slough Trading Estate has become home to 17 data centres as a result of it meeting industry location requirements, such as a close proximity to Central London, dual power supply and excellent network connections. This includes three new facilities developed at the Estate during the year, for Gyron, Infinity and one other major provider, totalling 20,300 sq m. Our remaining facilities are located on the outskirts of London and at IQ Winnersh.

Our data centre portfolio is a good example of how we have applied our strategy to develop higher-value uses on industrial land. For SEGRO, the built cost per sq m for such assets is broadly comparable to that of our light industrial units but we are achieving premium rents. Additionally, due to the investment required by our customers to fit out a data centre, lease lengths are typically in excess of 15 years.

Through the portfolio we have built, we have developed a strong understanding of the specification, power supply, connectivity and security issues that are of such importance to our customers. We are now keen to use our expertise to expand our data centre portfolio into Continental Europe, focusing on Paris and Frankfurt.

TOP AND ABOVE RIGHT
Infinity, Slough Trading Estate

ABOVE LEFT
Gyron, Slough Trading Estate

"We are delighted that our new facility in Slough is complete and ready for clients to lease. This site offers customers a whole range of dedicated, shared and modular co-location solutions to meet their exact needs in a low-risk area with low fibre latency to London.

Infinity Slough will provide much-needed data centre capacity in the Thames Valley area, home to many of Europe's leading IT and computing companies and a hub of national significance. The area already has an extremely high concentration of communications companies, and it will become increasingly significant in the future due to initiatives such as Crossrail.

Infinity Slough is a fantastic addition to our portfolio of data centres in and around London, further strengthening and extending our offer to clients."

STUART SUTTON
CEO at Infinity (January 2013)

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

We are pleased with the progress made by the business over the past year. Our strong operational performance in 2012 has driven good earnings growth. Through disposals, selective acquisitions and development, we have taken substantial steps forward with our strategy to build a high-quality portfolio of modern, well-located warehouses, light industrial and data centre assets.

ADVANCING OUR STRATEGY TO BECOME A LEADING INCOME-FOCUSED REIT

In November 2011, we set out our strategy, which is detailed on pages 4-5 of this report, to address areas of historical underperformance and deliver better future returns to our shareholders.

In order to implement our strategy, we set out a clear plan with four key priorities:

01 Reshaping the existing portfolio by divesting non-core assets which do not meet our strategic and financial criteria and reducing non-income producing assets as a proportion of the total portfolio;

02 Seeking profitable growth by reinvesting in core markets and asset types by taking advantage of attractive development and acquisition opportunities;

03 Reducing net debt and financial leverage over time and introducing further third party capital where appropriate; and

04 Driving our operational performance across the business through greater customer focus, knowledge sharing, efficiency improvements and cost reductions.

Our focus throughout 2012 has been on delivering against these four priorities and making further progress towards our ambition of being a leading owner, asset manager and developer of industrial properties and a leading income-focused REIT.

> "Against our strategic priorities we have made considerable progress in the first full year of our three to five year journey to reshape our portfolio, reduce the level of net borrowings and drive further improvements in our operational performance. We will continue to work towards each of these objectives in the current year and beyond.
>
> **DAVID SLEATH**

PROGRESS AGAINST OUR STRATEGIC PRIORITIES

RESHAPING THE EXISTING PORTFOLIO

The first of our strategic priorities is to reshape the portfolio and focus on high-quality modern warehousing, light industrial and data centre assets in the strongest sub-markets.

We identified non-core assets for disposal with a value of £1.4 billion at 31 December 2011, including six large non-strategic assets with a combined value of £515 million. These are a combination of mainly older, more secondary and higher-vacancy estates, as well as investments in sub-scale or weaker markets, which we do not believe have the right characteristics to contribute to our objective of delivering better future returns for our shareholders.

Since that time, we are pleased to have made significant progress with our portfolio reshaping programme, exceeding our target of completing £300 million to £500 million of disposals in 2012. Since January 2012, we have completed the sale of £700 million of non-core assets (of which £152 million occurred after the year end), including £228 million from the sale of three of the six large non-strategic assets we previously identified (IQ Farnborough and the Thales campus in the UK and the MPM site in Germany, our first major disposal in Continental Europe).

In aggregate, the £700 million of disposals were completed at a 3.6 per cent discount to December 2011 book values and at an average exit yield of 7.2 per cent. The disposal proceeds helped us to reduce net borrowings and provide funds for reinvestment in acquisition and development opportunities, as explained on the following page.

Based on the portfolio valuation at 31 December 2012, and including the above disposals, we now have £583 million of the original non-core assets remaining. This includes £177 million relating to the three remaining large non-strategic assets, £353 million relating to other mainly smaller industrial assets and £53 million relating to land holdings.

The three large non-strategic assets are all located in Continental Europe: Pegasus Park, an established office park near to Brussels Airport; our part-developed office site, Energy Park at Vimercate in Italy; and the former Neckermann site in Frankfurt. In the present environment, investment market appetite for such large, relatively bespoke assets is limited and this has adversely affected their valuation performance during 2012. Whilst we will continue to evaluate options for divestment, we anticipate that it may take some years to reach the optimum point at which the Group will fully exit from these properties; in the meantime, our operational team will continue to actively manage the assets, seeking to maximise the income and returns.

In contrast, the remaining £406 million of non-core assets and land (comprising £169 million in the UK and £237 million in Continental Europe), whilst secondary in nature, generally represent more liquid lot sizes. We expect the majority of these assets to be sold over the next two years, in line with the time frames we set out for our strategy in November 2011, subject to the completion of various asset management initiatives and market demand.

During 2013, we aim to dispose of between £300 million and £500 million of assets, including the £152 million of disposals completed after year end. Our disposals in 2013 are likely to comprise both sales of previously identified non-core assets as well as other assets which are now deemed suitable for 'recycling' as part of our ongoing approach to actively manage the portfolio.

£700m
of non-core asset disposals, including three of the six large non-strategic assets

£583m
of non-core assets remaining

DISPOSALS

MONTH	PORTFOLIO/ASSET	ACQUIRER	DISPOSAL PROCEEDS (£m)	NET INITIAL YIELD (%)
2012				
February	Four regional UK estates	Ignis	71.2	6.3/7.0[1]
April	IQ Farnborough	Harbert/XLB	92.1	6.4/6.8[1]
June	Four regional UK estates	Harbert	204.5	6.7/7.4[1]
July	10 regional UK estates	UK Institution	111.0	8.4/8.9[1]
Various	Other UK non-core assets	Various	43.6	10.9/11.5[1]
Various	Other CE non-core assets	Various	25.7	7.7/7.7[1]
SUB TOTAL			**548.1**	
2013				
January	Thales in Crawley, UK	L&G Property	80.0	5.9/5.9
February	MPM in Munich, Germany	Private investor	56.0	7.9/7.9
Various	Other non-core assets	Various	16.3	7.7/7.7
TOTAL			**700.4**	**7.2/7.7[1]**

1 Including the benefit of lease incentive top-ups

SEEKING PROFITABLE GROWTH THROUGH DEVELOPMENT AND ACQUISITION

Our second strategic priority is to seek profitable growth by reinvesting in core markets and asset types by taking advantage of attractive development and acquisition opportunities which are expected to meet, or exceed, our targeted rates of return and which will contribute to the desired shape of our overall portfolio.

We have invested, or committed, £218 million of capital expenditure into 21 projects completed during the year, including major developments for leading companies such as DB Schenker, Rolls-Royce and Decathlon, and into our current development pipeline, which comprises 14 projects approved, contracted or under construction. Such projects are expected to provide a valuable source of new rental income and are a profitable way to add high-quality, modern properties to the portfolio and build critical mass.

We have also completed two significant portfolio acquisitions which will strengthen our logistics platform in our target markets in the UK and France and which partly offset income lost through disposals.

In January 2012, we completed the acquisition of a 50 per cent stake in the UK Logistics Fund (subsequently renamed the Logistics Property Partnership – 'LPP') in partnership with Moorfield, for which SEGRO contributed equity of £65.7 million. The portfolio comprises 14 modern logistics warehouses, predominantly located in the Midlands and South of England.

Additionally, in September 2012, we completed the acquisition of a portfolio of 13 fully let modern logistics buildings in the Ile de France and Lyon for €160.8 million (£129.7 million) from Foncière Europe Logistique ('FEL'). This transaction provided SEGRO with a rare opportunity to build critical mass in the two strongest markets in France and to drive operating efficiencies through greater scale. The five estates in the Ile de France are located in close proximity to our existing logistics assets, with the remaining three estates well positioned to take advantage of the growing logistics market in Lyon.

Both the LPP and FEL portfolios have been successfully integrated into our operating platform and they have been performing in line with our expectations.

In the past year we have grown our logistics platform from £0.8 billion to £1.1 billion (including our share of joint venture assets) and we are delivering on our commitment to grow our logistics portfolio through development and acquisitions, using third party capital where we see attractive opportunities.

REDUCING NET DEBT AND FINANCIAL LEVERAGE OVER TIME

Against our third objective, and as a result of net divestments during the year, we reduced net borrowings at the year end to £2,090.3 million, compared with £2,303.4 million at the start of the year. This was further reduced by the £152 million of gross sale proceeds, predominantly from the Thales campus and the MPM site in Munich, which were received in January/February 2013.

Despite this reduction in net debt, our loan to value ('LTV') ratio (including our share of joint venture assets and liabilities) rose from 49 per cent to 51 per cent over the same period (or 50 per cent on a pro forma basis, taking into account the £152 million of post year end disposals), with the benefit of disposal proceeds being offset largely by the impact of the overall portfolio valuation decline and investments. We remain committed to reducing the LTV ratio over the longer term because we continue to believe that REITs with lower leverage offer a lower risk and less volatile investment proposition for shareholders. Over time we expect the Group's leverage to reduce through selling assets, development, asset management, rental growth-drive gains and from cyclical valuation uplifts. In the near term, however, whilst continuing to prioritise disposals in line with our portfolio strategy, we continue to believe it appropriate to balance further reductions in net debt against opportunities for further, profitable capital deployment.

The LPP acquisition was a good example of how we can partner with third party capital to build critical mass in our core markets and we will continue to assess other such opportunities in the future.

DRIVING OUR OPERATIONAL PERFORMANCE

We have made strong progress against our fourth objective through our customer and market focus, improved operational efficiency and cost control. A number of key measures reflect our operational achievements this year, including like for like rental income growth of 1.9 per cent (2011: 0.8 per cent) and a reduction in our Group vacancy rate to 8.2 per cent (31 December 2011: 9.1 per cent). We also completed 21 new developments during the year (the largest number since 2009) and reduced our total cost ratio to 22.9 per cent (2011: 24.5 per cent). As a result of these factors and a reduction in net finance costs, our EPRA EPS increased by 4.9 per cent to 19.3 pence, despite the dilutive impact of our disposal programme.

9.3%
Reduction in net debt to £2,090.3 million

£425m
being reinvested into modern warehousing, light industrial and data centre assets

4.9%
Increase in EPRA EPS to 19.3 pence

OCCUPIER MARKETS

Despite the ongoing weak economic backdrop, SEGRO's portfolio is focused on the strongest sub-markets within the UK, France, Germany and Poland, where economic and property market fundamentals have been relatively resilient. Demand in these markets has come from a range of occupiers; retailers, light industrial businesses and third party logistics operators continue to account for the majority of requirements in the market but the structural shift in internet consumption and local shopping is noticeably stimulating demand for large warehouses and smaller, edge-of-town or 'urban logistics' warehouses with parcel carriers particularly active. The ongoing growth in requirements for electronic data storage solutions has also continued to fuel demand for data centres in and around major financial centres. These trends are discussed further on pages 8–9.

With the overall economic and financial climate continuing to constrain speculative development, the availability of good quality, modern buildings has also continued to shrink. Whilst this has not yet translated into widespread rental growth, we have seen headline rents start to move ahead in the strongest micro-locations and a general tightening of lease incentives in several markets. Away from the 'prime' end of the market where demand is strongest and supply most limited, the general economic backdrop has meant that many traditional occupiers remain extremely cautious, slow in decision-making and generally reluctant to increase their cost base ahead of any real evidence of economic recovery; in these areas downward pressure on rents has remained evident.

LEASING ACTIVITY

During 2012, we secured 262 new lettings across the Group totalling 486,500 sq m, which generated £35.3 million of new annualised rental income (2011: £33.5 million). This included £14.6 million from developments completed during the year. Our level of takebacks (the amount of rental income lost due to lease expiry or exercise of break options, surrender or insolvency) remained broadly consistent year on year at £21.5 million (2011: £21.0 million).

We have seen a positive trend in headline rental levels on new leases and lease renewals, which were achieved at 2.9 per cent above the valuers' December 2011 estimated rental values ('ERVs'), on average. The level of lease incentives given on new lettings during the year has improved, to 8.2 per cent on average, compared with 11.0 per cent in 2011.

Greater London

In Greater London, we completed 85 new lettings totalling 95,400 sq m, including several significant deals at Heathrow. Our largest UK letting was in September for 11,400 sq m at Polar Park to Circle Express, a freight distributor, on a 15 year lease. We acquired this park via the Brixton acquisition in 2009 and it had been our largest void in the portfolio since that time. Also at Heathrow in October, we let 8,800 sq m at the North Feltham Trading Estate to Wincanton, a third party logistics provider, to service a major contract for the supermarket chain, Morrisons. Wincanton chose this site for its close proximity to convenience stores in West London and good motorway access. At the Heathrow Cargo Centre, DHL signed a seven year lease for 7,500 sq m in November for its airside cargo distribution business and during the year we also let three of the remaining four units on the top floor of X2, a two-storey building acquired with Brixton in 2009.

Thames Valley and National Logistics

The main driver of new rental income in the Thames Valley region last year was the completion of five pre-let developments and two speculative schemes on the Slough Trading Estate totalling 33,700 sq m. Another key theme at the Estate was working with existing customers, such as Kosei Pharma, to meet their changing space requirements. In September, Kosei Pharma upgraded to a 1,000 sq m facility close to their original unit, allowing space to grow the business. Smaller deals away from the Estate included the letting of 10 units representing 11,700 sq m to a range of customers at IQ Winnersh, Albany Park in Frimley and Kingsland Business Park in Basingstoke. Overall, in the Thames Valley we completed 82 new lettings totalling 81,300 sq m.

Germany and Northern Europe

In Germany and Northern Europe we completed 61 new lettings totalling 140,200 sq m, including 20,000 sq m in Grevenbroich Kapellen, near Düsseldorf, to Rhenus Home Delivery on a 10 year lease. We also let 10,700 sq m to an energy consulting firm, AEP, representing all of the remaining space at our speculative development in Alzenau, Frankfurt. In the first half of the year, we signed four office lettings at Pegasus Park in Brussels totalling 6,500 sq m, which has enabled us to reduce our vacancy rate there below the persistently high level of more than 20 per cent seen in the local Brussels periphery office market.

France and Southern Europe

Our largest letting in France was in Lyon, to Transport Fatton, for 12,600 sq m of logistics space in June. We also let 5,700 sq m to Transalliance Distribution in the north of the Ile de France region and a further 2,900 sq m of speculative space at La Courneuve to a major global courier company which chose this site for its proximity to Charles de Gaulle airport and its existing European distribution hub. In total, we signed 16 lettings in France and Southern Europe, representing 57,600 sq m.

Poland and Central Europe

Our lettings activity in Poland and Central Europe, which is a younger market for logistics, continues to be predominantly driven by pre-let developments. During the year we completed six new projects, including major new facilities for retailers Decathlon and Zabka. The pre-let for Decathlon replaced an existing 20,000 sq m facility with us and, with Decathlon only having vacated the space in October, we were very pleased to re-let more than 50 per cent by year end. Overall, we signed 18 deals in Poland and Central Europe, totalling 111,900 sq m

262
new lettings secured

£35.3m
of new annualised rental income

2.9%
headline rental levels achieved above the valuers' December 2011 ERVs

BELOW
SEGRO Logistics Park, Krefeld Süd, Düsseldorf

SIGNIFICANT IMPROVEMENT IN GROUP VACANCY TO 8.2 PER CENT

We have improved the Group vacancy rate to 8.2 per cent at 31 December 2012 compared with 9.1 per cent a year ago (benefitting 1.6 per cent and 1.9 per cent, respectively, from short-term lettings). This comprises 7.6 per cent vacancy for the core portfolio (31 December 2011: 8.2 per cent), compared with 11.1 per cent vacancy for the non-core portfolio (31 December 2011: 11.2 per cent).

Key reasons for this improvement include our capital recycling activity, which benefitted the vacancy rate by 0.9 per cent, the letting of existing space and new speculative developments, and the proactive management of lease events. For example, at Heathrow we signed a number of significant deals during the year which led to an improvement in our Greater London vacancy rate, to 8.0 per cent compared with 11.3 per cent at the start of the year. We achieved an overall retention rate of 65 per cent (below the unusually high 74 per cent achieved in 2011), and our occupancy levels at year end reflect our success in re-leasing space returned to us during the year.

The 8.2 per cent year end vacancy rate excludes any impact of Neckermann, which fully vacated its premises at the end of January 2013. On a pro forma basis, taking Neckermann into account as if it had vacated at 31 December 2012, and including the re-letting of space at the site, the Group vacancy rate would have been 9.3 per cent (or 9.6 per cent, also allowing for the sale of the fully let MPM and Thales assets sold after year end). The core vacancy rate would have remained unchanged at 7.6 per cent.

In addition to managing lease events falling due in 2012, our property teams have continued to adopt a proactive approach to negotiating lease extensions in advance of break options and lease expiries falling due in later years. This, along with the benefits of recycling, has enabled us to materially reduce gross passing rent at risk from breaks and expiries in 2013 by 21 per cent to £41.0 million at 31 December 2012, compared with the £51.8 million at risk for 2013 a year earlier.

MANAGING RENT AT RISK FROM INSOLVENCIES

SEGRO has a broad range of over 1,300 customers across multiple sectors and actively monitors their creditworthiness and any rent at risk from insolvency.

At 31 December 2012, we had £13.9 million of annualised rental income relating to customers in administration (31 December 2011: £2.7 million). This included approximately £12 million of income relating to the Frankfurt-based mail order retailer, Neckermann, which filed for insolvency in July 2012. Neckermann occupied a 309,000 sq m bespoke office and distribution facility, owned by SEGRO, which it fully vacated at the end of January 2013. After taking into account rental guarantees held, the loss of income will impact us from the start of 2013. We have been working hard to identify alternative customers to help mitigate any empty costs associated with the site over the short term whilst we review longer term options for the asset. To date, we are pleased to have already re-leased approximately 15 per cent of the existing space, including 42,000 sq m to BLG Logistics Group.

Despite the challenging macro-economic environment, our general level of insolvencies across our customer base has remained very low. Neckermann is the second material insolvency in recent years, following the administration of Karstadt Quelle, also in Germany, in 2010 (£4.6 million of annualised rental income). These two situations arose from the acquisition of higher-yielding property through sale and leaseback transactions soon after the sale of the Group's US business in 2007. Such properties and concentrations of risk in such tenants would not be in line with the Group's strategy today.

Excluding these two cases, the amount of rental income lost through customer insolvencies has averaged approximately 1 per cent of passing rent each year since 2007 due to the diversification of risk across a wide range of customers and assets, combined with our commitment to monitoring, and working closely with, our customers.

8.2%
Group vacancy rate

7.6%
Core portfolio vacancy rate

65%
Group retention rate

LEFT
Booker distribution facility, Hatfield

A STRONG AND HIGHLY PROFITABLE LEVEL OF DEVELOPMENT ACTIVITY

Our active development programme remains an attractive way to generate income and capital growth from our land bank as well as enabling us to build critical mass in core markets where the supply of well-located and modern industrial and logistics space is limited.

The vast majority of our developments have remained pre-leased projects, where we have been able to secure demand from a range of customers such as parcel delivery companies, retailers, third party logistics companies, manufacturers and light industrial users as well as data centre operators. New speculative development remains limited to our core markets and to micro-locations where we believe there to be good demand, unsatisfied by existing and anticipated supply. Each project is assessed on its individual merits and only embarked on when we are confident that it will contribute to our portfolio by delivering attractive total property returns on a risk-adjusted basis. Whilst all of our speculative developments undertaken during the year have generated a good level of enquiries and lettings success, our development programme going forward will remain primarily focused on pre-let projects.

Completed development projects

We completed 21 new developments during the year, our largest number since 2009, totalling 190,000 sq m. These projects represent £16.4 million of annualised new rental income when fully let and we have already achieved 89 per cent occupancy.

Highlights from the broad range of development projects we completed for our customers during the year are detailed by our Chief Operating Officer, Andy Gulliford, on pages 20–21.

Active development projects

Across the Group, we currently have 14 developments totalling 155,200 sq m approved, contracted or under construction, which will contribute £10.8 million of annualised new rental income when fully let (these developments are currently 70 per cent pre-let). Our future capital expenditure required to complete these projects is £71.4 million.

In the UK, our developments include a 2,300 sq m unit on the Slough Trading Estate for Karl Storz Endoscopy on a 10 year lease. The development will form part of a larger 4,100 sq m scheme, including 1,800 sq m of speculative space which is due to complete in Q1 2013. We have also approved a separate 3,300 sq m speculative development on the Estate, which commenced in Q1 2013 and is due to complete in Q1 2014.

At Park Royal we are building 900 sq m of warehouse and office space for Warmup on a 15 year lease to complement their existing 1,000 sq m facility with us on the Estate. This facility will form part of a larger 3,200 sq m scheme, which is due to complete in Q1 2013. In North Feltham, we signed a 6,500 sq m pre-let logistics facility for a freight forwarder, with a further 1,500 sq m of speculative space adjacent to the site, which is due to complete in Q4 2013. We have also approved a 7,800 sq m speculative development in Edmonton, which is due to commence in the second half of the year. Our plans to commence the speculative development of a three building, 15,000 sq m scheme at the Origin site in Park Royal, are currently under review following the site having been identified as a potential High Speed 2 construction site.

In Poland we have six pre-let logistics developments in progress totalling 69,700 sq m. This includes a 23,800 sq m facility in Warsaw for Poland's largest convenience store chain, Zabka, which is expected to complete in Q3 2013. Other large projects in Poland include 18,400 sq m for a car parts manufacturer in Tychy and 10,600 sq m for Valeo and CAT in Strykow.

In Germany, we started the development of a 17,300 sq m speculative logistics scheme in Alzenau, near Frankfurt, and we are also developing 11,900 sq m of speculative logistics space in Krefeld, near Düsseldorf, which is the second phase of this scheme.

Our 34,000 sq m pre-let office development for Alcatel-Lucent in Vimercate, Milan, remains on track to complete in Q1 2014.

ABOVE
Karl Storz Endoscopy, Slough Trading Estate

Potential projects

We have a 573 hectare land bank, including 296 hectares of predominantly well located sites earmarked for future development projects with the potential to generate £84 million of new annualised rental income. These sites include land at the Slough Trading Estate and Heathrow, in the UK; land around Düsseldorf in Germany and in key markets in Poland.

Our pipeline of demand for further pre-let and speculative schemes is encouraging, with several projects under negotiation, agreed subject to planning approval or being prepared for construction. We remain confident that further progress will be made with the development programme in the current year and beyond.

Further detail on our completed and active development projects is presented in our 2012 Property Analysis Booklet, which is available to download at www.segro.com/investors.

PORTFOLIO VALUATION

European property markets faced a challenging economic environment in 2012, with investors adopting risk-averse strategies to reflect the very uncertain external macro conditions. As a consequence, capital was primarily targeted at prime assets in core markets, with the most liquid and transparent markets of London, Paris and the major German cities particularly benefiting from this polarisation towards 'safe havens' and a focus on only the best property. Investments that met these criteria attracted good investor interest, and valuations for high-quality warehousing and light industrial assets remained well supported as a result.

The very limited investor appetite for the more secondary, older and bespoke assets, particularly those located in the more volatile regions of the Eurozone, has continued to negatively impact valuations. Shorter lease length suburban office properties have also experienced valuation declines, reflecting the greater risk premium being applied by investors to these types of assets, and following an increase in transactional evidence, particularly in the second half of 2012.

These trends are consistent with the valuation movements in our portfolio over the past year. Whilst the valuation of our high-quality warehousing, light industrial and data centre properties in core markets has been relatively resilient, we have seen weakness in the valuation of our non-core assets, in particular large bespoke business parks such as Pegasus Park and Vimercate, and also South East UK suburban offices. Similarly, the Neckermann site weakened in value due to the market environment, a situation which was exacerbated and accelerated by the insolvency of that occupier during the year.

Over the year to 31 December 2012, the total value of the Group's property portfolio, comprising completed properties (including our share of joint venture assets), land and development, decreased by £309 million on a like for like basis, including a £267 million reduction for the Group's non-core and large non-strategic assets and its South East UK suburban offices, the latter of which were predominantly impacted in the second half of the year.

On a like for like basis, completed property values for our higher quality core industrial, logistics and data centre portfolio reduced by 1.2 per cent and significantly outperformed the IPD UK Industrial Quarterly Index, which fell by 3.8 per cent in 2012. Overall, including the impact of the reduction in the valuation of our South East UK suburban offices, large non-strategic assets and the remaining smaller non-core assets, the portfolio recorded a like for like valuation reduction of 5.9 per cent.

In the UK, the value of our completed portfolio of core warehousing, light industrial and data centre properties reduced by 1.4 per cent, or 4.0 per cent overall, including non-core and suburban office assets. The best-performing assets were those acquired in the LPP joint venture, where valuations were broadly flat. Asset values at Heathrow were broadly flat to slightly positive in the second half of the year as a result of lettings activity, leading to an overall reduction of 1.7 per cent over the full year. In the Thames Valley, valuations were mainly impacted by suburban offices with shorter leases on the Slough Trading Estate and at IQ Winnersh. This was reflected in a 4.8 per cent decline in the Slough Trading Estate's valuation. Excluding suburban offices, the Estate's valuation declined by 1.9 per cent.

Our Polish assets were the best performing of those on the Continent, recording a 2.6 per cent valuation increase, reflecting development gains and lease extensions. In France, the valuation of our core assets in the Ile de France region and Lyon remained resilient, recording a 0.5 per cent reduction, compared with a 2.4 per cent decline for the overall French portfolio. Asset values in Germany fell by 15.5 per cent, largely reflecting the write down of the Neckermann site in the first half of the year. In Belgium and the Netherlands, asset values fell by 26.5 per cent over the year, largely reflecting the valuation reduction on Pegasus Park office campus.

OUTLOOK

Economic conditions remain uncertain, although there are some signs of stabilisation in the Eurozone and of a recovery in the UK. Property finance continues to be restricted for many and this, combined with the risk-averse attitude of investors, means that the pricing of secondary assets is likely to remain under pressure.

By contrast, prime assets in the most liquid and transparent markets, such as London, the Ile de France and the major German cities, are likely to continue benefitting from the polarisation towards 'safe havens'. As a result, valuations of modern warehousing, light industrial and data centre assets are expected to remain well-supported.

Operationally, we have made good progress over the past year, and believe that we are well-positioned for the year ahead. We have a strong development pipeline and an excellent land bank for future projects. We are continuing to see a good level of occupier demand in our core markets, both for our existing assets and for our developments, from a range of customers, with the continuing growth of e-retailing, local delivery and data storage requirements being particular areas of interest. There is a limited supply of good-quality products in our markets and few developers have the expertise and land to meet demand for modern space in the right locations. We are well-placed to satisfy that demand.

DAVID SLEATH
CHIEF EXECUTIVE

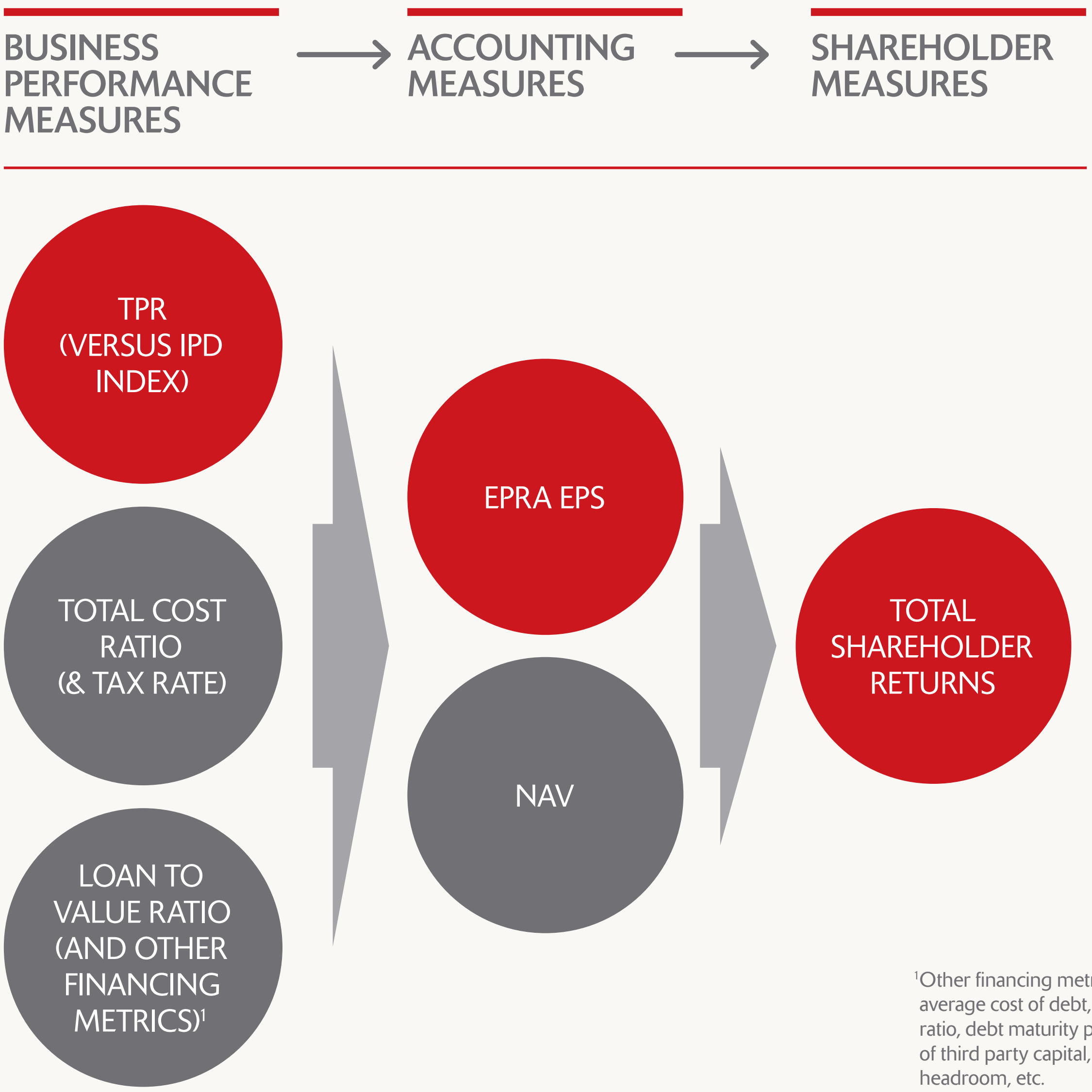
296ha
land bank for potential projects.

£84m
of new annualised rental income from potential projects

LINKING OUR STRATEGY TO OUR KPIs

Our objective is to deliver attractive returns to our shareholders through the execution of our strategy. We have aligned the key performance indicators ('KPIs') that we report on each year to our strategy so that our stakeholders can track the progress that we are making. We also use these metrics as the basis for determining how our senior management team and employees are remunerated.

The three business performance measures (Total Property Return, Total Cost Ratio and Loan to Value Ratio) are directly driven by the twin pillars of our strategy: Disciplined Capital Allocation and Operational Excellence, underpinned by an efficient capital and corporate structure. Improving each of these metrics should, in turn, enhance our earnings and the valuations of our assets and this should enable us to deliver attractive Total Shareholder Returns. It is no coincidence, therefore, that each of these metrics is a KPI, along with Group Vacancy and Customer Satisfaction, which directly feed into our Total Property Return. Our performance against each of these is set out over the page.



[1]Other financing metrics include average cost of debt, interest cover ratio, debt maturity profile, use of third party capital, covenant headroom, etc.

RED items are directly captured in SEGRO's incentive schemes

KEY PERFORMANCE INDICATORS

OVERVIEW

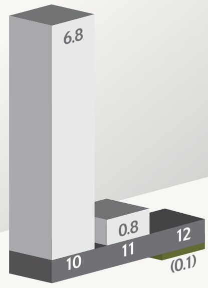
Our KPIs are aligned with our strategic goal to be the best owner, asset manager and developer of industrial property and a leading income-focused REIT which delivers a high-quality and progressive dividend with resilient capital growth. Our eight KPIs are fundamental metrics for how we measure progress within the business and they play a key role in determining remuneration throughout the organisation. Further details on our remuneration policies and the key metrics used to determine our awards and bonuses are set out in the Remuneration Committee Report on pages 57–65.

RISK MANAGEMENT

We recognise that the management of risk has a role to play in the achievement of our eight KPIs since risks can hinder or help us meet our desired level of performance. The relationship between our principal risks and our KPIs is identified in the Principal Risks and Uncertainties section on pages 40-43.

TOTAL PROPERTY RETURN (TPR)†

(0.1)%

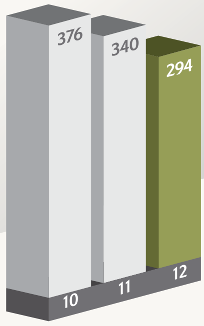


What it is: TPR is a measure of the ungeared combined income and capital return from the Group's portfolio, excluding land, and is calculated in accordance with IPD. It shows the overall return we have achieved on our property assets over the period and is therefore an important measure of our ability to maximise returns from our asset base. TPR is a key metric used in setting our Executive Directors' and senior management team's long-term incentive plan targets and is also a key element in the annual bonus targets applied to all employees.

Our performance: The TPR of the Group was (0.1) per cent compared with the IPD Industrial Index benchmark (based on a universe of £18.4 billion of similar assets in the UK) TPR of 2.9 per cent. The relative underperformance of our portfolio was predominantly attributable to the movement in the valuation of our non-core and South East UK suburban offices. Our core portfolio outperformed the benchmark, producing a TPR of 3.3 per cent.

EPRA NAV PER SHARE†

294 PENCE

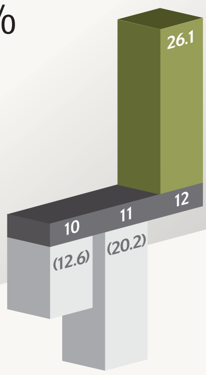


What it is: The value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that are attributable to our shareholders. We aim for sustainable long-term asset value growth whilst carefully managing our liabilities to maintain balance sheet strength.

Our performance: EPRA NAV reduced by 46 pence per share over the year to 31 December 2012, mainly due to a reduction in the overall value of the Group's property portfolio more than offsetting a positive contribution from our development activity. The valuation reduction was largely attributable to our suburban offices in the South East of the UK and our more secondary and bespoke non-core assets. The value of our core industrial, logistics and data centre asset values remained resilient.

TOTAL SHAREHOLDER RETURN

26.1%

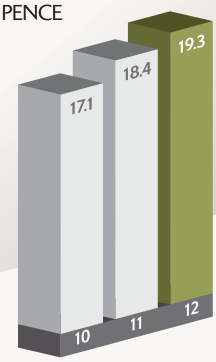


What it is: TSR measures the change in our share price over the year plus dividends paid. This KPI reflects our commitment to delivering enhanced returns for our shareholders through the execution of our strategy over the medium-term. TSR is a key metric used in setting our Executive Directors' and senior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

Our performance: The TSR of the Group was 26.1 per cent, compared with 31.1 per cent for the FTSE 350 Real Estate sector. This performance reflects a combination of an attractive dividend yield relative to the sector and an increase in the share price from 203.5 pence at the start of the year to 248.5 pence at the year end.

EPRA ADJUSTED EPS*

19.3 PENCE

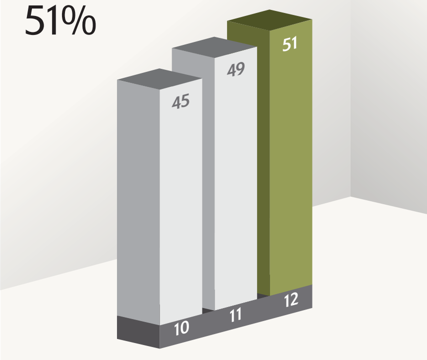


What it is: The after tax earnings we generate, calculated in accordance with EPRA guidelines, that are attributable to our shareholders. This measures how profitable our operations have been during the year. Earnings are a key element in the annual bonus targets applied to all employees.

Our performance: EPRA EPS grew by 4.9 per cent year on year, despite the dilutive impact of disposals on gross rental income. This increase is attributable to our proactive approach to asset management, progress in reducing costs across the business and lower interest expense, in addition to the contribution from high-quality assets recently acquired or developed.

LOAN TO VALUE RATIO (INCLUDING JOINT VENTURES AT SHARE)††

51%

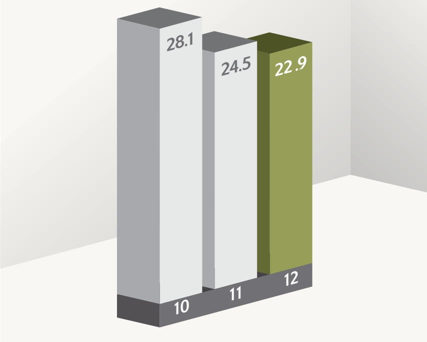


What it is: The proportion of our property assets (including investment, owner-occupier and trading properties at carrying value and including our share of properties in joint ventures) that are funded by borrowings. We remain committed to reducing the LTV ratio over the longer term because we believe that REITs with lower leverage offer a lower-risk, and less volatile investment proposition for shareholders.

Our performance: The Group's LTV ratio (including our share of joint venture assets and liabilities) rose from 49 per cent to 51 per cent year on year, principally as a result of the total portfolio valuation reduction offsetting the reduction in net borrowings achieved through the disposal of non-core assets during the year. Taking into account two significant disposals announced shortly after the year end, the pro forma LTV ratio (including joint ventures at share) would have been 50 per cent.

TOTAL COST RATIO

22.9%

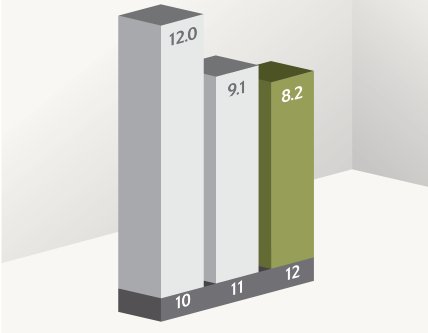


What it is: The ratio of our total administration and property operating costs expressed as a percentage of gross rental income. This is an indicator of how cost effectively we manage both our property assets and our administrative costs in order to improve profitability. Over the medium-term we are targeting to reduce our total cost ratio to the low 20 per cent range.

Our performance: Despite the negative impact of net disposals on gross rental income, the total cost ratio improved from 24.5 per cent to 22.9 per cent year on year. This was largely driven by our focus on minimising administrative costs and a reduction in costs associated with empty buildings, attributable to an improvement in the Group vacancy rate.

EPRA VACANCY RATE

8.2%

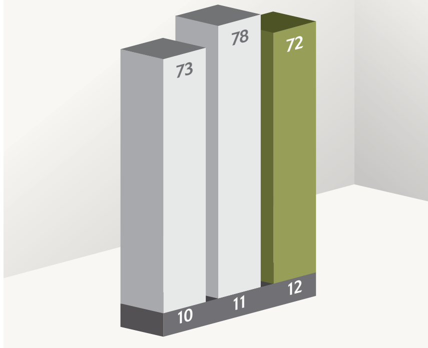


What it is: The vacancy rate measures our ability to find customers to occupy the property assets within our portfolio. An improving vacancy rate generally implies additional rental income and lower vacant property costs. Some level of vacancy will always exist within our portfolio in order to support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

Our performance: We have continued to improve the level of vacancy in the portfolio year on year, to the lowest rate reported in the last 10 years. This reflects the high quality of our buildings and the proactive approach of our property teams towards securing new, and extending existing, leases with our customers. The 8.2 per cent vacancy rate excludes any impact from Neckermann, which fully vacated its premises in January 2013, or from disposals announced shortly after year end. Assuming these events had occurred at year end, the pro forma vacancy rate would have been 9.6 per cent, although the core portfolio vacancy rate of 7.6 per cent would have remained unchanged.

CUSTOMER SATISFACTION

72%



What it is: The percentage of our customers who rate their experience as occupiers of our buildings as 'good' or 'excellent' as opposed to 'poor' or 'average'. Our customers are at the heart of our business and we strive to ensure that we are providing the best level of service possible to maximise customer retention.

Our performance: Overall satisfaction (derived from a sample of 201 customers surveyed across five countries) as an occupier of our buildings was rated as 'good' or 'excellent' by 72 per cent of our customers, or 77 per cent of our core portfolio customers, during 2012. This reflects our focus on communication, being responsive and understanding the needs of our customers. In the prior year, we achieved our highest score yet, of 78 per cent. Whilst this was an exceptionally high score, we will continue to strive towards reaching similar levels in the future.

ADDITIONAL EPRA MEASURES

	2010	2011	**2012**
EPRA earnings (£m)[1]*	126.0	136.6	**143.0**
NNNAV (pence per share)[2]	360	322	**262**
Net Initial Yield (%)[3]	6.0	6.4	**6.8**
Topped up Net Initial Yield[3]	6.9	7.1	**7.7**

1 Stated after tax and non-controlling interests.
2 Excludes tax effect of adjustment in respect of fair value of debt as discussed further in note 14.
3 Please see the 2012 Property Analysis Booklet for further details of our yields, available at www.segro.com

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

† The 2012 TPR has been calculated independently by IPD in order to provide a consistent comparison with an appropriate IPD benchmark using the methodology to be applied under the rules of the LTIP scheme. It is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned and excluding land. In the previous two years, the TPR was an internal calculation.

†† The 31 December 2012 LTV ratio includes our share of joint venture borrowings and property assets. This will be our principal measure of LTV going forward and prior year comparatives have been adjusted for on this basis.

A STRONG YEAR FOR NEW DEVELOPMENT PROJECTS

INTRODUCTION

Our development programme is an integral part of the Group's strategy to build critical mass in core markets by reinvesting in high-quality modern warehousing, light industrial and data centre assets. The projects that we undertake, predominantly on a pre-let basis, provide a valuable source of additional rental income each year and generate attractive investment returns.

During 2012, we maintained a very active development pipeline across the portfolio. We completed 21 new developments, our largest number since 2009, for a range of blue-chip customers including DB Schenker, Decathlon and Rolls-Royce. These developments will contribute £16.4 million of additional rental income each year, of which we have already successfully let 89 per cent.

We will continue to deliver growth from our ongoing development pipeline, which currently consists of 14 projects representing £10.8 million of new rental income, when fully let.

We also have a 296 hectare land bank for potential projects, including sites with excellent potential on the Slough Trading Estate and at Heathrow in the UK, in Germany and around key cities in Poland.

ANDY GULLIFORD
CHIEF OPERATING OFFICER

SLOUGH, UK

TRANSFORMING THE SLOUGH TRADING ESTATE

Our programme of work to modernise the Slough Trading Estate continued throughout the year. The Estate is the largest business centre of its kind in Europe under single ownership and is home to over 400 companies employing 17,000 people.

In May 2012, we completed a new 3,300 sq m production refinery for Ragus Sugars, which will enable the business to double its output from 25,000 to 50,000 tonnes per year. Ragus Sugars is a long-standing customer, located on the Estate since 1928.

Selig has also been located on the Estate for a similar amount of time. At the end of 2011, we completed a new 7,000 sq m manufacturing and warehouse facility for the world's largest manufacturer of sealing products. Selig was attracted to staying with us because of the Estate's Simplified Planning Zone status, which means that planning permission is fast-tracked.

In 2011, Lonza, committed to invest £16 million to enhance the flexibility and capability of its Slough-based UK biopharmaceutical manufacturing facility. An integral part of the investment plan was the construction by SEGRO of a new 5,800 sq m three-storey building to provide research and development, manufacturing and office accommodation, in addition to approximately 7,000 sq m of existing space on the Estate. The new development was completed in June 2012.

We also completed three new data centre facilities on the Estate during the year, totalling 20,300 sq m, for major data centre operators, including Gyron and Infinity. These units have been let on leases in excess of 15 years, which is typical for data centres due to the investment required by occupiers to fit out the facility. SEGRO now has 17 data centres on the Slough Trading Estate, making it one of the largest data centre hubs in Europe.

HEATHROW, UK

DEVELOPING PRIME SITES FOR BLUE-CHIP NAMES AT HEATHROW

Of major importance to us were the two new developments we completed, through the Airport Property Partnership, our joint venture with Aviva Investors, at the Portal site at Heathrow Airport. This is one of the best-located sites at the airport, situated adjacent to the main cargo terminal.

In August 2012, we completed a 10,000 sq m facility for DB Schenker Logistics which will act as their main airfreight hub and office headquarters in the UK. The building has been designed to high sustainability standards and has achieved a BREEAM excellent rating. 95 per cent of the concrete was recycled from the original site and the building is designed to achieve 25 per cent lower CO_2 emissions than is standard, and also features low and zero carbon air source heat pumps.

Subsequently, in December 2012, we completed an 8,900 sq m Heathrow Service Centre for Rolls-Royce. From this new centre, which will employ up to 80 people, Rolls-Royce will provide specialist maintenance and support services for commercial aero engines.

FRANCE

A SHORTAGE OF PRIME ASSETS IN THE ILE DE FRANCE

At La Courneuve in the Ile de France, we undertook 8,500 sq m of speculative development, capitalising on the lack of available prime warehouse and industrial space in the area. This was our second phase of development at the estate, which is well positioned in close proximity to the centre of Paris and has excellent transport links.

Prior to completion, in September 2012, we secured our first significant letting to Chateau d'Eau, a water cooler supplier, and in December we secured our second letting to a major global distribution company.

As a result, we have now leased 80 per cent of this phase, consistent with our record of having let 90 per cent of the first phase of the development within three months of its completion in 2008.

GERMANY

A GOOD LEVEL OF TAKE-UP IN KEY GERMAN MARKETS

In Germany, we combined pre-let schemes with a limited amount of speculative development. At SEGRO Logistics Park in Krefeld Süd, Düsseldorf, we pre-let 9,000 sq m to Wir Packens, which is responsible for distributing Nespresso capsules across Germany, and, at the same time, we developed 2,300 sq m on a speculative basis.

Similarly, in Frankfurt we developed 4,300 sq m for Pro Tex and a further 10,000 sq m of speculative warehouse space which we fully let shortly after completion to AEP Lexington. We also completed two fully speculative light industrial and warehouse schemes in Berlin and Düsseldorf. Overall these four new developments are now 75 per cent occupied.

POLAND

AN ACTIVE YEAR FOR POLISH PRE-LETS

Poland is one of our most active markets for development and during the year we completed six pre-let logistics facilities totalling 77,100 sq m.

In Silesia we constructed a 32,100 sq m warehouse and distribution facility for the French sports retailer, Decathlon. This new warehouse will support the company's expansion plans in Central Europe and replaces their existing 20,000 sq m facility with us, of which we have already re-let over 50 per cent.

In Tychy, we completed an 18,900sq m warehouse for Zabka, Poland's second largest convenience store chain having also built a 25,000 sq m facility for the retailer in Poznan in 2008.

Other projects completed during 2012 include 12,200 sq m for Flexlink in Poznan, and 7,700 sq m for OPEK, in Lodz, which has since been acquired by FedEx.

BUILDING CRITICAL MASS IN THE LOGISTICS MARKET

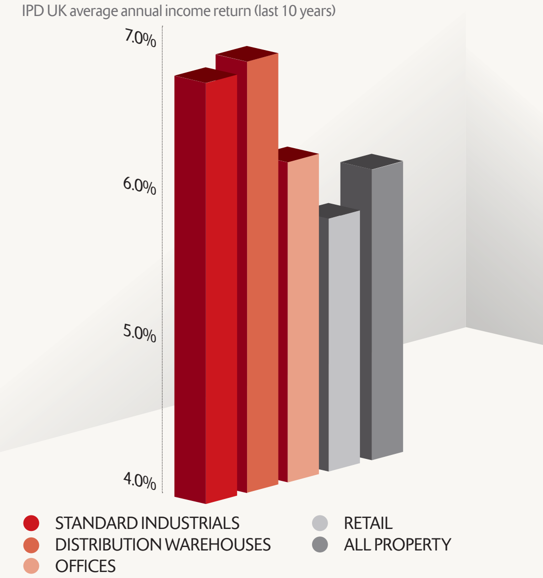
INTRODUCTION

The logistics sector in Europe is attracting growing interest from a wide range of investors as the unique investment characteristics of the asset class, together with the favourable demand and supply trends that have come into focus in recent years, are increasingly being recognised.

Over the last 10 years, the logistics sector has consistently delivered the highest income returns compared with all other real estate sectors, and it is one of the top performing asset classes in terms of total returns. Whilst building specifications have evolved to meet occupiers' changing requirements, the assets remain broadly generic, are attractive to a diverse range of customers and can be constructed rapidly to meet occupier demand.

SUPERIOR INCOME RETURNS RELATIVE TO OTHER PROPERTY SECTORS

IPD UK average annual income return (last 10 years)



Source: IPD UK quarterly index

In terms of demand and supply, there are favourable market dynamics in the main logistics locations across Europe which should underpin further good performance from the sector.

On the supply side, the very limited amount of speculative development under construction, combined with a gradual erosion of 'grade A' space availability as a result of robust levels of take-up, has led to prime stock levels reaching cyclical lows.

Demand is primarily being driven by retailers looking to grow their product range and geographic presence, manufacturers seeking cost efficiencies and third party logistics providers benefiting from the increase in client outsourcing of distribution activities. These trends have led to a reconfiguration of existing supply chains in mature markets and to the creation of first-generation networks in emerging markets.

In Western markets, e-retailing is also having a significant impact on the logistics market, with pure-play and multi-channel retailers increasingly seeing their supply chain as a means of providing competitive advantage in terms of their speed of order fulfilment.

SEGRO has been responsive to these trends. During 2012, we grew our portfolio of prime logistics assets in key markets from £0.8 billion to £1.1 billion (including our share of joint venture assets) through the acquisition of two high-quality portfolios in the UK and in France and through development activity.

Our focus is on strategically important locations near ports, airports and motorway intersections in our core Western European markets and in Poland, where we have grown our portfolio of modern logistics warehouses through pre-let development to over £300 million, or 600,000 sq m, since we entered the market in 2006.

Our ambition is to continue to build our logistics platform and significantly strengthen our position in a sector which we believe has very attractive fundamentals and future growth potential.

PHIL REDDING
CHIEF INVESTMENT OFFICER

STRENGTHENING OUR LOGISTICS PLATFORM IN THE UK

In January 2012, we completed the £315 million acquisition of a 50 per cent stake in the Logistics Property Partnership, in a joint venture with Moorfield Real Estate, for which SEGRO contributed £65.7 million of equity. The portfolio comprises 14 prime logistics warehouses located predominantly in the Midlands and the South of England and provides us with an excellent customer base, including Tesco, Sainsbury's, GKN Aerospace and Royal Mail.

£1.1bn
of prime logistics assets in key markets (including our share of joint venture assets)

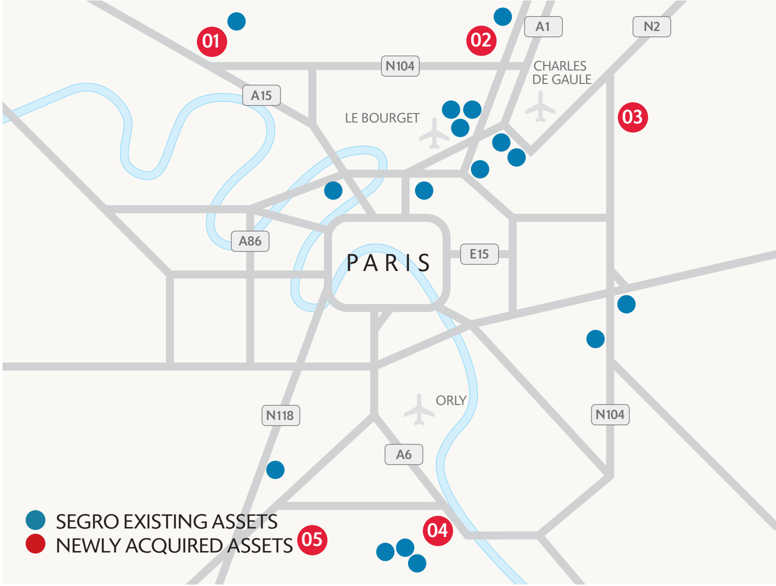
£315m
portfolio of prime UK logistics assets portfolio acquired in partnership with Moorfield

£129.7m
portfolio of prime logistics assets acquired in France

BELOW
Royal Mail, Birmingham

STRENGTHENING OUR LOGISTICS PLATFORM IN FRANCE

In September 2012, we completed the £129.7 million acquisition of 13 prime logistics assets from Foncière Europe Logistique, situated in the Ile de France region of Paris and in Lyon, the two strongest markets in France. In both regions, the estates that we acquired are located within close proximity of our existing assets. The portfolio provides us with a strong customer roster, including UPS, Geodis and Saint-Gobain.



OUR NEWLY ACQUIRED ASSETS
01 St Ouen
02 St Witz
03 Compans
04 Ris Orangis
05 Fleury Merogis

APPLYING RISK MANAGEMENT TO OUR STRATEGIC DECISION MAKING

The French portfolio acquisition was an important step forward in our strategic portfolio reshaping. Throughout the acquisition process we carefully considered, and actively managed, the risks associated with the transaction, particularly the impact on the following two principal risks of the Group (which are set out in the Principal Risks and Uncertainties section on pages 40 to 43), as summarised below:

01 Impact of the Eurozone economic environment

Potential risk factors: The French acquisition represented a substantial investment in the Eurozone during a period of economic volatility within the region, driven principally by concerns around the sovereign creditworthiness of some Eurozone countries.

Mitigation and active risk management: We 'cherry picked' the French portfolio to include only those properties in the most liquid markets with the greatest pricing transparency. We also reflected possible short-term market weakness in our asset management assumptions and, ultimately, pricing.

02 Solvency and covenant breach risk

Potential risk factors: The French acquisition represented a significant debt funded investment which would, in isolation, reduce both available liquidity (funding headroom) and the financial covenant headroom of the Group.

Mitigation and active risk management: The timing of the acquisition was actively managed to defer completion until September 2012, by which time around £500 million of disposal proceeds had been generated by the Group, more than offsetting the adverse impact of the French acquisition on the liquidity and financial covenant headroom of the Group.

CORPORATE RESPONSIBILITY REVIEW

INTRODUCTION

At SEGRO we believe that corporate responsibility is fundamental to the way in which we do business and that by investing in our buildings, our employees and the local communities in which we operate, we can create value for our shareholders.

PROGRESS WITH SUSTAINABILITY IN 2012

We have made progress in embedding sustainability throughout our operations. In June, we appointed a new Technical Sustainability Manager, Terry Clarke. Terry has Group-wide responsibility for sustainability and works with a network of representatives across the business who support our sustainability objectives by sharing best practice, obtaining customer feedback and providing legislative and technical guidance for their respective areas of the business.

We have been pleased with the progress we made towards meeting a number of our sustainability targets. We have continued to focus on the key areas of resource efficiency, our communities, our stakeholders, health and safety, and the accessibility and flexibility of our buildings. The progress we have made against our previously published targets is outlined in detail on pages 26 and 27.

In resource efficiency we have incorporated water efficiency measures and made good progress in constructing buildings, with 30 per cent better energy efficiency than base-build. We have also expanded our renewable energy portfolio substantially.

We are proud to have competed 21 new developments in 2012, all of which achieved good EPC (Energy Performance Certificate) ratings, with some of these buildings also achieving environmental certifications such as BREEAM, DGNB and HQE. Of particular note was the completion of the 10,000 sq m new UK headquarters and logistics hub for DB Schenker. This building has a number of leading sustainable features such as rainwater harvesting, solar panels and air source heat pumps.

OUR STAKEHOLDERS

We have maintained our focus on supporting and investing in the local communities where we have a major presence. We have increased our investment in good causes, through the donation of time, money and business space, by 10.4 per cent compared with 2011. Raising funds for charities that supported cancer-related illness was the focus for our Charity of the Year in 2012. In the UK we supported 'Children with Cancer UK' and we were delighted to present them with a cheque for £100,000.

Other stakeholders, namely our customers, our suppliers, our investors and our employees, continue to be of the utmost importance to us and during 2012 we undertook a range of activities to engage with these groups, to keep them informed about our business activities and to understand how we can meet their expectations of us.

Health and safety continues to be a top priority. In 2012, we have reported an Accident Frequency Rate for SEGRO employees of zero, compared with 0.35 per 200,000 hours worked in 2011.

We have also continued to develop green travel plans, making access to our buildings as easy and well integrated to the local infrastructure as possible.

TECHNICAL SUSTAINABILITY – SEGRO 2020

In 2012 we took a fresh look at our approach to sustainability and reviewed the targets which we had set ourselves in 2009. We did this as a result of increasing legislation affecting our business and also in response to our customers, who have their own commitments to sustainability. Our new sustainability strategy, SEGRO 2020, is aligned to our overall business goals and is designed to deliver long-term value to SEGRO, our customers and our other stakeholders.

As sustainability affects every area of our business, it was important that we engaged with our colleagues in understanding what sustainability means to them and to set ourselves targets that, while challenging, were also realistic and attainable.

SEGRO 2020 is therefore an evolution of our original strategy which sets out our overall goals in the key areas of sustainability as well as setting annual targets for each country, which we will monitor and assess on an ongoing basis. To help deliver SEGRO 2020, we have developed three sustainability toolkits which cover the operations, development and refurbishment aspects of our business. The aim of each toolkit is to embed the SEGRO 2020 targets into the key areas of the business, providing support, information and sharing best practice across the Group. On page 25 we have set out the targets we will be delivering against for SEGRO 2020.

Our aim is for sustainability to become part of the fabric of our 'business as usual' operations over the coming years.

BELOW
DB Schenker at The Portal Site, Heathrow

TECHNICAL SUSTAINABILITY SEGRO 2020

SEGRO 2020 has been designed to enable SEGRO to respond to changing legislation, regulation, reporting requirements and customer demand within sustainability.

In order to support the launch and ongoing delivery of SEGRO 2020, it is important that the strategy has buy-in throughout the business to ensure that our targets are delivered. To achieve this, we engaged with key stakeholders throughout the Group.

A key piece of feedback from this process was the importance of linking Group-wide goals into our ongoing operations, and ensuring that the appropriate level of technical support is available for the business to deliver its goals as efficiently as possible.

SEGRO 2020 is therefore supported by three sustainability toolkits which address the key areas of the business where sustainability has most impact – operations, development and refurbishment.

These toolkits have been developed in discussion with our property operations teams and external designers, contractors and consultants to ensure that they are useful and easy to understand, and complement existing procedures and processes. We will store each toolkit within the business once a project is completed, which enables us to share technical specifications, cost information, lessons learned, and general best practice. This is an important feature as it helps us to ensure that each business area within the Group benefits from the experiences of others.

80%
of construction waste to be reused or recycled.

40%
reduction in SEGRO's energy intensity by 2020.

OPERATIONAL PERFORMANCE

AIM	2020 TARGET
Reduce the amount of waste created as part of our development and refurbishment programmes	Reuse or recycle 80 per cent of construction waste.
Improve SEGRO's energy efficiency in the areas we are able to influence	Reduce SEGRO's internal and common parts energy intensity by 40 per cent against 2011 baseline.
Monitor and reduce SEGRO's water consumption intensity by 2020	Reduce SEGRO's water consumption against 2011 levels. We will quantify this target in 2013 as we are undertaking a metering programme so we can accurately measure our consumption.
ASSET DESIGN AND REFURBISHMENT	
Provide water-efficient buildings for our customers as part of our development and refurbishment programmes	Install water-efficient technology in all our developments and major refurbishments, and rainwater harvesting/grey water recycling where viable.
Construct energy-efficient buildings that exceed minimum regulatory requirements	All our major refurbishments and new developments will be at least 40 per cent more energy efficient than our typical 2009 buildings in each country. We will monitor this goal through using the design energy intensity figure (kWh/m^2) or Building Emission Rate (BER).
Produce buildings that perform to high environmental certification standards	Our core market new development and major refurbishment projects will be certified to a 'very good' standard or equivalent in the recognised environmental certification for that region (BREEAM, LEED, DGNB, HQE).
Produce buildings that achieve high EPC ratings	All developments to be EPC 'B' rated, or 'C' rated for major refurbishments.
RENEWABLE ENERGY	
Integrate renewable energy to our buildings and estates	Increase our renewable energy capacity across the Group.

OUR 2012 PERFORMANCE

In 2009, we set a number of sustainability targets which we aimed to achieve by 2014 across the categories of Resource Efficiency, Stakeholders, Communities, Safety and Accessibility.

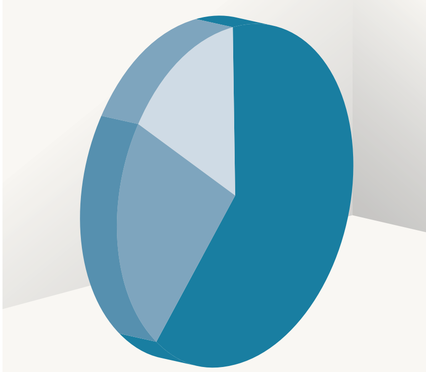
We have now launched SEGRO 2020 which supersedes these targets from 2013 onwards. However, to provide an indication of how we were performing and the extent to which we were making progress against the 2009–14 targets, we have completed a target assessment for 2012.

Of the 13 targets in place in 2012, 8 of the targets (62 per cent) were fully achieved, 3 (23 per cent) were partially achieved and 2 (15 per cent) were not achieved. A summary of our progress is provided below, with more detail about our performance on the following pages.

KEY

- FULLY ACHIEVED
- PARTIALLY ACHIEVED
- NOT ACHIEVED

2012 PROGRESS AGAINST TARGETS



62% FULLY ACHIEVED
23% PARTIALLY ACHIEVED
15% NOT ACHIEVED

OUR 2012 PERFORMANCE

2009–14 TARGET	PERFORMANCE COMMENTARY	TARGET DEADLINE	TARGET PROGRESS
RESOURCE EFFICIENCY ASSET DESIGN AND REFURBISHMENT			
Construct buildings with 30 per cent better energy efficiency than base-build	Our current developments are anticipated to be 16 per cent better than base-build when completed. Our average improvement over base-build standards since 2009, in the UK, is 35 per cent and we are making good progress in improving the energy efficiency of our design specifications.	2014	Partially achieved
Incorporate water efficiency measures and water recycling to reduce mains water use by 20 per cent compared to base-build	The total improvement in water efficiency against the base-build for our new developments in 2012 is forecast to be around 10 per cent. We have made good progress in improving our design specifications and achieved an average improvement of 12 per cent over the last three years in our new developments.	2014	Partially achieved
RENEWABLES			
Investigate the feasibility of renewable energy for every development site	Our developments have undertaken a renewable energy feasibility study. As a result of this, our projects have designed-in solar photovoltaic (PV) panels with a total installed capacity of 1,484 kWp. The total renewable energy generation anticipated on our new developments in 2012 is 1,321MWh. This will bring the total renewable energy generation across our portfolio to 8,557 MWh.	2014	Fully achieved
OPERATIONAL PERFORMANCE			
Improve SEGRO's energy efficiency by 30 per cent	During 2012, the like-for-like energy consumption (based on 150 buildings) for our own occupied offices and the shared services across our portfolio equated to 44 million kWh, which represents an increase of just over 19 per cent (7 million kWh) from 2011. Some of this increase can be attributed to weather conditions in 2012 which required greater heating, ventilation and air conditioning (HVAC) usage. Despite this, like-for-like energy consumption in our own occupied offices decreased by 3 per cent in 2012. Overall, we have significantly improved our metering and data collection methodologies in 2011 and 2012, which enables us to understand our energy consumption in a lot more detail. We will be continuing our drive to improve metering and energy data collection over the coming years.	2014	Not achieved
Reduce water use by 20 per cent	The total water consumption across our occupied offices and landlord shared services was 103,092 m^3 in 2012. This represents an increase on our 2011 consumption of 2 per cent. However, improvements have been made to water data metering and reporting during 2012, so it is likely that some of the change seen relates to improved reporting across our portfolio.	2014	Not achieved
Reuse or recycle 80 per cent of development waste	In 2012, our developments generated 329,834 tonnes of waste. A total of 260,808 tonnes of waste was reused or recycled, which equates to 79 per cent. This is partially influenced by the recycling rate of the material recycling facilities used by SEGRO, which was reported as being less than 30 per cent for five developments. Between 2009 and 2012, the average reuse and recycling rate for our development activities was 91 per cent, which is well above our target of 80 per cent.	2014	Fully achieved

OUR 2012 PERFORMANCE

2009–14 TARGET	PERFORMANCE COMMENTARY	TARGET DEADLINE	TARGET PROGRESS
STAKEHOLDERS			
Continental Europe target only – to improve customer satisfaction with our understanding of their business needs from 57 per cent in 2009, by focusing on customer relationship management, as measured through our 2011 survey	These targets were deemed no longer applicable as we are now using other metrics to measure our performance against customer satisfaction. For more information on our customer care policy go to www.segro.com/customercare.	2012	N/A
Continental Europe target only – to continue to improve consistency in satisfaction levels between countries, as measured through our 2011 survey, by implementing smart, efficient customer service procedures	These targets were deemed no longer applicable as we are now using other metrics to measure our performance against customer satisfaction. For more information on our customer care policy go to www.segro.com/customercare.	2012	N/A
Engage with a significant number of customers to improve sustainability	During 2012, we engaged with a total of 621 customers about sustainability issues. 20 new Green Leases or Memorandums of Understanding were signed (9 in France, 11 in Italy); 27 customers had specific discussions about renewable energy; and 525 customers in the UK were engaged in specific discussions about sustainability issues. This represents a significant increase in engagement in 2012.	2014	
COMMUNITIES			
Invest in communities where we have a major presence	We invested approximately £1.9 million in time, money and space to good causes in 2012, an increase of 10.4 per cent on our 2011 contribution and continuing our trend of increasing investment year on year.	2014	
Ensure that community engagement plans are in place where we have a major presence	In 2012, we either launched or maintained community engagement plans in Hounslow, Hillingdon, Wokingham, Slough and Ealing. This represents five of our seven estates where we have a major presence.	2014	
SAFETY			
Maintain a zero fatality rate throughout Group operations	The Group has maintained its rate of zero fatalities during 2012.	2012	
Ensure no health and safety prosecutions or enforcement action throughout Group operations	Zero health and safety prosecutions or enforcement actions were received during 2012.	2012	
Implement assessment and training requirements for the Group-wide Driving for Work Policy	In the UK, 17 classroom-based driver training courses were completed and six individuals were provided with in-vehicle driver training sessions. In Continental Europe, 66 employees were assessed using an online work-related road risk assessment (9 high risk, 53 medium risk, 4 low risk).	2012	
ACCESSIBILITY AND FLEXIBILITY			
For all appropriate new developments and managed estates to have a tailored travel plan	During 2012, we continued to maintain our existing green travel plans. These are in place at Slough Trading Estate and IQ Winnersh, in the UK and Energy Park in Italy.	2014	

RESOURCE EFFICIENCY

We had a very active development programme in 2012 and we undertook to construct buildings with 30 per cent better energy efficiency than base-build. Due to the requirements of local planning authorities and building regulations increasing in recent years, our performance in this target for 2012 was a 16 per cent improvement over the current base-build standards. Since 2009, our average improvement over the base-build requirements, in the UK, is 35 per cent. We are committed to continuing to make progress to improve the energy efficiency of our design specifications.

As part of our development programme and to respond to incoming legislation relating to minimum energy performance standards of buildings, we continue to focus on EPCs. We believe that these ratings are indicative of the inherent quality of an asset and we work closely with our customers and external suppliers to ensure that we design and develop sustainable buildings as well as refurbish existing buildings with the aim of making them more energy efficient. Of the buildings where we have an EPC in place, more than 85 per cent have a rating of 'E' or better.

During 2012, the like-for-like energy consumption for our own occupied offices and the shared services across our portfolio equated to 44 million kWh, which represents an increase of just over 19 per cent (7 million kWh) from 2011. Some of this increase can be attributed to weather factors in 2012 which required greater HVAC usage. Despite this, like-for-like energy consumption in our occupied offices decreased by 3 per cent in 2012. Overall, we have significantly improved our metering and data collection methodologies in 2011 and 2012, which enables us to understand our energy consumption in a lot more detail.

We are committed to increasing our renewable energy capacity in order to reduce our own CO_2 emissions and also to support our customers with their own environmental targets. In Germany, we have the capacity to generate 6,959 MWh of green energy per year integrated into our buildings and we will expand this in 2013. In the UK we have 304 kWp of renewable energy installations across our portfolio in the form of wind turbines, solar PV, solar thermal and air/ground source heat pumps.

Our development projects in 2012 generated 329,834 tonnes of waste. Over the past three years the average reuse and recycling rate for our activities has been 91 per cent, which has significantly exceeded our target of 80 per cent.

In 2012, we used 103,092 m^3 of water, which was a 2 per cent increase from our 2011 consumption. However, we believe that some of this increase is attributable to the improved way in which we have been able to report water usage across our portfolio.

COMMUNITIES

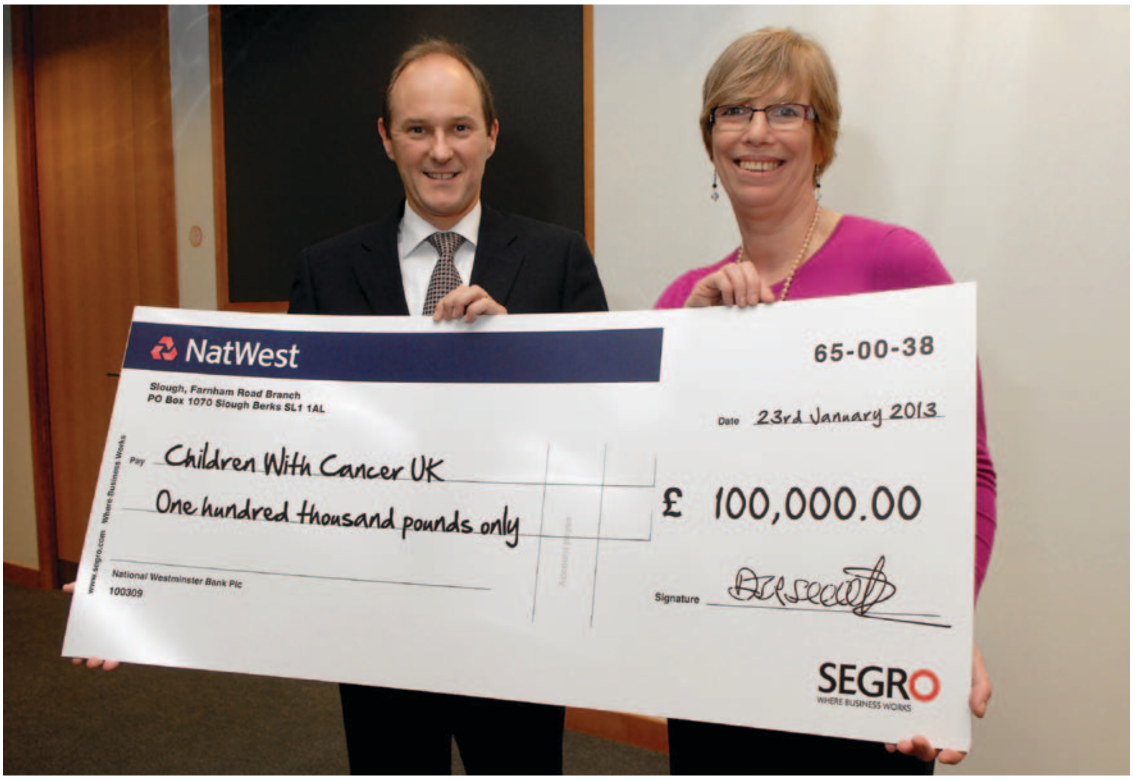
In 2012, we invested approximately £1.9 million in time, money and space to good causes based around our business locations.

Raising money for charities that supported cancer-related illness was the focus of our Charity of the Year fundraising activities across all areas of our operations. Employees aimed to raise £50,000 which was then fund matched by the Company, up to a maximum of £50,000. This money was split proportionally among the charities depending on how much had been raised by each country. Throughout the year, employees took part in various activities, including triathlons, half marathons, cake baking, golf and sailing days, all with the aim of raising as much money as possible. We were delighted to present Children with Cancer UK with a cheque for £100,000, of which approximately £57,200 had been raised by employees.

In Continental Europe, we supported five charities. In total they received £23,000, of which £13,000 was raised by employees and £10,000 was matched by the Company.

Although our main focus was on our Charity of the Year, we made a number of cash donations to other causes in 2012. These included Breast Cancer Care, Fundacja GAJUSZ (a centre for children who are critically ill, based in Poland), Passerelles et Compétences (business skills mentoring, Paris), Wooden Spoon and LandAid, among others.

We continue to be actively engaged with the communities in which we operate. In 2012, we supported a total of 68 causes. This included ongoing support for organisations such as Ressourcerie 2mains in Paris and Age Concern in Slough which we supported in 2011, as well as engaging with new projects such as Haybrook College/Kitchen Craft.



LEFT
David Sleath pictured with Pippa Gough, Corporate Partnerships Manager, Children with Cancer UK.

Our support covers the provision of free commercial space, business advice and guidance as well as donating cash and equipment. In these difficult economic times our support is increasingly important to these causes and they are very grateful to us.

For the fifth consecutive year, we supported The Outward Bound Trust, which sent 97 pupils from three schools (Slough and Eton Business Enterprise College, Reading College and The Westgate Secondary School) to one of its residential courses to help young people from challenging backgrounds to learn new skills and develop their confidence.

STAKEHOLDERS

OUR CUSTOMERS

We once again conducted a Group-wide customer satisfaction survey in 2012, when we asked for feedback from our customers. Overall satisfaction as an occupier of our buildings is rated at 72 per cent.

In 2012, and as a direct result of feedback from the 2011 customer satisfaction survey, we launched our customer care policy. This included a customer care handbook, which tells a customer everything they need to know when they occupy one of our buildings, and a dedicated section on our website which details the process should customers wish to raise any issues with us. We are particularly pleased that 79 per cent of our customers in 2012 said they were satisfied with the way in which we communicate with them and we believe that the actions we took during the year contributed to this performance.

OUR SUPPLIERS

We expend a considerable amount on the purchase of products, services and works each year. The way in which we manage our procurement and supply chain is increasingly important to us in terms of our reputation, alignment with our social responsibility objectives and ensuring that we are receiving value for money. We reviewed and updated our procurement policy in 2012. We ensure that we work with companies who have the correct licences in place, where applicable, as well as gauging their approach to environmental issues. Using a supplier assessment form, we ask specific questions to ensure that our suppliers are following sustainable practices and are compliant with the relevant regulations.

The total number of suppliers used by SEGRO is approximately 3,200 and this equates to a spend of approximately £300 million per annum.

OUR INVESTORS

SEGRO places frequent and open communication with the investment community among the highest of its priorities. During 2012 we met with approximately 150 investors through a combination of one-to-one meetings, conferences and roadshows in locations including the UK, US, Netherlands and France.

In November, we took a group of 34 analysts and investors on a tour of our assets in Paris. This provided an opportunity to outline how our French operations fit within our wider Group strategy. We were also able to showcase some of our existing assets, at sites such as La Courneuve and Le Blanc-Mesnil, as well as some of those assets which we had acquired as part of the FEL acquisition.

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

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

OUR EMPLOYEES

Understanding our strategic priorities – One SEGRO

2012 was a year of significant change for us. The reorganisation in 2011, followed by an intensive phase of portfolio reshaping in 2012, meant that it was important for us to raise the bar on how we communicated internally. Under the banner of 'One SEGRO', our ambition was to make sure that everyone in the business understood the part that they played in delivering the strategy through a proactive programme of internal communications.

At a Group level, to coincide with our external financial reporting cycle, the Chief Executive and other members of the Executive Committee hosted quarterly employee presentations, connecting all of our employees through a Group webinar. The webinars have provided an interactive way for employees to engage with the presentations by giving them the ability to ask questions direct to senior management via an online chat facility. This new communication tool has been key in helping us to bring to life how our everyday actions are linked to the strategic goals of the business.

At a local level, regular monthly briefings, led by business unit heads, took place where employees participated in business performance updates at both Group and business unit level.

72%
Overall satisfaction as an occupier of our buildings is rated at 72 per cent

96%
of employees agree they understand the aims and objectives of SEGRO

LEFT
Winners of the Outstanding Team Contribution to One SEGRO – the London Heathrow Leasing, Asset Management and Development Team.

In 2012, we also introduced a regular all-employee newsletter from the Chief Executive called 'In the Know'. The newsletter is a mixture of business and social news, as well as highlighting individual and team successes during the course of the year.

We ended the year with our first all-employee 'One SEGRO' conference in December, bringing together all of our teams for a London 2012 event.

During the conference, employees were recognised for their outstanding contributions towards achievement of our strategic objectives. The conference was a great success and we were delighted to have given more than 40 awards to outstanding individuals in recognition of their contribution to the business during 2012.

Measuring our success

At the end of 2012, we conducted an all employee engagement survey, 'Your Say', with an independent survey specialist. This was an opportunity for colleagues to provide feedback on how they felt about working at SEGRO and we were delighted with the 91 per cent response rate we received.

Given our focus during the year of communicating a clear vision for SEGRO, we have been very pleased with the survey results we have received, with more than 96 per cent of employees agreeing that they understand the aims and objectives of SEGRO. In addition, more than 90 per cent of our employees care about the future of SEGRO and understand how the work that they do helps us to achieve our aims.

While our portfolio reshaping has resulted in some redundancies during the course of the year, we are encouraged by our high level of employee engagement scores during this period of significant change. We are, however, clear that we need to continue to work hard to ensure that our employees feel fully consulted in the changes affecting the business and their roles.

During 2013, we will be cascading the results of the survey to employees and holding workshops with the senior managers to reflect, listen and take action on the areas of feedback where we need to improve.

Developing our talent

In 2012, we continued to focus on nurturing and promoting talent from within the organisation. During the year, the vast majority of our promotions were made internally, reinforcing our belief in the quality of our talent pipeline.

During 2012, we invested more than 2,452 hours in training and are pleased to report that through the 'Your Say' survey, 93 per cent of our employees told us that they felt that they had the knowledge and skills to do their jobs.

We continued to be a member of the Henley Partnership, run by Henley Business School, which offers a range of thought leadership events, focusing on current issues relevant to business, team-building and leadership skills. Employees who have attended these events have found them very worthwhile, benefiting from tackling issues from a different perspective and debating matters with individuals from a range of different industries. In 2012, 22 employees attended these partnership sessions.

Valuing diversity

We are committed to offering equal opportunities to people with disabilities and, if an employee becomes disabled while in our employment, we will offer appropriate support, retraining, equipment and facilities to enable them to continue in their role with SEGRO.

We recognise the benefits of diversity and the value this brings to the organisation in terms of skills, knowledge and experience. We have a good record of promoting and appointing women to senior roles. Women hold four out of 15 positions on our Senior Leadership Team.

HEALTH AND SAFETY

We are proud of our excellent health and safety record, which has been achieved by implementing robust management controls and careful auditing procedures. The health and safety of our employees, contractors and all other parties who work for us is a top priority. We are fully committed to making our business and our properties a safe and healthy place to work by achieving the highest standards in our health and safety performance.

In 2012, we undertook a review of our existing health and safety policy to take into account our organisational changes and new business strategy. We adopted a 'One SEGRO' approach to ensure that our health and safety strategy is consistently embedded within all the decision-making processes across the Group. This new policy will ensure that SEGRO's focus and continuing commitment to improving health and safety throughout the Group are truly reflected within our procedures and business operations.

In 2012, we successfully completed the Health and Safety Estate Audit Programme across Continental Europe. These audits have been established in the UK for a number of years and the new combined approach provides further consistency towards how we proactively manage our estates.

Our Accident Frequency Rate for SEGRO employees reduced to zero in 2012, compared with 0.35 per 200,000 hours worked in 2011. There were no health and safety prosecutions or enforcement actions in 2012 and therefore we achieved our target in this respect.

In 2012 we set ourselves the target to assess and implement training requirements for the Group-wide Driving for Work policy. In the UK, 17 classroom-based training courses were completed and six individuals were provided with an in-vehicle driver training session. In Continental Europe, 66 employees were assessed using an online work-related road risk assessment.

This year our targets will include the following:

– To maintain a zero fatality rate throughout Group operations;
– To ensure no health and safety prosecutions or enforcement actions throughout Group Operations; and
– To implement the assessment and training requirements of the Group-wide Driving for Work policy.

ACCESSIBILITY AND FLEXIBILITY

Accessibility continues to be a key consideration for us and we work with our customers, local authorities and transport providers to ensure that our estates are easily accessible. To achieve this we have put in place travel plans so they can be reached in a way that is favourable to the environment.

During 2012, we maintained the green travel plans we have in place at the Slough Trading Estate and IQ Winnersh in the UK and Energy Park in Italy. We continue to promote cycling to the workplace and encourage this by incorporating bike racks into the design of our buildings, while also operating a cycle park scheme for our employees.

We design and construct our industrial buildings so they can be easily adaptable for multiple uses and are, therefore, attractive to a wide variety of businesses. This benefits our customers because we have the flexibility to meet their individual requirements. It also benefits local authorities and communities in the areas in which we operate by giving them a competitive advantage in attracting and retaining investment as well as safeguarding and creating new jobs.

COMPLIANCE WITH EPRA SUSTAINABILITY BEST PRACTICE RECOMMENDATIONS

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

We continue to report against the EPRA Best Practice Recommendations and have made significant improvements in our Group-wide energy and water data reporting in 2012.

We have achieved an EPRA Bronze Award for the disclosure of operational energy, water, and waste performance data in our 2011 Sustainability Report.

FINANCIAL REVIEW

INTRODUCTION

Progress against our strategic priorities has contributed to a positive financial performance in 2012. EPRA earnings grew by 4.9 per cent, with like for like net rental income growth and a further improvement in our total cost ratio. The balance sheet is robust, with our recycling activity delivering a reduction in net debt of over £200 million during the year.

HIGHLIGHTS

	31 DECEMBER 2012	31 DECEMBER 2011
Total property return (%)	(0.1)	0.8
Net asset value (NAV) per share (p)	302	345
EPRA[1] NAV per share (p)	294	340
Realised and unrealised property loss[2] (£m)	(353.2)	(260.1)
Loss before tax (£m)	(202.2)	(53.6)
EPRA[1] profit before tax (£m)	144.9	138.5
Loss per share (EPS) (p)	(26.6)	(4.1)
EPRA[1] EPS (p)	19.3	18.4

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.

2 Includes the realised and unrealised property loss of £340.8 million for the wholly owned portfolio (see note 8 to the financial statements) and the realised and unrealised property loss of £12.4 million from our share of joint ventures' (see note 7 to the financial statements).

TOTAL PROPERTY RETURN

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

Total property return for the year was 0.1 per cent negative, compared to a 0.8 per cent positive return for 2011. This reflects an income return of 6.5 per cent (2011: 5.7 per cent), offset by a negative capital return of 6.2 per cent (2011: 4.9 per cent negative). The improved income return reflects the benefit of a lower vacancy rate, a reduction in non-income producing assets and an improved like for like net rental income. The higher negative capital return in 2012 is driven by an unrealised valuation decline, principally in relation to our large non-strategic assets and our UK office portfolio. Realised losses on disposals of non-core assets during the year have also contributed to the negative capital return.

NAV AND EPRA NAV PER SHARE

A reconciliation of EPRA net assets to total net assets attributable to ordinary shareholders and the corresponding NAV and EPRA NAV per share calculations is provided in note 14 to the financial statements.

EPRA NAV per share at 31 December 2012 was 294 pence, compared with 340 pence as at 31 December 2011. The decrease is largely as a result of the reduction in non-core property values and South East UK suburban offices, and dividends paid, offset by EPRA profit generated.

	£m	SHARES MILLION	PENCE PER SHARE
EPRA NET ASSETS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS AT 31 DECEMBER 2011	**2,521.5**	**740.6**	**340**
Realised and unrealised property loss (including joint ventures at share)	(353.2)		(47)
EPRA profit before tax	144.9		20
Dividends (2011 final and 2012 interim)	(109.7)		(15)
Early close-out of bond and bank debt (net)	(14.5)		(2)
Exchange rate movement	(5.6)		(1)
Other	(7.4)		(1)
EPRA NET ASSETS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS AT 31 DECEMBER 2012	**2,176.0**	**740.9**	**294**

REALISED AND UNREALISED PROPERTY GAIN/(LOSS)

A total realised and unrealised loss on property for the wholly owned portfolio of £340.8 million (2011: £271.8 million loss) has been recognised in 2012, which includes an unrealised valuation deficit on investment properties of £283.2 million (2011: £272.3 million deficit). A loss of £28.9 million arose in 2012 on disposal of investment properties and a further loss of £1.8 million arose on disposal of trading properties (2011: £5.2 million gain and £5.2 million gain, respectively). Impairment provisions of £24.9 million (2011: £9.1 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 loss for the wholly owned portfolio is further analysed in note 8 to the financial statements.

Our share of realised and unrealised property losses generated from joint venture interests was £12.4 million (2011: £11.7 million gain) and are further analysed in note 7 to the financial statements.

The Group's trading property portfolio (including share of joint ventures) has an unrealised valuation surplus of £7.9 million at 31 December 2012 (2011: £11.4 million surplus), 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

EPS is (26.6) pence for 2012, compared to (4.1) pence in 2011. The main drivers behind this were the higher realised and unrealised property losses and a reduced fair value gain on derivatives in 2012 compared to 2011.

EPRA EPS of 19.3 pence per share is 4.9 per cent higher than the 2011 equivalent (18.4 pence per share) as a result of a £6.6 million increase in EPRA profit after tax, which is further analysed in the EPRA Profit and following sections below.

EPRA PROFIT

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

EPRA profit before tax increased by £6.4 million compared to 2011. The reduction in net rental income, largely due to disposals, has been more than offset by reductions in EPRA net finance costs and administration expenses. In addition, SEGRO's share of EPRA profit generated from our joint ventures and joint venture management fee income earned, have also increased following our acquisition of the Logistics Property Partnership joint venture.

EPRA PROFIT

EPRA profit is arrived at as follows:

	2012 £m	2011 £m
Gross rental income	**305.4**	326.1
Property operating expenses	**(50.6)**	(54.9)
NET RENTAL INCOME	**254.8**	271.2
Joint venture management fee income	**7.4**	5.9
Administration expenses	**(27.9)**	(32.1)
Share of joint ventures' EPRA profit[1]	**20.2**	16.6
EPRA OPERATING PROFIT BEFORE INTEREST AND TAX	**254.5**	261.6
EPRA net finance costs	**(109.6)**	(123.1)
EPRA PROFIT BEFORE TAX	**144.9**	138.5
Tax on EPRA profit	**(1.9)**	(2.1)
EPRA PROFIT AFTER TAX	**143.0**	136.4

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

NET RENTAL INCOME

Like for like net rents have increased by £3.9 million, driven in part by the reduced vacancy, which has had the dual impact of increasing gross rental income and reducing property operating expenses on a like for like basis; as well as the impact of rent reviews and other cost savings.

Net rental income in total has decreased by £16.4 million compared to 2011. The like for like net rental income increase noted above combined with the increase in income from developments (£9.0 million) and acquisitions (£5.7 million), is offset by the impact of disposals (£21.0 million decrease in the UK and £2.2 million decrease in Continental Europe), a weaker euro average exchange rate this period compared to 2011 (£6.3 million) and reduced income from surrender premiums and dilapidations (£3.3 million).

The key drivers of the movement in net rental income are set out in the table below.

JOINT VENTURES

Joint venture management fee income has increased by £1.5 million, largely due to fees earned from development activity within the APP joint venture and management fees earned from the newly acquired LPP joint venture.

SEGRO's share of EPRA profit from joint ventures' has increased by £3.6 million compared to 2011. EPRA profit of £4.8 million has been recognised during the year in relation to SEGRO's share of the LPP joint venture, which was acquired in January 2012. This is offset by a reduction in SEGRO's share of EPRA profit generated from the APP joint venture of £1.5 million to £9.9 million, largely due to disposals and takebacks.

TOTAL COSTS

The Group is focused on carefully managing its cost base and regards the total cost ratio as a key measure of performance. The total cost ratio calculation is outlined in the table below.

The total cost ratio for 2012 was 22.9 per cent compared to 24.5 per cent in 2011, notwithstanding the net disposals in the period. The improved ratio in comparison to 2011 is largely driven by a reduction in administration expenses of £4.2 million due to reduced staff costs and other professional fees. Cost control will continue to be a high priority for the Group, with continued focus on the cost base whilst the Group is in a net divestment position.

Vacant property costs are one of the Group's largest costs, whereby property taxes, maintenance and other estate service expenses relating to unlet properties are borne by the Group. Vacant property costs have decreased by £1.5 million to £13.7 million (2011: £15.2 million) as a direct result of the reduction in vacancy from 9.1 per cent to 8.2 per cent. The cost ratio, excluding vacant property costs, was 19.0 per cent for 2012 (2011: 20.3 per cent).

NET FINANCE COSTS

EPRA net finance costs (which exclude the fair value gains and losses on interest rate swaps and currency derivatives and realised gains or losses on debt buy backs) have decreased by £13.5 million to £109.6 million. The decrease is mainly attributable to the impact of interest savings from disposal proceeds used to reduce net debt, lower short-term interest rates and currency translation, which have offset the impact of higher interest costs resulting from acquisitions and funding of the largely pre-let development programme.

LIKE FOR LIKE NET RENTAL INCOME	2012 £m	2011 £m
Completed properties owned throughout 2012 and 2011 (like for like net rental income)	**214.2**	210.3
Development lettings	**11.6**	2.6
Properties taken back for development	**0.7**	1.6
LIKE FOR LIKE NET RENTAL INCOME PLUS DEVELOPMENTS	**226.5**	214.5
Properties acquired	**6.2**	0.5
Properties sold	**15.3**	38.5
NET RENTAL INCOME BEFORE SURRENDERS, DILAPIDATIONS AND EXCHANGE	**248.0**	253.5
Lease surrender premiums and dilapidation income	**2.9**	6.2
Rent lost from lease surrenders and other income	**3.9**	5.2
Impact of exchange rate difference between years	**–**	6.3
NET RENTAL INCOME PER FINANCIAL STATEMENTS	**254.8**	271.2

TOTAL COST RATIO	2012 £m	2011 £m
COSTS		
Property operating expenses[1] (see note 5 to the financial statements)	**50.6**	54.9
Administration expenses (see note 6 to the financial statements)	**27.9**	32.1
Share of joint venture property operating expenses[2] (see note 7 to the financial statements)	**4.8**	4.5
Less:		
Joint venture property management fee income (see note 4 to the financial statements)	**(4.1)**	(3.5)
TOTAL COSTS (A)	**79.2**	88.0
GROSS RENTAL INCOME		
Gross rental income (see note 4 to the financial statements)	**305.4**	326.1
Share of joint venture property gross rental income (see note 7 to the financial statements)	**40.0**	33.0
TOTAL GROSS RENTAL INCOME (B)	**345.4**	359.1
TOTAL COST RATIO (A)/(B)	**22.9%**	24.5%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £2.6 million (see note 5 to the financial statements for further detail on the nature of costs capitalised).
2 Share of joint venture property operating expenses after deducting costs related to performance and other fees.

A net fair value gain on interest rate swaps and other derivatives of £22.9 million has been recognised within net finance costs in 2012 (2011: £67.1 million gain), mainly as a result of a further decrease in medium-term sterling interest rates on the fair value of the Group's pay floating, receive fixed sterling interest rate swap portfolio. As discussed further in the Financial Position and Funding section below, a loss of £16.8 million has been incurred in relation to the purchase and cancellation of £112.6 million of Bonds and Notes in December 2012. This is partially offset by a gain of £2.3 million recognised following the cancellation of £82 million of committed debt facilities in May and June 2012. The gains and losses discussed in this paragraph are not included in EPRA net finance costs, in accordance with EPRA Best Practices Recommendations.

TAX

A tax credit of £4.9 million has been recognised in 2012 (2011: £23.0 million credit), with a £1.9 million tax charge attributable to EPRA profit (2011: £2.1 million charge), offsetting a £6.8 million tax credit in relation to the non-EPRA loss (2011: £25.1 million credit). The tax charge on EPRA profit reflects an effective tax rate of 1.3 per cent (2011: 1.5 per cent), consistent with a Group target tax rate of less than 3 per cent.

The Group's target tax rate of less than 3 per cent reflects the fact that around three quarters of its assets are located in the UK and France and qualify for REIT and SIIC status in the UK and France respectively. These regimes were introduced by the respective governments to remove inequalities between different real estate investors and to provide an opportunity for shareholders of all sizes to invest in property in a low-cost and tax efficient way. As a result, UK REIT and French SIIC status means that income from rental profits and gains on disposals of assets (in France and the UK) are exempt from corporation tax provided SEGRO meets a number of conditions, including, but not limited to, distributing 90 per cent of profits from rental income. These distributions (PIDs) are subject to 20 per cent withholding tax unless the shareholder has tax exempt status. The distributions are then further taxed in the hands of the shareholder at their marginal rate of tax. SEGRO's profits in other countries remain taxable.

CASH FLOW AND NET DEBT RECONCILIATION

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

Free cash flow generated from operations was £107.1 million in 2012, a decrease of £17.1 million from 2011, primarily due to a reduction in cash flow from operations following the net disposals in the year, a decrease in proceeds from trading properties and an increase in rent averaging income. This is partially offset by reduced finance costs, as proceeds from disposals were used to reduce debt. Furthermore, tax paid has increased following a payment made to HMRC in respect of tax planning entered into by Brixton (prior to the Group's acquisition of the company) which was fully provided for at the time of the Brixton acquisition.

Capital expenditure on acquisitions and development of investment properties totalling £277.9 million has been spent as well as £51.8 million in acquiring a joint venture interest, which was funded through proceeds from investment property sales of £494.2 million. Dividends paid of £109.7 million are based on the 2011 final and the 2012 interim. The settlement of foreign exchange derivatives has led to an inflow of £56.0 million as euro rates have weakened against sterling in the year. Net debt has reduced by £213.1 million in the year from £2,303.4 million to £2,090.3 million.

	2012 £m	2011 £m
OPENING NET DEBT	**(2,303.4)**	(2,203.2)
Cash flow from operations	**205.1**	239.0
Finance costs (net)	**(103.9)**	(120.3)
Dividends received (net)	**18.7**	10.4
Tax paid (net)	**(12.8)**	(4.9)
FREE CASH FLOW	**107.1**	124.2
Dividends paid	**(109.7)**	(107.4)
Acquisitions and development of investment properties	**(277.9)**	(187.1)
Investment property sales (including joint ventures)	**494.2**	79.9
Net settlement of foreign exchange derivatives	**56.0**	(8.1)
Net investment in joint ventures	**(51.8)**	(15.9)
Other items	**(15.2)**	7.9
NET FUNDS FLOW	**202.7**	(106.5)
Non-cash movements	**(5.3)**	(5.3)
Exchange rate movements	**15.7**	11.6
CLOSING NET DEBT	**(2,090.3)**	(2,303.4)

	2012 £m	2011 £m
INVESTMENT		
Development expenditure on investment properties	**130.3**	136.9
Acquisitions of investment properties	**153.0**	45.3
Development expenditure on trading properties	**12.9**	8.4
Acquisitions of trading properties	**–**	3.6
TOTAL INVESTMENT[1]	**296.2**	194.2
DIVESTMENT		
Investment properties	**(520.0)**	(77.6)
Trading properties	**(22.8)**	(25.8)
Joint ventures	**(3.9)**	–
TOTAL DIVESTMENT[1]	**(546.7)**	(103.4)
Net investment in joint ventures[1]	**65.7**	–
NET CAPITAL (DIVESTMENT)/INVESTMENT	**(184.8)**	90.8

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

CAPITAL INVESTMENT/DIVESTMENT

As detailed more fully in the Chief Executive's Review, the Group has made excellent progress in its key strategic priority of reshaping the portfolio during the year. The disposal programme has successfully divested £546.7 million of non-core assets which was ahead of target, of which £296.2 million has been reinvested into the acquisition of assets more aligned with our strategy and into our largely pre-let development programme. The net divestment in 2012 of £184.8 million (2011: £90.8 million net investment) as detailed in the table above, has been used to reduce debt, as outlined in the Cash Flow and Net Debt Reconciliation section above.

Contractual obligations in respect of future committed acquisitions and development expenditure on projects currently in progress or committed amount to approximately £62.9 million (2011: £100.7 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. The most significant change made as part of this review during 2012 was to reduce the lower limit for fixed interest cover from 60 per cent to 50 per cent of net borrowings. This change was made to provide additional flexibility to manage interest cover through the property portfolio reshaping process, whilst ensuring that the majority of the Group's debt remains at fixed rates. The Group has significant headroom against the interest cover covenants within its debt funding arrangements, and even if fixed interest cover were at 50 per cent, the risk of breaching these covenants due to adverse interest rate movements would be low.

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

FINANCIAL POSITION AND FUNDING

At 31 December 2012, the Group's net borrowings were £2,090.3 million (2011: £2,303.4 million), comprising gross borrowings of £2,106.9 million (2011: £2,324.6 million) and cash balances of £16.6 million (2011: £21.2 million). These cash balances, together with the Group's interest rate and foreign exchange derivatives portfolio, are spread among a strong group of relationship banks, all of which currently have long-term credit ratings of A- or better.

The Group has actively managed its debt funding during the year in order to maintain both a strong liquidity position and debt maturity profile whilst managing net finance costs. The Group also seeks to maintain an appropriate mix of debt funding, between long-dated core funding provided by bonds, and shorter dated bank facilities providing funding headroom and flexible borrowings that can be repaid as the portfolio reshaping process generates disposal proceeds. The following significant debt-related transactions were completed during the year:

1 In May and June 2012, £82 million of committed debt facilities maturing in 2014 were cancelled at a discount to face value, generating a profit of £2.3 million;

2 In November 2012, a €100 million bilateral bank facility maturing in April 2014 was refinanced to extend the maturity of €30 million of the facility until November 2014 and the remaining €70 million until November 2017; and

3 Following a formal tender offer process, on 6 December 2012 we announced the purchase and cancellation of the following Bonds and Notes with an aggregate nominal amount of £112.6 million:

   i £49.9 million of the £150 million 6.25% Notes due in September 2015;

   ii £31.1 million of the £150 million 5.25% Bonds due in October 2015; and

   iii £31.6 million of the £210 million 6.00% Bonds due in October 2019.

   The rationale for this transaction was to manage the sources and maturities of the Group's debt funding and achieve a lower running cost of debt. The purchase was funded by drawing on the Group's existing committed bank facilities. This transaction generated an exceptional charge of £16.8 million. The most significant element of this charge (£13.1 million) is the difference between the market price of the purchased bonds (on announcement of the tender offer) and their face value. This amount represents a pre-payment of future bond coupons which are at a higher interest rate than prevailing market interest rates. The remainder of the exceptional charge is made up of a premium of £1.3 million (around 1 per cent) to the quoted market price of the bonds on announcement of the tender offer, fees of £0.4 million and £2.0 million of accelerated fair value and capitalised finance cost amortisation.

   There was a reduction in the average interest rate of the gross borrowings of the Group at 31 December 2012 of 0.2 per cent, as a result of the transaction. This was driven by the lower interest rate on the bank debt drawn to fund the buy back compared with the coupons on the Bonds and Notes purchased and cancelled.

At 31 December 2012, 81 per cent (£1,689.1 million) of the net borrowings of the Group were long-term bonds with the remaining 19 per cent (£401.2 million) representing bank borrowings net of cash. This mix of debt provides significant flexibility to repay short-term bank borrowings as further non-core disposal proceeds are realised during 2013. We will continue to carefully manage the composition of our debt to balance the maintenance of liquidity headroom with the avoidance of having too high a proportion of relatively higher cost and financially less flexible bond debt.

The Group's debt portfolio is predominantly unencumbered (secured borrowings at 31 December 2012 were £41.0 million, representing just 2 per cent of the Group's gross borrowings), which provides additional flexibility to support the portfolio reshaping process within the wholly owned portfolio and supports the strong credit rating of the Group's unsecured bonds.

Group policy is that debt funding in joint ventures should be on a non-recourse basis to the Group. Given this requirement, and the size of the joint ventures, secured funding is generally the most cost effective source of debt financing. At 31 December 2012, the Group's share of the gross borrowings in its joint ventures was £317.0 million.

The market value of the gross borrowings of the Group at 31 December 2012 was £2,409.9 million (2011: £2,507.5 million), £303.0 million (2011: £182.9 million) higher than the balance sheet carrying value. The increase in the differential between the book value and the market value of gross borrowings relates predominately to a significant increase in the market value of the Group's sterling Bonds and Notes, driven mainly by the decrease during the year in the credit spread on SEGRO's bonds. This differential, which typically fluctuates on a daily basis and usually reduces as the maturity of the bonds approaches, would be crystallised as an exceptional cost and a reduction in EPRA NAV if these borrowings are repaid prior to their maturity date.

The net market value of the Group's portfolio of interest rate swaps at 31 December 2012 was an asset of £103.3 million (2011: £81.1 million), made up mainly of sterling instruments that swap some of the Group's sterling Bonds and Notes from fixed to floating interest rates. The increase in the value of these swaps during 2012 was driven by falling medium-term sterling swap rates, and partially offsets the increase in the market value of the Group's sterling Bonds and Notes noted above. It would be crystallised as a net increase in EPRA NAV if these instruments were repaid prior to their maturity date.

The net market value of the Group's forward foreign exchange and currency swap contracts at 31 December 2012 was a net liability of £13.8 million (2011: an asset of £28.5 million). These contracts are mainly short-dated (maturities of six months or less) instruments used to swap sterling liabilities into euros as part of the Group's currency translation hedging strategy. The strengthening of the euro against sterling towards the end of 2012 resulted in a reduction in the market value of these derivatives. This was, however, offset by a corresponding increase in the sterling value of the euro denominated property assets that they are hedging.

GEARING AND FINANCIAL COVENANTS

The loan to value (LTV) ratio of the Group at 31 December 2012 on a look-through basis (i.e. including the borrowings and property assets of the Group's share of joint ventures, which will be our principal measure of LTV going forward) was 51 per cent (2011: 49 per cent). Including, on a pro forma basis, the impact of the MPM Munich and Thales disposals announced on 8 January 2013, the LTV ratio reduces to 50 per cent.

On a wholly owned basis, the LTV ratio of the Group was 52 per cent at 31 December 2012 (2011: 50 per cent) and 51 per cent after adjusting for the impact of the MPM Munich and Thales disposals.

We remain committed to our target of reducing the LTV ratio towards 40 per cent over the longer term because we continue to believe that REITs with lower leverage offer a lower risk, less volatile investment proposition for shareholders. Over time we expect the Group's leverage to reduce through selling assets, through development, asset management, rental growth driven gains and from cyclical valuation uplifts.

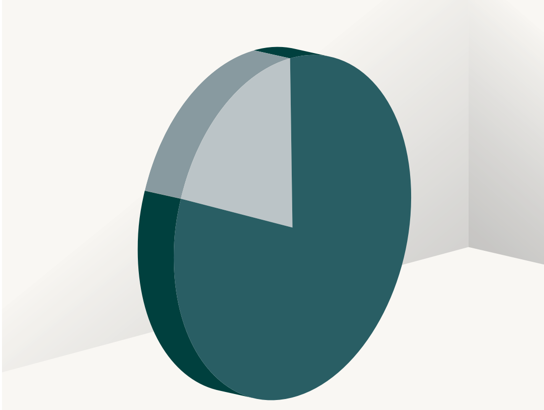
The gearing ratio of the Group at 31 December 2012 within the principal debt funding arrangements of the Group (i.e. excluding debt funding arrangements within joint ventures) was 93 per cent (2011: 89 per cent), significantly lower than the Group's tightest financial gearing covenant within these debt facilities of 160 per cent. Property valuations would need to fall by around 21 per cent from their 31 December 2012 values to reach the gearing covenant threshold of 160 per cent.

The Group's other key financial covenant within the principal debt funding arrangements of the Group is interest cover, requiring that net interest before capitalisation be covered at least 1.25 times by net property rental income. At 31 December 2012, the Group comfortably met this ratio at 2.3 times (2011: 2.2 times). On a look through basis, including joint ventures, this ratio was 2.3 times (2011: 2.2 times).

LIQUIDITY POSITION

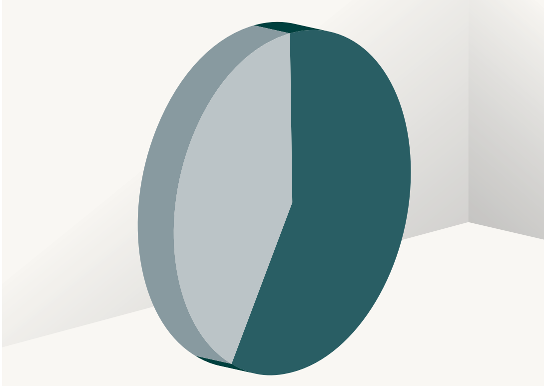
Funds availability at 31 December 2012 totalled £448.5 million, comprising £16.6 million of cash and £431.9 million of undrawn bank facilities provided by the Group's relationship banks, of which only £14.1 million were uncommitted.

ANALYSIS OF NET BORROWINGS 2012



81% BONDS
19% BANK DEBT NET OF CASH

ANALYSIS OF NET BORROWINGS (AFTER DERIVATIVE INSTRUMENTS) 2012



59% FIXED
41% FLOATING

This level of funds availability provides substantial liquidity to fund upcoming debt maturities (with only £70.5 million of committed debt facilities maturing before 31 December 2013) and committed capital expenditure (£62.9 million at 31 December 2012) as well as providing additional liquidity headroom.

At 31 December 2012, the weighted average maturity of the gross borrowings of the Group was 8.3 years (2011: 8.8 years), broadly in line with the weighted average lease term of the Group. This relatively long average debt maturity translates into a favourable, well-spread debt funding maturity profile which reduces future refinancing risk.

GOING CONCERN

While wider economic conditions remain challenging, the Group has realised substantial net disposal proceeds during 2012 and extended the maturity of a bilateral facility maturing in 2014. As a result, the Group continues to have a strong liquidity position, a favourable debt maturity profile and substantial headroom against financial covenants. It can reasonably expect to be able to continue to have good access to capital markets and other sources of funding.

Having made enquiries and having considered the principal risks and uncertainties facing the Group as detailed on pages 40 to 43, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

INTEREST RATE RISK EXPOSURE

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

At 31 December 2012, including the impact of derivative instruments, £1,231.1 million (2011: £1,703.3m) of borrowings were at fixed rates, representing 59 per cent (2011: 74 per cent) of the net borrowings of the Group. By currency, 59 per cent of the euro denominated net borrowings of the Group of £1,251.6 million and 59 per cent of the remaining net borrowings (predominantly sterling) of £838.7 million were at fixed rates. The level of fixed cover has fallen in 2012 towards the lower end of our revised policy range due to the maturity of €100 million of pay fixed interest rate swaps, and the purchase and cancellation of £112.6 million of fixed rate Bonds and Notes towards the end of the year. No replacement fixed cover has been arranged based on: i) the judgement that fixed cover will increase naturally during 2013 as further disposal proceeds are used to repay floating rate bank debt; and ii) a sensitivity analysis of the potential financial impact of a higher level of floating rate interest exposure.

The weighted average maturity of fixed rate cover of £1,231.1 million at 31 December 2012 was 8.4 years at an average fixed interest rate of 5.9 per cent. Including the impact of derivative financial instruments, floating rate gross borrowings at 31 December 2012 were £875.8 million at an average interest rate (including margin) of 2.7 per cent, giving a weighted average interest rate for gross borrowings at that date, before commitment fees and amortised costs, of 4.6 per cent, or 4.9 per cent after allowing for such items. The main reasons for the lower average interest rates for gross borrowings at December 2012 compared with 4.8 per cent and 5.2 per cent respectively for December 2011, are the impact of the Bond and Note tender and lower short-term sterling and euro interest rates.

The Group's marginal funding cost under unsecured bank facilities is currently between 2 and 3 per cent (dependent on currency and the level of fixed interest cover), substantially lower than the average interest rate of the gross borrowings of the Group. To the extent that net disposal proceeds generated in 2013 are used to repay drawn bank borrowings at the marginal rate, the average interest rate of the Group will increase. Based on the net borrowings position and the marginal funding rate of the Group at 31 December 2012, repaying £100 million of floating rate bank borrowings would increase the average interest rate of the Group by around 0.2 per cent on an annualised basis.

As a result of fixed rate cover in place, if short-term interest rates had been 1 per cent higher throughout the year to 31 December 2012, the adjusted net finance cost of the Group would have increased by approximately £6 million, representing around 4 per cent of EPRA profit after tax.

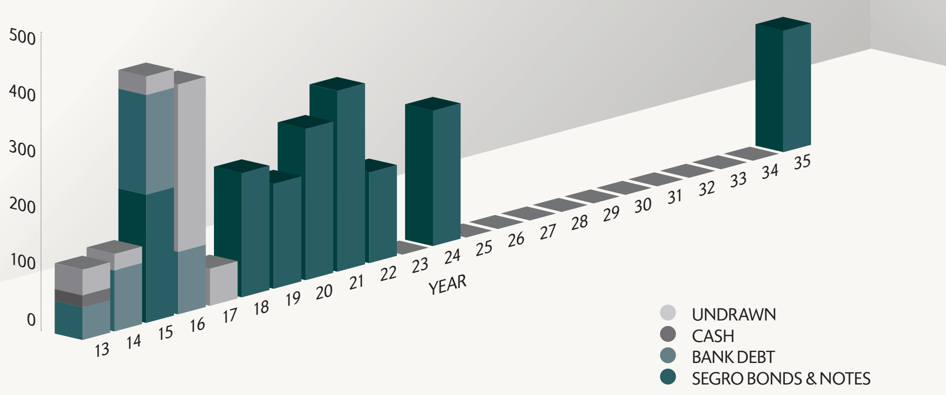
The Group has decided not to elect to hedge account its interest rate derivatives portfolio. Therefore, movements in the fair value are taken to the income statement but, in accordance with EPRA Best Practices Recommendations, these gains and losses are eliminated from EPRA profit before tax and EPRA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

FOREIGN CURRENCY TRANSLATION EXPOSURE

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

DEBT PROFILE (£m)



As at 31 December 2012, the Group had gross foreign currency assets amounting to £1,679.0 million, which were 84 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments) of £1,405.6 million. Translation hedging has been maintained towards the upper end of the 50 to 90 per cent policy range in order to substantially reduce the impact of movements in the sterling/euro exchange rate on NAV and EPRA profits of the Group.

A 5 per cent strengthening against sterling in the value of the other currencies in which the Group operates at 31 December 2012 would have increased net assets by approximately £15 million and increased reported gearing by less than 1 per cent. Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, the increase in gearing would have been approximately 2 per cent.

A 5 per cent strengthening against sterling in the value of the other currencies in which the Group operates at 31 December 2012, including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, would have increased the LTV ratio on a look-through basis by 0.6 per cent.

The average exchange rate used to translate euro denominated earnings generated during 2012 into sterling within the consolidated income statement of the Group was €1.23: £1. Based on the hedging position at 31 December 2012, and assuming that this position had applied throughout 2012, if the euro had been 5 per cent stronger than it was against sterling throughout the year (€1.17: £1), EPRA profits after tax for the year would have been approximately £1.9 million (1 per cent) higher than those reported.

JUSTIN READ
GROUP FINANCE DIRECTOR

PRINCIPAL RISKS AND UNCERTAINTIES

MANAGING RISK RESPONSIBLY

The Group recognises that its ability to manage risk consistently across the organisation is central to its success. It defines risk as the potential effect of uncertainty on its ability to achieve its objectives, while risk management ensures a structured approach to decision-making that aims to reduce the uncertainty surrounding expected outcomes, balanced against the objective of creating value for its shareholders.

APPROACH TO MANAGING RISK

The Board has overall responsibility for ensuring that risk is effectively managed across the Group and, on behalf of the Board, the Audit Committee reviews the effectiveness of the Group's risk management process.

The risk management process is designed to identify, evaluate and manage the significant risks that the Group faces. The process aims to manage, rather than eliminate, the risk of failure to achieve business objectives, and therefore can only provide reasonable and not absolute assurance.

Appetite towards risk is considered at Board meetings whenever significant strategic, financial or operational decisions are made, and is a key part of ongoing discussions about strategy.

The individual risks faced by the Group do not typically change materially from year to year; however, the magnitude and importance of these risks can change significantly. The Board recognises that it has limited control over many of the external risks it faces, such as the macro-economic environment, but it reviews the impact of such risks on the business and actively considers them in its decision-making. For example, during 2012 the Board regularly considered the financial difficulties in the Eurozone and assessed the impact of them on the Group's investment and divestment decisions.

The Board monitors internal risks and ensures that controls are in place to manage them. During the year, the Group revised its governance process for major investment transactions to ensure that the risks involved in due diligence or contract negotiations are more formally considered before proceeding with any transaction and that any specific risks being assessed are in line with the Group's risk appetite.

Risks are considered within each area of the business, taking into account both the unmitigated risk (assuming that controls fail) and residual risk (with controls operating normally). The most significant risks are detailed in the Group Risk Register. Each risk is owned by a member of the Executive Committee and assigned to a manager who is required to develop a plan to manage or mitigate individual risks to an agreed position. The relatively small management team allows management to respond quickly to changing events so as to reduce any adverse effects on the Group's risk profile.

During the year, the Executive Committee and the Board have reviewed the effectiveness of the Group's risk management framework and practices. The Group has identified certain areas for improvement in 2013, such as a greater focus on seeking to anticipate valuation movements.

The Group has a Risk Management Committee responsible for regularly reviewing the Group Risk Register, monitoring the most important controls and prioritising risk management activities. The Executive Committee considers emerging risks and their impact on the Group Risk Register. The Board reviews the principal risks twice a year and the Audit Committee receives a report twice a year on how the Group Risk Register has been compiled.

Details of the principal risks and uncertainties facing the Group are set out below.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties have the potential to affect SEGRO's business materially – either favourably or unfavourably.

The principal risks and uncertainties facing the Group are described below, along with the potential areas of impact on the Group's key performance indicators (KPIs) and the principal activities that are in place to manage such risks. The direction of change in the level of the risk during the course of 2012 is given, along with commentary on any changes occurring and key links to further relevant information provided in other sections of this report.

UNCERTAINTIES

These represent the risk factors over which the Group has limited control, and so they are rigorously monitored. The most significant of these risk factors and some of the major potential impacts on the Group are set out below:

PRINCIPAL UNCERTAINTIES	POTENTIAL IMPACTS
CHANGES IN MACRO-ECONOMIC CONDITIONS Global market and economic conditions have been challenging, with tighter credit conditions and slower growth in most major economies during the last few years. Although signs of recovery may exist, there are continued concerns about government austerity measures, Eurozone sovereign and bank debt, the availability and cost of credit and geopolitical issues that all contribute to increased market volatility and uncertain expectations for the global economy. **CHANGES IN GOVERNMENT POLICIES** Changes in government regulation or policy at European Union (EU), national and local levels could impact on the Group. For example, unfavourable changes in tax and planning regulations or changes to existing or planned infrastructure investment (including transport) might change the value of the Group's property portfolio or influence development decisions. **CHANGES IN THE COMMERCIAL ENVIRONMENT** Changes in consumer behaviour, sustainability regulations or customer preferences could impact the attractiveness of the Group's properties to certain industry sectors. For example, the increase in online commerce is stimulating the demand for logistics and distribution space located near major transport hubs and conurbations. Competitor behaviour could also have a bearing on the Group's plans – particularly in relation to competition for acquisitions, tenants and land for development.	– Bank covenant breaches – Changes in the availability and cost of finance – Fluctuations in currency exchange rates – Changes in expected returns on investments – Changes in asset values – Increases in customer insolvencies – Occupier requirements not met – Changes in occupier demand – Changes in rental income – Changes in operating costs – Regulatory requirements not met/compliance breaches

PRINCIPAL RISKS

Not all of the risks listed here are within the control of the Group, and other factors besides those listed may affect the performance of our business. Some risks may be unknown at present, and other risks that are currently regarded as immaterial and therefore not detailed here, could turn out to be material in the future.

Risks are classified as 'principal' according to their potential level of materiality after mitigating actions have been taken into consideration as determined by the risk management process.

The principal risks that the Group reported last year have evolved in nature, as has the Group's response to them. Consideration of the Group's current risk environment, as well as its strategic priorities, has resulted in an additional risk now being classified as principal risks, and this is described in the table below.

Additionally, there are also a number of risks that have been de-classified as a principal risk since last year. There are a number of reasons for this, including: the risk has been re-categorised as a principal uncertainty; there is duplication of an issue; mitigating actions have reduced the level of risk and/or natural hedging has occurred between risks and/or the uncertainty surrounding the risk has been reduced.

The declassified risks are: 'failure to maintain an appropriate and cost-effective capital structure'; 'the availability and cost of borrowing'; and 'fluctuations in foreign exchange rates'.

The following table details each of the Group's current principal risks, and these are arranged by five risk groupings – referred to as risk categories that cover strategic risks, financial risks, operational risks, investment risks and compliance/regulatory risks. The purpose of grouping risks into risk categories is to assist the systematic identification of risks in a consistent manner and to organise them so that they can be better managed. It also helps to identify the root causes of these risks, and the KPIs most directly impacted by each category are also identified. The Group's strategy and KPIs are detailed in the Chief Executive's Review on pages 10 to 19.

STRATEGIC RISKS

The current or prospective risks to earnings and capital arising from changes in the business environment and from adverse business decisions, failed implementation of decisions or lack of responsiveness to changes in the business environment.

KPIs IMPACTED: TPR, TSR, EPRA ADJUSTED EPS, NAV, LTV, VACANCY RATE

RISK	CHANGE SINCE 2011	MITIGATING ACTIONS	COMMENTARY
PORTFOLIO SHAPE AND PERFORMANCE Management considers that if the Group holds the wrong shape portfolio then non-performing assets or the wrong type of assets may dilute portfolio returns resulting in relative underperformance of TPR and TSR against the market and external expectations.	→	A strategic review of the portfolio was completed and assets identified for disposal. The reshaping strategy is being implemented over the medium term and should result in SEGRO holding an appropriate balance of high quality 'stabilised' and 'opportunity' assets necessary to achieve the returns that our shareholders require.	The reshaping strategy and the progress made during 2012 are described in the Chief Executive's Review on page 10 to 12.
PACE OF STRATEGIC CHANGE If SEGRO does not deliver its stated strategic changes at the right pace and within an acceptable timeframe then investor expectations may not be met and improved shareholder returns may not be delivered.	→	The pace of strategic change, including balancing our strategic priorities against each other (for example reducing leverage against reinvesting in new, core assets), will continue to be carefully considered by both the Board and the Executive Committee during 2013, alongside the KPIs established in November 2011 to monitor performance. Clear targets have been established for further progress to be made in 2013, which have been built into the personal objectives of senior managers.	Considerable progress has been made against three of the four strategic priorities announced in November 2011, the exception being, reducing financial leverage. The strategic priorities and the progress made against these priorities are detailed in the Chief Executive's Review on pages 10 to 12.
IMPACT OF THE EUROZONE ECONOMIC ENVIRONMENT A deterioration in economic conditions in the Eurozone could result in a loss in value or reduction in income to the Group, by adversely impacting economic performance in the markets in which we hold property assets in Continental Europe. If this deterioration also resulted in a weakening of the euro against sterling this would have an adverse currency translation impact on the reported sterling income and asset values from our euro denominated operations.	→	We remain alert to the potential financial and operational risks to the business arising from a deterioration in economic conditions in the Eurozone. We will continue to maintain a high level of currency translation hedging against the impact of a weaker euro and to closely monitor our exposure to major tenants in the Eurozone. Geographically, the portfolio is located predominantly in the relatively stronger European economies. The split by property values is: UK 66%, France 11%, Germany 8%, Poland 7%, Belgium 3%, Netherlands 2%, Italy 2% and Czech Republic 1%.	The Financial Review on pages 38 to 39 provides further detail of the Group's foreign exchange exposure to the euro and the policies and the hedging arrangements in place to manage this exposure.

FINANCIAL RISKS

The risks to the cash flows, equity capital and solvency of the Group resulting from the debt funding arrangements of the Group and movement in external financial variables that have a significant impact on the Group, such as interest rates, foreign exchange rates and the creditworthiness of the Group's major financial counterparties.

KPIs IMPACTED: TSR, EPRA ADJUSTED EPS, NAV, LTV

RISK	CHANGE SINCE 2011	MITIGATING ACTIONS	COMMENTARY
SOLVENCY AND COVENANT BREACH A material fall in the Group's property asset values or rental income could lead to a breach of financial covenants within its debt funding arrangements. This could result in the cancellation of debt funding which could, in turn, leave the Group without sufficient long-term resources (solvency) to meet its commitments.	→	Funding and covenant ratio headroom are closely monitored by Group Treasury, the Treasury Committee and the Board. The impact of major investment decisions on covenant and funding headroom is also considered by the Investment Committee as part of the approval process for these decisions.	Further details of Treasury Policy, funding headroom, financial covenant ratios and related headroom and sensitivities are provided in the Financial Review on pages 36 to 39.

OPERATIONAL RISKS

The risk of loss and/or missed opportunities resulting from inadequate or failed internal processes, people or systems or from external events.

KPIs IMPACTED: TOTAL COST RATIO, CUSTOMER SATISFACTION, EPRA VACANCY RATE, EPRA ADJUSTED EPS

RISK	CHANGE SINCE 2011	MITIGATING ACTIONS	COMMENTARY
OPERATIONAL DELIVERY The Group's ability to maintain its reputation, revenues and shareholder value could be damaged by operational failures such as: – Health and Safety incidents – Environmental damage – Business systems or IT disruption – Failing to attract, retain and motivate key staff – Breach of anti-bribery and corruption legislation	→	In 2012, various operational processes were subject to internal audit. This has provided assurance that our processes are essentially robust, but with some scope for improvement. We will ensure that operational processes remain well controlled during 2013, and will seek to implement identified improvements to these processes.	Sustainability performance relative to operational delivery is detailed in the Corporate Responsibility Review on pages 24 to 31. That section sets out the identified areas for improvement in operational processes and the Group's approach to managing people.

INVESTMENT/REAL ESTATE RISKS

The risks associated with capital allocation including the acquisition, disposal and development of assets and the valuation of the Group's portfolio.

KPIs IMPACTED: TPR, TSR, NAV

RISK	CHANGE SINCE 2011	MITIGATING ACTIONS	COMMENTARY
MARKET CYCLE The property market is cyclical and there is an inherent risk that the Group could either misinterpret the market or fail to react appropriately to changing market conditions, which could result in capital being invested or disposals taking place at the wrong time in the cycle.	→	The Board, Executive Committee and Investment 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.	The market outlook is detailed in the Chief Executive's Review on page 16.
APPROPRIATENESS OF INVESTMENT PLANS Decisions to buy, hold, sell or develop assets could be flawed due to inadequate analysis, inappropriate assumptions, poor due diligence or changes in the economic or operating environment.	↓	Formal asset management plans are prepared annually for all estates to ensure that capital allocation is optimised across the portfolio. The plans are used to determine where to invest capital in existing assets and to identify assets for disposal. The Group's major development projects are generally pre-let to customers on a long lease. Speculative development is carefully monitored by the Investment Committee and is limited to locations where supply is limited and demand is expected to be strong. A new comprehensive Capital Investment Policy covering evaluation, due diligence, approval and execution, has been developed and implemented.	The approach to investment and development is detailed in the Performance Review on pages 20 to 21.
PORTFOLIO VALUATION If we fail to anticipate portfolio valuation changes we may fail to take action to sell under-performing assets or we may not be able to manage shareholder expectations appropriately, resulting in TPR underperformance or potential damage to our reputation with investors and, ultimately, to an increase in our cost of capital.	NEW	The Group's re-shaping strategy is focused on increasing exposure to attractive assets in core locations and disposing of non-core assets. The Group's investment team is responsible for the regular assessment of investment market conditions and for managing the biannual external valuations. This risk is also regularly monitored by the Investment Committee which also provides oversight of and challenge to the annual asset planning process. An investor relations process is in place to maintain positive shareholder relationships and manage shareholder expectations.	The reshaping strategy is detailed in the Chief Executive's Review on page 10. The progress made during 2012 in reshaping the portfolio is also detailed in the Performance Review on page 11 to 12.

COMPLIANCE RISKS

The risk of legal or regulatory sanctions, material financial loss, or loss of reputation that the Group may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its business activities.

THERE ARE CURRENTLY NO RISKS WITHIN THIS RISK CATEGORY THAT MEET THE CRITERIA FOR CLASSIFICATION OF A PRINCIPAL RISK

Currently there are no compliance risks which, taking into account the impact of mitigating actions, including continued assessment and internal controls, are considered to be principal risks.

BOARD OF DIRECTORS

NIGEL RICH CBE

CHAIRMAN
JOINED: 1 OCTOBER 2006

SKILLS AND EXPERIENCE

Nigel brings considerable experience of working at board level as a chairman, an executive and a non-executive director. Nigel's experience encompasses commercial property, general management and finance roles.

CURRENT APPOINTMENTS

Nigel was appointed Chairman in October 2006, having joined as a Non-Executive Director earlier that year. He is a Non-Executive Director of the Bank of the Philippine Islands (Europe) Plc, Matheson & Co Ltd, Pacific Assets Trust plc and British Empire Securities and General Trust plc. He is a member of the Takeover Panel and a Fellow of the Institute of Chartered Accountants in England and Wales.

PREVIOUS APPOINTMENTS

He was previously Chairman of Xchanging plc, Exel Plc, CP Ships and the residential agents Hamptons. He also held the posts of Chief Financial Officer and Chief Executive Officer of HongKong Land.

He is the Chairman of the Nomination Committee. Aged 67.

DAVID SLEATH

CHIEF EXECUTIVE OFFICER
JOINED: 1 JANUARY 2006

SKILLS AND EXPERIENCE

David brings extensive knowledge of the Company and the real estate sector and has experience of financial and general management and of the professional services industry.

CURRENT APPOINTMENTS

David was appointed Finance Director in 2006 and became Chief Executive in April 2011. He is a Non-Executive Director and Audit Committee Chairman of Bunzl plc, a board member of the European Public Real Estate Association, and a member of the Policy Committee of the British Property Federation and the London regional board of Royal & Sun Alliance. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

PREVIOUS APPOINTMENTS

He has previously held a number of senior finance roles, including Finance Director of Wagon plc. Prior to this he worked for Arthur Andersen, latterly as a Partner and Head of Audit and Assurance for the Midlands.

He is a Member of the Nomination Committee. Aged 51.

CHRISTOPHER FISHER

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 OCTOBER 2012

SKILLS AND EXPERIENCE

Christopher has spent his career in corporate finance and has 10 years of plc board experience.

CURRENT APPOINTMENTS

Christopher joined the Board as a Non-Executive Director in October 2012. Earlier in 2012, he became Chairman of Bank of Ireland (UK) plc. He is also a senior partner at Penfida Partners, a firm providing corporate finance advice to pension fund trustees and the President of the Council of the University of Reading.

PREVIOUS APPOINTMENTS

Christopher spent most of his career at Lazard Limited, latterly as a Managing Director. He was also Vice Chairman of Corporate Finance at KPMG LLP. In 2011, he served as Chairman of Southern Cross Healthcare Group PLC and previously held Non-Executive Directorships at Kelda Group plc and Yates Group plc.

He is a member of the Audit, Nomination and Remuneration Committees. Aged 59.

JUSTIN READ

GROUP FINANCE DIRECTOR
JOINED: 30 AUGUST 2011

SKILLS AND EXPERIENCE

Justin's previous roles have given him financial and management experience working across a number of different industry sectors, including support services, building materials, entertainment and banking, and across a number of different jurisdictions.

CURRENT APPOINTMENTS

Justin joined the Company as Group Finance Director in 2011.

PREVIOUS APPOINTMENTS

Between 2008 and 2011 he was Group Finance Director at Speedy Hire plc. Prior to this, Justin spent 13 years in a variety of roles at Hanson Plc, including Deputy Finance Director, Managing Director of Hanson Continental Europe, Head of Corporate Development, Head of Risk Management and Group Treasurer. Justin has also held positions at Euro Disney S.C.A. and Bankers Trust Company.

Aged 51.

BARONESS FORD

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 JANUARY 2013

SKILLS AND EXPERIENCE

Baroness Ford has considerable experience of the real estate market and the support services sector and over 20 years' experience at board level at private and listed companies.

CURRENT APPOINTMENTS

Baroness Ford joined the Board in January 2013 and is currently Non-Executive Chairman of Barchester Healthcare Limited and May Gurney Integrated Services plc. She is a Non-Executive Director and Chairman of the Remuneration Committee for Grainger plc. She is an Honorary Member of the Royal Institution of Chartered Surveyors.

PREVIOUS APPOINTMENTS

Previously, Baroness Ford was the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee at Serco Group plc. She was Chairman of the Olympic Park Legacy Company.

She is a member of the Audit, Nomination and Remuneration Committees. Following the conclusion of the 2013 AGM she will become the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee. Aged 55.

ANDREW PALMER

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 28 JANUARY 2004

SKILLS AND EXPERIENCE

Andrew has over 30 years' corporate financial experience gained in a number of executive and non-executive roles on major company boards.

CURRENT APPOINTMENTS

Andrew was appointed as a Non-Executive Director and became Senior Independent Director after the AGM in 2011. He is a Non-Executive Director of Direct Line Group and Royal London Group, a Director of the Royal School of Needlework and a member of the Financial Reporting Review Panel of the Financial Reporting Council. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

PREVIOUS APPOINTMENTS

Formerly Group Finance Director of Legal & General Group plc, he has held a number of financial and operational positions in the asset management and insurance sectors.

He is a member of the Audit, Nomination and Remuneration Committees. Aged 59.

DOUG WEBB

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 MAY 2010

SKILLS AND EXPERIENCE

Doug comes from a corporate financial management background and has six years' board level experience as a Chief Financial Officer of listed companies. He brings recent and relevant financial experience to the Board.

CURRENT APPOINTMENTS

Doug was appointed as a Non-Executive Director in May 2010. He is a member of the Hundred Group of Finance Directors and a Fellow of the Institute of Chartered Accountants in England and Wales.

PREVIOUS APPOINTMENTS

Between 2008 and 2012 he was Chief Financial Officer of London Stock Exchange Group plc. He was previously Chief Financial Officer of QinetiQ Group plc and Finance Director Continental Europe and Chief Financial Officer North America at Logica plc. Prior to these appointments he spent 12 years at Price Waterhouse.

He is Chairman of the Audit Committee. Aged 51.

CHRIS PEACOCK

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 28 JANUARY 2004

SKILLS AND EXPERIENCE

Chris has deep and wide-ranging knowledge of the UK and overseas property industry, having spent his entire executive career in the real estate sector both as an advisor to investors, developers and occupiers and in a variety of senior management positions.

CURRENT APPOINTMENTS

Chris was appointed as a Non-Executive Director in January 2004. He is a Director of Howard de Walden Estates Limited and sits on the Advisory Investment Committee for Trinova Real Estate LLP. He is a Fellow of the Royal Institution of Chartered Surveyors.

PREVIOUS APPOINTMENTS

He was formerly President and Chief Executive Officer at Jones Lang LaSalle, a member of the Advisory Board of the Landon Trust and a member of the UK Advisory Board for Benson Elliot Real Estate Partners II, L.P.

He is Chairman of the Remuneration Committee and a member of the Nomination Committee. Aged 67.

THOM WERNINK

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 23 MAY 2005

SKILLS AND EXPERIENCE

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

CURRENT APPOINTMENTS

Thom was appointed as a Non-Executive Director in May 2005. He is a Non-Executive Director of a number of property and investment companies based in Continental Europe and a member of the board of Resolute Asset Management LLP.

PREVIOUS APPOINTMENTS

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

He is a Member of the Audit Committee. Aged 67.

MARK ROBERTSHAW

INDEPENDENT NON-EXECUTIVE DIRECTOR
JOINED: 1 JUNE 2010

SKILLS AND EXPERIENCE

Mark has extensive experience of working across the finance and consultancy sectors. His perspective as the Chief Executive Officer of a large multi-national industrial business brings additional insight to SEGRO as an industrial landlord.

CURRENT APPOINTMENTS

Mark was appointed as a Non-Executive Director in June 2010. He is currently Chief Executive Officer of The Morgan Crucible Company plc, a post he has held since August 2006, having joined the company in 2004 as Chief Financial Officer.

PREVIOUS APPOINTMENTS

He was previously Chief Financial Officer of Gartmore Investment Management plc. Prior to this, he spent nine years with Marakon Associates, a leading management consultancy headquartered in the US.

He is a Member of the Nomination and Remuneration Committees. Aged 44.

GOVERNANCE REPORT

CHAIRMAN'S INTRODUCTION

As a Board we are responsible to our shareholders, customers and other stakeholders for the performance of the Company and for promoting its long-term success. The Board supports fully the strategy that our Chief Executive, David Sleath, and his executive team are implementing to improve shareholder returns through Disciplined Capital Allocation and Operational Excellence.

In this section, we explain how corporate governance works in SEGRO. Good corporate governance is vital to support the delivery of our strategic priorities and is central to all aspects of our business. It is embedded in the way we manage our business and is designed to create an environment where matters can be considered and decisions made at the appropriate level in the organisation. Throughout 2012, the Company complied with the UK Corporate Governance Code (the Code) and this report sets out how we applied its principles to the running of the business. A number of changes have been made to the Code that take effect for SEGRO in the 2013 financial year, however we have complied with the majority of these new provisions this year.

Board composition is critical in ensuring effective and value-adding corporate governance. Appropriate succession plans are in place for the Board and key management roles. Andrew Palmer and Chris Peacock will retire at the 2013 AGM, both having served nine years on the Board. In October, Christopher Fisher joined the Board and Margaret Ford joined us in January this year.

At the 2013 AGM, Margaret Ford will succeed Andrew Palmer as the Senior Independent Director and Chris Peacock as Chairman of the Remuneration Committee.

Since January 2013, the Board has comprised 10 Directors, including myself, which will reduce to eight following the AGM.

The Board recognises the benefits of diversity in its broadest sense and the value this brings to the organisation in terms of skills, knowledge and experience. At SEGRO we have a good record of promoting and appointing women to senior roles. Women hold four out of the 15 positions on our senior management team. The Board has discussed the recommendations of the Davies Report on Women on Boards. We agree with the conclusion that greater efforts should be made to improve the gender balance of corporate boards, but also that quotas are not the preferred option. We will continue to support initiatives to ensure that the pipeline of suitable women candidates for Board positions is strengthened and, in addition, I participate in the FTSE100 Cross-Company Mentoring Programme. The Company's diversity policy is available on our website.

NIGEL RICH CBE
CHAIRMAN

> "The Board recognises the benefits of diversity in its broadest sense and the value this brings to the organisation in terms of skills, knowledge and experience.
>
> **NIGEL RICH**

LEADERSHIP

ROLE OF THE BOARD

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

BOARD MEMBERSHIP

Details of the Directors and their full biographical details, including the skills and experience they each bring to the Board, are on pages 44 and 45. The Board comprises a Non-Executive Chairman, two Executive Directors and seven independent Non-Executive Directors, all of whom are equally responsible for the proper stewardship and leadership of the Group. Taking into account the provisions of the Code, each of the Non-Executive Directors is considered independent in character and judgement. The Chairman was considered independent on appointment and the Board still considers him to be so. Further information is provided in the Nomination Committee Report on pages 52 to 53.

ROLES AND RESPONSIBILITIES OF THE DIRECTORS

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

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

ATTENDANCE

All Directors are expected to attend each Board meeting and meetings of Board Committees of which they are members. During 2012, there were nine scheduled Board meetings and one ad-hoc meeting. Attendance at Board and Board Committee meetings during 2012 is set out in the table below.

TABLE OF ATTENDANCE

NAME	BOARD	AUDIT COMMITTEE	NOMINATION COMMITTEE	REMUNERATION COMMITTEE
Nigel Rich	10	N/A	5	N/A
Christopher Fisher[1]	2	1	1	2
Andrew Palmer	10	5	5	5
Chris Peacock	9	N/A	5	4
Justin Read	10	N/A	N/A	N/A
Mark Robertshaw[2]	10	N/A	2	5
David Sleath	10	N/A	5	N/A
Doug Webb	10	5	N/A	N/A
Thom Wernink[3]	10	5	2	N/A
Total number of meetings	10	5	5	5

1 Joined the Company and appointed to the Audit and Remuneration Committees on 1 October 2012 and the Nomination Committee on 17 December 2012.
2 Appointed to the Nomination Committee on 17 May 2012.
3 Stepped down from the Nomination Committee on 17 May 2012.

THE WORK OF THE BOARD

ROLE OF THE BOARD

The principal role of the Board is to ensure that the Group's strategy creates and sustains long-term value for its investors. Details of how the Company generates and preserves value are set out in the Chief Executive's Review on pages 10 to 16. The Board retains responsibility for the approval of certain matters which include Group strategy, the annual budget, the dividend policy, major investments and disposals and financial structure. There is an approved Schedule of Matters Reserved for Decision by the Board.

The day-to-day running of the Group is delegated by the Board to the Chief Executive who is supported by the Executive Committee.

KEY ACTIVITIES OF THE BOARD DURING 2012

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

- annual strategy review, including a review of progress on implementation of plans announced in November 2011, dividend strategy and leverage targets;
- approval of the Medium-Term Financial Plan and setting of medium-term objectives;
- a review of medium-term funding strategy and approval of the bond buyback;
- review of risks identified and resulting action plans, and consideration of risk as it relates to strategy;
- reviewing asset plans for holdings in Vimercate, Brussels, Munich, Frankfurt and Berlin;
- approval of a number of disposals, including assets in Crawley, Farnborough, the North West, the South West and the Midlands in the UK, and in Munich;
- approval of the acquisition of assets from Foncière Europe Logistique in France;
- a review of the Schedule of Matters Reserved for Decision by the Board, including the parameters for the approval of investments;
- a review of the UK pension schemes;
- consideration of the Group's approach to community engagement and charitable giving;
- a review of the results of the Group-wide customer satisfaction survey;
- the appointment of CBRE Ltd as the Company's valuer and Equiniti Ltd as the Company's registrar;
- rolling reviews of the performance of investments and developments over the previous three years;
- consideration of the outlook for the property market and the economic climate, particularly in Continental Europe;
- a review of the impact of the Neckermann administration and future options for the site;
- a review of the Terms of Reference of the Board Committees;
- the appointment of two Non-Executive Directors;
- consideration of the health and safety strategy and significant matters that have arisen during the year;
- consideration of the implications for the Group of the UK aviation consultation exercise; and
- an update on corporate regulatory changes.

COMMITTEE STRUCTURE

The Board has delegated a number of its responsibilities to the Audit, Nomination and Remuneration Committees, details of which are set out below. The Terms of Reference of these Committees can be found at www.segro.com in the 'Investors' section. The Company ensures that these Committees are provided with sufficient resources to undertake their duties.

Responsibility for all operational matters, including the implementation of Group strategy, is delegated to the Chief Executive. The Executive Committee supports the Chief Executive in the delivery of strategy, establishing financial and operating targets and monitoring performance against those targets. The Committee oversees the processes for identifying and managing risk. At each meeting, the Committee reviews financial and operational performance, considers any health and safety incidents, carries out a pre-approval review of items requiring Board approval and acts as a primary approval channel for matters below Board-approval level. The Group Finance Director, the Chief Operating Officer, the Chief Investment Officer and the Group HR Director are also members of the Executive Committee. The Executive Committee has its own Terms of Reference and meets monthly.

The Executive Committee delegates some of its responsibilities to a further four Committees:

- the Investment Committee;
- the Operations Committee;
- the Risk Management Committee; and
- the Treasury Committee.

These Committees have their own Terms of Reference and membership includes at least one member of the Executive Committee.

BOARD AND COMMITTEE STRUCTURE, MEMBERSHIP AND ROLES

BOARD

NIGEL RICH (CHAIRMAN)

TWO EXECUTIVE DIRECTORS
SEVEN INDEPENDENT NON-EXECUTIVE DIRECTORS
(to reduce to five following the AGM)

Creating and delivering sustainable shareholder value

BOARD COMMITTEE OVERSIGHT

AUDIT COMMITTEE

FIVE INDEPENDENT NON-EXECUTIVE DIRECTORS (to reduce to four following the AGM)

Monitors the integrity of the Group's financial statements and the effectiveness of the external and internal auditors

Oversees the risk management process and control environment

NOMINATION COMMITTEE

CHAIRMAN, CHIEF EXECUTIVE AND FIVE INDEPENDENT NON-EXECUTIVE DIRECTORS (to reduce to three following the AGM)

Ensures that the Board and the senior management team have the appropriate skills, knowledge and experience to operate effectively and to deliver the strategy

REMUNERATION COMMITTEE

FIVE INDEPENDENT NON-EXECUTIVE DIRECTORS (to reduce to three following the AGM)

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

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

FIVE MEMBERS

To assist the Chief Executive with the development and implementation of Group strategy, the management of the business and the discharge of responsibilities delegated by the Board

INVESTMENT COMMITTEE

FOUR EXECUTIVE COMMITTEE MEMBERS

To manage the allocation of capital across the Group and to oversee all major investment and divestment decisions on behalf of the Executive Committee

OPERATIONS COMMITTEE

ONE EXECUTIVE COMMITTEE MEMBER, FIVE BUSINESS UNIT DIRECTORS AND FINANCE DIRECTOR – OPERATIONS

To assist the Chief Operating Officer to manage the operations of the Group and to discharge the responsibilities delegated to him by the Executive Committee

RISK MANAGEMENT COMMITTEE

TWO EXECUTIVE COMMITTEE MEMBERS AND THREE SENIOR MANAGERS

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

TREASURY COMMITTEE

TWO EXECUTIVE COMMITTEE MEMBERS AND THREE SENIOR MANAGERS

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

ACCOUNTABILITY

RISK MANAGEMENT

The Board recognises that effective risk management is central to the achievement of the Group's strategic objectives and the long-term sustainable growth of the business. The Board has overall accountability for ensuring that risk is effectively managed across the Group, and the Audit Committee reviews the effectiveness of the risk management process on behalf of the Board. Further details of the risk management process and the Group's principal risks and uncertainties are set out on pages 40 to 43.

CONFLICTS

Directors are required to submit any potential or actual conflicts of interest they may have with the Company to the Board for approval.

INDUCTION AND TRAINING

Newly appointed Directors participate in a structured and tailored induction programme and on appointment receive a comprehensive pack of information on the Group and its governance structure. Ongoing training is available for all Directors. Senior managers are regularly invited to present to the Board on business matters. During 2012, these presentations included briefings on the investment and asset disposal programme, asset plans and treasury matters. The Company's advisors, including corporate brokers, real estate specialists, shareholders and economic advisors, attended Board meetings or dinners during the year to present on particular matters or to provide market updates.

During 2012, Board meetings were held in London, Slough and Paris. The Board met with management teams in these locations and had tours of the Group's property portfolios in Slough and Paris.

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

Analysts' reports and sector updates are circulated periodically and Directors receive weekly press cuttings. Between meetings, the Chief Executive and the Chairman regularly communicate with the Directors to update them on recent developments.

Individually, Directors are encouraged to attend seminars and conferences associated with their areas of expertise or responsibility.

Throughout the year, the Chairman met with the Non-Executive Directors 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. Following the recent Board appointments, the Chairman is in the process of meeting with the Directors to discuss their respective contribution and training needs.

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.

RE-ELECTION OF DIRECTORS

In accordance with the Code, all Directors, save for the two retiring Non-Executive Directors, will submit themselves for election or re-election at the 2013 AGM. The Nomination Committee Report on pages 52 to 53 provides more information about the Directors' appraisal process, while their skills and expertise are set out in the Directors' biographies on pages 44 to 45.

EVALUATION

The Board has a policy of undertaking externally facilitated evaluations every three years and internal reviews in the intervening two years. External evaluations took place in 2008 and 2011. In 2012, the Chairman, with the assistance of the Company Secretary, led the internal review process. Questionnaires for the Board and the three Board Committees were prepared that encouraged the Directors to provide written comments on a number of themes. The review confirmed that the Board was operating effectively, the quality of Board dialogue was good and that there was a climate of trust and transparency together with a strong level of challenge. The Executive Directors were seen as being open and engaged, while the Non-Executive Directors brought a range of skills and experience, ensuring constructive debate. The Directors continue to derive value from site visits and, for Non-Executive Directors, tours and meetings with employees below Board level help them to remain engaged with the business. Following the evaluation it was agreed that the Board should receive a presentation on the risk management review which was recently completed. The Non-Executive Directors also agreed to meet, in the absence of the Executive Directors, twice a year.

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

As part of the annual appraisal process, the Senior Independent Director meets with the Non-Executive Directors to discuss the performance of the Chairman. The Chairman, with the Non-Executive Directors, also conducted a performance evaluation of the Chief Executive and concluded that he continued to perform effectively and had made significant progress in implementing the strategy announced in 2011.

The Company maintains directors' and officers' liability insurance, which gives appropriate cover for legal action brought against its Directors.

ENGAGEMENT WITH SHAREHOLDERS

The Chief Executive and the Group Finance Director are the Company's principal spokesmen with investors, fund managers, analysts, the press and other interested parties. The Board is committed to providing investors with regular announcements of significant events affecting the Group, including its business strategy and financial performance.

The Company organises a dedicated investor relations programme with institutional investors, which includes formal events during the year along with a regular series of one-to-one and group meetings. These events also provide an opportunity for shareholders to meet members of the senior management team. Examples of these events during 2012 were: the full- and half-year results announcements; the AGM; the interim management statements; an investor tour of assets in Paris; and a tour of assets around Heathrow airport. The Chief Executive and Group Finance Director also attend investor conferences to present, meet investors and participate in panel discussions. In 2012, the Chief Executive and / or Group Finance Director attended such conferences in the UK, USA and the Netherlands.

The one-to-one and group meetings provide additional context around the Group's business strategy and financial performance. During 2012, approximately 130 meetings took place with 228 existing and potential institutional investors. Of these meetings, the Chief Executive attended 104 meetings, and the Group Finance Director, 117 meetings. Additionally, around 80 finance professionals regularly join the conference calls that are arranged following the quarterly financial results announcements.

The Chairman and Senior Independent Director are available to shareholders to discuss governance and strategy or any concerns they may have which contact through the usual channels has failed to resolve or is otherwise inappropriate. In March 2012, the Chairman wrote to 12 major shareholders and offered a meeting with himself and the Senior Independent Director. Meetings were subsequently held with five of these shareholders. All Directors are available for meetings with shareholders if requested.

The Chairman regularly attends the financial results presentations. The Board is kept informed about any discussions with shareholders, and the Directors are regularly provided with analysts' reports and feedback from the Company's corporate brokers.

The Company's website, www.segro.com, provides shareholders with comprehensive information on the Group's recent business activities and financial developments, and they can view webcasts, press releases and recordings of interviews with the Chief Executive.

CONSTRUCTIVE USE OF THE AGM

The AGM is an opportunity for the Directors to communicate with and answer questions from shareholders. The whole of the Board is available to meet informally with shareholders before and after the meeting. Prior to the formal business of the meeting, the Chief Executive makes a presentation on the progress and performance of the Group.

The Notice of AGM is dispatched to shareholders at least 20 working days before the meeting. The Company proposes separate resolutions on each substantially separate issue, with voting conducted by poll. The Board believes that this voting process is more democratic than a show of hands, since all shares voted at the meeting, as well as proxy votes lodged before the meeting, are counted. For each resolution, shareholders will have the option to vote either for or against a resolution or to withhold their vote. Following the meeting, the results of votes lodged for and against each resolution are announced to the London Stock Exchange and displayed on the Company's website.

NOMINATION COMMITTEE REPORT

COMMITTEE CHAIRMAN'S INTRODUCTION

The Nomination Committee has a key role in ensuring that the Board and the senior management team have the appropriate skills, knowledge and experience to operate effectively and to deliver our strategy.

The Nomination Committee is responsible for making recommendations for new appointments to the Board and ensuring that the process is formal, rigorous and transparent. I chair the Nomination Committee, and during the year the other members were Andrew Palmer, Chris Peacock, Mark Robertshaw and David Sleath. Christopher Fisher joined the Committee on 17 December 2012 and Margaret Ford became a member on her appointment to the Board in January 2013. During 2012, the main focus of the Committee was the selection of two Non-Executive Directors and succession planning.

NIGEL RICH CBE
CHAIRMAN OF THE NOMINATION COMMITTEE

ACTIVITIES

In early 2012, the Committee discussed the preferred size of the Board and also the benefits that increased gender diversity can bring. This was in preparation for the retirement of three Non-Executive Directors, including the Senior Independent Director and the Chairman of the Remuneration Committee, who, within the following 18 months, will have served approximately nine years on the Board. The Committee has assessed the specific skills, attributes and experience that would be required of the replacements of these Non-Executive Directors given the composition of the Board as a whole. Descriptions of the roles and the capabilities required were prepared.

The Committee undertook a review of executive search firms and appointed JCA Group to conduct the search for a Senior Independent Director and Chairman of the Remuneration Committee. JCA Group conducted the Board evaluation in 2011, otherwise the organisation does not have any other connection with the Company. The remit to JCA Group was to review candidates from a wide range of backgrounds to ensure that the best candidates, with the most appropriate skills, were selected. The Committee reviewed the proposed list of candidates and appointed a panel of Directors to conduct the interview process, following which a recommendation was made to the Board. The Company was pleased to announce in September the appointments of Christopher Fisher and Margaret Ford.

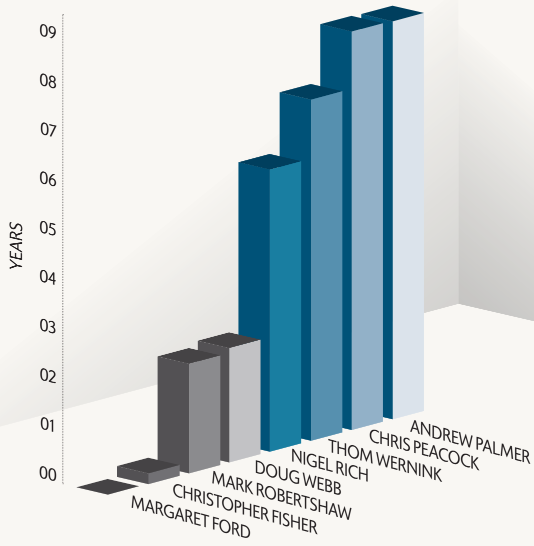
During 2013, the Committee will start the process to identify a successor to the third of the retiring Non-Executive Directors, Thom Wernink, who will have served nine years as a Director in 2014.

The Non-Executive Directors have letters of appointment, that set out their duties and anticipated time commitment to the Company, and are appointed for three-year terms. Mark Robertshaw and Doug Webb will each complete their first three-year term during the first half of 2013. The Committee, having considered their performance, concluded that they continue to be effective and both demonstrate commitment to their roles. The Board has approved the recommendation for their appointments to be extended for a further three-year term, subject to re-election at the AGM. The tenure of each of the Non-Executive Directors is shown in the chart on page 53.

Save for Andrew Palmer and Chris Peacock, each of the Directors will be proposed for election or re-election at the 2013 AGM. Following the appraisal process set out below, the Committee concluded that each of the Directors seeking election or re-election continues to make an effective contribution to the Board.

> "The Non-Executive Directors met with the Chief Executive and the Group HR Director to consider succession planning and talent management for the Company's senior executives below Board level.
>
> **NIGEL RICH**

NON-EXECUTIVE DIRECTORS – YEARS OF SERVICE



APPRAISAL PROCESS

DIRECTOR	APPRAISAL PROCESS
Nigel Rich	Senior Independent Director led a review with the other Non-Executive Directors
Christopher Fisher	No appraisal as newly appointed
Margaret Ford	No appraisal as newly appointed
Andrew Palmer	No appraisal as retiring at the 2013 AGM
Chris Peacock	No appraisal as retiring at the 2013 AGM
Justin Read	Appraisal by the Chief Executive
Mark Robertshaw	Committee reviewed performance and proposed re-appointment for a second three-year term
David Sleath	Chairman led a review with the other Non-Executive Directors
Doug Webb	Committee reviewed performance and proposed re-appointment for a second three-year term
Thom Wernink	Committee reviewed performance

The Non-Executive Directors met with the Chief Executive and the Group HR Director to consider succession planning and talent management for the Company's senior executives below Board level. The Committee recognises the benefits of diversity throughout the workforce and is supportive of the Company's talent management programme, which applies at all levels of the organisation, and has the aim of developing a diverse talent pool of future directors and senior managers. As set out in the Chairman's introduction to the Governance Report on page 46, during the year the Committee did consider diversity on the Board and throughout the organisation. The Company's diversity policy is available on the Company's website.

AUDIT COMMITTEE REPORT

COMMITTEE CHAIRMAN'S INTRODUCTION

The Audit Committee's key role is to gain assurance around the processes that support financial reporting: the valuation process, internal control, risk management and legal and regulatory compliance, together with the financial reporting itself.

On behalf of the Board, it also monitors the integrity of the Group's financial statements, reviews the appointment, performance and independence of the external auditor and the role and effectiveness of the internal audit function. I chair the Committee, and throughout the year the other members were Andrew Palmer and Thom Wernink. Christopher Fisher joined the Committee in October 2012 and Margaret Ford became a member on her appointment to the Board in January 2013. As a former Chief Financial Officer at London Stock Exchange Group plc and as a Fellow of the ICAEW, I bring recent and relevant financial experience to the Committee.

DOUG WEBB
CHAIRMAN OF THE AUDIT COMMITTEE

ACTIVITIES

The chart on the opposite page summarises the principal activities of the Committee during the year and the significant issues it addressed and resulting actions taken.

ATTENDANCE

By invitation, there were a number of regular attendees at each meeting, including the Group Finance Director and the Group Financial Controller, as well as the internal and external auditors. The Chairman of the Company and the Chief Executive also attended by invitation. Throughout the year, the Committee regularly met separately with each of the internal and external auditors in the absence of management.

During the year, the Committee had a presentation from DTZ Debenham Tie Leung Limited, who were the valuers of the wholly-owned Group property portfolio in 2011, and from CBRE Limited, who were appointed the Group's wholly-owned valuers in June 2012 following a competitive tender process.

In 2012, presentations were also given by the Heads of Tax and Business Information Systems, the Group Risk Manager, the Group Reporting Manager, the General Counsel and Group Company Secretary and the Finance Director – Group Operations. During the year, the Committee Chairman had a number of separate meetings with both the retiring and new lead audit partners at Deloitte LLP, had regular interaction with the lead internal audit partner at KPMG LLP and met with the directors at DTZ Debenham Tie Leung Limited and CBRE Limited.

INTERNAL CONTROL FRAMEWORK

The Committee, on behalf of the Board, is responsible for reviewing the internal control framework. This review is consistent with the Code and covers all material areas of the Group, including risk management and compliance with controls. 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, not absolute, assurance against material misstatement or loss. The Committee also monitors the effectiveness of the framework through written and verbal reports from the Group Finance Director and the internal and external auditors on progress with internal control activities.

These reports included:

- reviews of business processes and activities, including action plans to address any identified control weaknesses or recommendations for improvements to controls or processes;
- management's own assessment of the strengths and weaknesses of the overall control environment and the action plans to address any weaknesses;
- the results of the internal audits;
- internal control recommendations made by the external auditors; and
- follow-up actions from previous internal control recommendations.

The Committee monitors management's action plans to improve internal controls that have been identified following the above reports. It confirms that it has not been advised of any failings or weaknesses that it regards to be significant.

> "A number of employees from across the business presented to the Committee during the year to enhance the Committee's understanding of the issues it faced.
>
> **DOUG WEBB**

PRINCIPAL ACTIVITIES AND SIGNIFICANT ISSUES

2012 PRINCIPAL ACTIVITIES	SIGNIFICANT ISSUES	ACTION TAKEN
Reviewing the integrity, consistency and key judgements including going concern in the Company's half- and full-year financial statements.	The need for provisioning of debtor balances – particularly for outstanding rental payments due from Neckermann, one of the Group's major tenants, which entered into administration during the year.	Following Committee challenge and auditor scrutiny of the Finance Team's assumptions, it was agreed that no provision would be made for 2012 payments under the Neckermann lease, as these monies are expected to be recoverable through bank guarantees.
	Judgement in accounting for significant transactions, for example: the disposal of IQ Farnborough completed in April, with a proportion of sale proceeds due post 30 June 2012; Fareham disposal was expected to complete in the first half of 2012 but completion remained conditional at the half year. Company policy is to recognise significant property transactions when significant risk and rewards of ownership are transferred.	Given the high probability of receipt of the post 30 June Farnborough proceeds, the Finance Team proposed that the full proceeds of the disposal be recognised in the Half-Yearly Report. Given the level of conditionality relating to the Fareham transaction, the proposal was not to recognise disposal proceeds in the Half-Yearly Report. The auditor confirmed that the policy was in accordance with accounting regulations and that the proposed treatment of proceeds was appropriate. Following discussion, the proposed treatment for both transactions was accepted by the Committee.
	The going concern concept is fundamental to long-term shareholder value.	The Committee continues to monitor going concern albeit following assessment we regard the risks associated with going concern as being low.
Assessing the independence of the valuers and gaining assurance around the valuation process.	Valuation is central to the business and the Committee is responsible for the assurance of this process. The Company decided to undertake a tender process for the valuers during the year.	The Committee oversaw the tender process for selection and appointment of the valuers in the first half of the year. The valuers of wholly-owned assets presented to the Committee on the valuation methodology as part of the half- and full-year results process. In addition, the Committee Chairman and the external auditor both met separately with the valuers to review the valuation process.
Reviewing the property valuation reports and considering any significant changes to the valuation of individual assets.	Reduction in comparable transaction data for valuation of large non-core assets in Continental Europe.	Despite a lack of transactional evidence for certain large non-core assets in Continental Europe, the valuers confirmed that there was sufficient evidence to reliably assess the fair value of these assets. On the basis of the above, the Committee concluded that the valuations were suitable for inclusion in the financial statements.
Oversight and challenge of the risk management process.	Risk management is fundamental to operations and good governance and best practice is evolving in this area.	In 2012, the Company conducted a full review of its risk management programme. The Risk Manager appraised the Committee of proposed changes to risk management. The Committee took responsibility for monitoring the implementation of subsequent changes to the risk management programme.
Monitoring the independence and effectiveness of the internal and external auditors, including oversight of the process for lead external audit partner rotation.	The Committee's Terms of Reference require that these items are reviewed annually. Recent changes to the Code require that the external audit role is put out to tender within a transitional period.	The Committee has implemented a process to monitor effectiveness and independence. It was decided that the role of the external auditor would not be put out to tender in the coming year and that the role provided by the internal auditor would be put out to tender in 2013.
Internal control oversight and challenge of the internal control process and the control environment.	There is a planned system changeover in the UK business in 2013 that could lead to significant issues for the reliability of financial reporting if not properly implemented.	The Committee has oversight of the programme implementation and has received regular updates from the Head of the Steering Committee. KPMG LLP has reviewed the system changeover process as part of the internal audit programme. The auditor is currently in the process of testing the Group's data migration plans.
Reviewing the proposals for changes in segmental reporting to better align with the Group strategy.	Following the re-structuring of the business in 2011, the UK/Continental Europe segmental reporting split was no longer appropriate. A number of alternatives were reviewed.	Concluded that a five-segment approach would provide increased granularity for investors and better reflect the Group structure. This new format was adopted for the 2012 half-year financial statements.
Oversight of matters relating to tax and any potential impact on the integrity of the financial statements.	The Group's REIT and SIIC compliance is a key consideration given the potential impact of non-compliance.	The Head of Tax presented to the Committee and various issues were discussed including matters of judgement, tax risk and tax strategy. It was agreed that no action on the part of the Committee was necessary, but it would continue to monitor these areas.
Considering the impact of regulatory reporting requirements, including changes to the Code and the options regarding the audit of subsidiary accounts.	Regulatory changes allow for companies to obtain an exemption from the requirement to audit subsidiary companies.	The Committee accepted management's recommendation that cost savings in taking audit exemption were not justified by legal risk. This position is to be reviewed again in 2013.

The Company has a whistleblowing policy and has a service provided by a third party whereby employees can raise concerns, whether in relation to financial reporting or other matters, in confidence. Arrangements are in place for reporting such concerns to the Committee, and any matters reported under the policy are promptly and fully investigated, with external support where necessary.

EXTERNAL AUDIT

On an annual basis, the Committee considers the appointment, remuneration and independence of the external auditors.

It is the Committee's responsibility to assess the effectiveness of the external audit process, and its policy is to conduct this review on an annual basis. As part of the 2012 review, detailed questionnaires were sent to key personnel in the business to gather feedback on Deloitte LLP's performance as external auditor. The Committee also considered the quality of the auditor's reports, the level of scrutiny applied to management recommendations and the interaction of the auditor with the Committee. Following the review, the Committee is satisfied that Deloitte LLP continues to provide appropriate levels of scepticism and challenge and has recommended to the Board that Deloitte LLP be proposed for re-election at the 2013 AGM.

Deloitte LLP was appointed as auditor in 2007 following a competitive tender. In accordance with best practice on audit partner rotation, and following consultation with the Chairman of the Committee and the Group Finance Director, a new lead audit partner for SEGRO was appointed for the 2012 financial year. Given these changes, the Code and the Financial Reporting Council's transitional arrangements for audit tenders provide SEGRO with the opportunity to defer re-tendering the external audit until 2022. It is the Committee's intention to re-tender when it is appropriate to do so and within this timeframe.

The Committee's policy for the use of the external auditor for non-audit services recognises that there are certain circumstances where, due to their knowledge of the Company and their expertise, Deloitte LLP will often be in the best position to perform non-audit services. The policy specifies sign-off procedures for approval of all non-audit services. Should fees for a specific project be expected to exceed £100,000, sign-off is required by the Chairman of the Committee and the Group Finance Director, or in his absence, the Chief Executive. Where fees are expected to be in excess of £250,000, approval is required by the Committee. The policy also has a non-exhaustive schedule of services that Deloitte LLP should not provide, as they could be detrimental to its independence as an external auditor. This schedule was amended in 2010 to formalise the occasions when the business may instruct Deloitte Real Estate, which includes the real estate business formerly known as Drivers Jonas LLP. The policy for the use of external auditors for non-audit services is available at www.segro.com.

The Committee recommends the remuneration of the external auditor to the Board and keeps under review the ratio of audit to non-audit fees to ensure that the independence and objectivity of the external auditor are not put at risk. In 2012, the fee for audit and audit-related services was £0.7 million. The fee for non-audit services was £0.2 million, £0.1 million of which was in respect of tax compliance and tax advisory services; the remaining £0.1 million was in respect of services provided by Deloitte Real Estate. Deloitte LLP is also the auditor of the APP and Big Box joint ventures, and details of these fees are provided in note 7 to the financial statements. Deloitte LLP has provided written confirmation of its independence to the Committee, and the Committee does not consider that the level of non-audit fees adversely impacts on the independence of Deloitte LLP as auditor.

INTERNAL AUDIT

At the core of the Committee's role is the assurance of the processes that support financial reporting, the valuation process, internal controls system, risk management and legal and regulatory compliance.

As in previous years, assurance of the risk management process, testing of internal controls and setting the internal audit programme continued to be key priorities. The internal audit programme, which is developed by reference to the Group Risk Register, provides the Committee with a further means of monitoring actions to manage and mitigate those risks identified as posing the greatest threat to the Company. During the year, internal audits were carried out on a number of business processes, including the procurement function, the acquisition and disposal process, the capital approvals process, health and safety, service charges and the treasury function.

The Committee believes that the value of internal audit is enhanced by having a third party perform this function, as this supports the independent challenge of management and gives greater access to expertise than an internal function could provide. KPMG LLP has performed this role throughout the year. Once each internal audit is completed, KPMG LLP issues a questionnaire to the process owner and other relevant employees to ensure that real-time feedback is collected on the quality and effectiveness of its audit. The results of this feedback are provided to the Committee. In 2012, the responses indicated a strong level of satisfaction with the internal audit work. This evidence, along with input from the senior management team and its own interaction with the lead internal audit partner, was considered by the Committee as part of the annual review of the effectiveness of the internal auditor. It was concluded that the internal audit function had been effective and, accordingly, the Committee extended KPMG LLP's engagement for a further year. The internal auditor contract will be re-tendered during 2013.

In 2013, the Committee will continue to follow a risk-based approach to internal audit. In addition to the Committee's regular responsibilities, areas of focus will include the implementation of MRI in the UK, IT controls, leasing and property data processes, sales and invoicing and VAT.

REMUNERATION COMMITTEE REPORT

COMMITTEE CHAIRMAN'S INTRODUCTION

The Remuneration Committee's key role is to determine the reward strategy for the Executive Directors and the senior management team. I chair the Committee, and throughout the year the other members were Andrew Palmer and Mark Robertshaw. Christopher Fisher joined the Committee in October 2012 and Margaret Ford became a member on her appointment to the Board in January 2013. Each of the members is an independent Non-Executive Director.

In 2011 and 2012, we undertook consultations with shareholders on changes to the remuneration policy, in particular in respect of the Bonus and the Long Term Incentive Plan (the LTIP). The changes to the LTIP were implemented in 2012 and are described on page 61. At the 2012 AGM, 99 per cent of votes cast were in favour of the Remuneration Report, which the Committee felt reflected the constructive consultation exercise with shareholders and the decisions made by the Committee during 2011.

The Committee reviewed Executive Directors' remuneration towards the end of 2012 and agreed an increase in salary and maximum Bonus opportunity, while at the same time doubling the proportion of Bonus that is subject to three-year deferral into shares. These changes further re-balance executive pay away from short-term cash remuneration to long-term, share based remuneration, and were effective from 1 January 2013. Further details are set out in this report.

No further amendments are proposed to the remuneration policy in 2013, as the Committee believes it is important to refrain from further changes in order to ensure clarity and transparency for the Executive Directors and the senior management team. The Committee continues to review external developments and to ensure the direct link between business performance and reward is maintained.

In 2012, the Department for Business, Innovation and Skills held a consultation on Directors' pay with the aim of strengthening the link between Directors' pay and performance and increasing transparency in this area. Although the resulting regulations are only applicable from the 2013 reporting year onwards and we expect the format of the 2013 remuneration report to change significantly, this report complies with a number of those regulations.

After nine years as a Director at SEGRO and three years as the Chairman of the Remuneration Committee, I will be stepping down at the 2013 AGM and Margaret Ford will succeed me as Chairman.

CHRIS PEACOCK
CHAIRMAN OF THE REMUNERATION COMMITTEE

ROLE OF THE COMMITTEE

The Committee ensures that the remuneration structure and its decisions generate motivating and appropriate long-term rewards for the Executive Directors, while reflecting the performance of the business and encouraging sustained long-term shareholder value. The Committee sets the framework for the remuneration of the Chairman, the Executive Directors and the senior management team. It is also responsible for the approval of salaries, bonuses and share awards for Executive Directors and the senior management team. The Committee approves new executive share plans and makes recommendations to the Board, should they require shareholder approval.

In order to achieve consistency of remuneration policy across the Group, the Committee retains oversight of the remuneration framework for our employees. It approves the total annual payroll increase together with the performance conditions of the Bonus, in which all employees participate, and the performance conditions of the LTIP.

The Terms of Reference for the Committee are reviewed periodically by the Board and are available on the Company's website. The Chairman of the Company, the Chief Executive, the General Counsel and Group Company Secretary and the Group HR Director may be invited to attend meetings, except when their own remuneration is discussed.

ADVISORS

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

It is responsible for appointing its external advisors and during the year it received advice from Kepler Associates, which is a signatory to the Code of Conduct for Remuneration Consultants in the UK, in discharging its responsibilities. This independent remuneration consultant attended meetings when major remuneration issues were discussed.

To ensure a consistent approach to remuneration across the Group, Kepler Associates also provides advice to the Company in respect of matters relating to the remuneration of all employees. Aon Hewitt Limited provided information to the Committee and the Company in respect of pension-related matters. During the year, Slaughter and May provided advice to the Company in respect of its share-based incentive schemes, regulatory and pensions matters.

ACTIVITIES IN 2012

During 2012, the Committee met five times, and the matters it considered included:

- finalising the 2012 Bonus structure, following feedback from shareholders, and agreeing the targets for performance against Total Property Return (TPR) and EPRA Profit Before Tax (PBT);
- completing the 2011/2012 consultation with shareholders on the proposed changes to the LTIP. Finalising the changes to the LTIP rules and approving the shareholder circular explaining the resolution to change the LTIP rules at the 2012 AGM;
- approving the 2011 Bonus payments, the 2012 LTIP award and the 2012 LTIP transitionary award;
- approving the vesting of the 2009 LTIP award;
- approving the 2012 salary review for the Executive Directors and senior management team, noting the overall increase for all employees;
- approving salary increases and changes to the Bonus for the Executive Directors, to be effective from January 2013;
- undertaking a mid-year review of progress against the 2012 Bonus targets; and
- considering the structure of the 2013 bonus, and in particular the appropriate Industrial Property Databank (IPD) benchmark to use across the Group to measure TPR performance.

PRINCIPLES OF THE REMUNERATION POLICY

The key aim of the remuneration policy is to align the interests of Executive Directors with those of the shareholders by supporting the delivery of strategy. Following the announcement of the results of the strategic review in 2011, the structure of the remuneration framework was updated to reflect the strategic direction for the business and to align it with the Company's KPIs (see page 17). In setting the remuneration policy, the Committee takes into consideration, among other matters, investor guidelines and the maximum amount of remuneration the Executive Directors could receive should all targets be met. The Executive Directors' remuneration is set within a remuneration framework which applies to all employees across the Group. Chart 1 sets out how each component of the remuneration package supports the policy and Chart 2 sets out how the components of the Executive Directors' remuneration package link to the KPIs and to strategy.

Each year, with the support of external advisors, the Committee undertakes a review of the remuneration of the Executive Directors and of a group of senior managers immediately below the Board. It considers the responsibilities, experience and performance of the Executive Directors and pay across the Group. As part of this review, Executive Directors' remuneration is also benchmarked against the pay of executive directors in a peer group of UK listed property companies and benchmark data for companies of similar market capitalisation. These comparators are used because they represent the wider executive talent pool from which the Company might expect to recruit externally and the market to which it is at risk of losing employees if remuneration is not competitive. The Committee does not believe that changes in the benchmark data alone are sufficient to justify an increase in Executive Director pay. Each of the key elements of the remuneration package is designed to drive the creation of long-term shareholder value without encouraging Executive Directors to take inappropriate risk.

CHART 1 – REMUNERATION POLICY AND COMPONENTS OF REMUNERATION PACKAGE

PRINCIPLES OF THE REMUNERATION POLICY	COMPONENTS OF REMUNERATION PACKAGE
To maintain a competitive remuneration package that will attract and retain the best talent, avoid inappropriate risk taking and align the Executive Directors' interests with those of shareholders and other stakeholders.	Total package including director shareholding guidelines.
To provide performance related compensation with demanding performance conditions within the Group's risk appetite.	Bonus and LTIP.
To incentivise the creation of long-term shareholder value.	LTIP and Deferred Share Bonus Plan (the DSBP).
To strike a balance of mixed remuneration between fixed and variable elements.	Salary, cash in lieu of pension, DSBP and LTIP.
To provide remuneration that rewards short-term performance but also encourages long-term focus.	Bonus, DSBP and LTIP.

CHART 2 – COMPONENTS OF REMUNERATION PACKAGE AND STRATEGIC PURPOSE

COMPONENT OF REMUNERATION PACKAGE	STRATEGIC PURPOSE AND KPIs
Salary	To attract and motivate high calibre leaders in a competitive market and to recognise their skills, experience and contribution to Group performance.
Bonus	To focus on the delivery of annual goals, to strive for superior performance and to achieve specific targets which support strategy, in particular for income generation, total property returns, recurring profit and objectives related to re-shaping the portfolio. See Bonus section on page 60 for the link between Bonus and KPIs and pages 18 and 19 for descriptions of the Group KPIs.
DSBP	To encourage retention of senior managers and provide a long-term link between the Bonus and share price growth as well as to prevent short-term decision making.
LTIP	To reward the execution of strategy and drive long-term returns for shareholders. LTIP awards are designed to align the most senior managers' goals with the creation of sustainable growth in shareholder value as well as improving retention among this group. See LTIP section below for description of the TSR and TPR LTIP performance conditions and page 17 for how these KPIs support the delivery of strategy. See pages 18 and 19 for descriptions of the Group KPIs.
Sharesave	To provide a market competitive remuneration package and to encourage employee share ownership.
Share Incentive Plan (the SIP) and Global Share Incentive Plan (the GSIP)	To provide a market competitive remuneration package and to encourage share ownership.
Pension benefits	To provide a market competitive remuneration package.
Other benefits – Car allowance – Life assurance – Disability insurance – Private medical insurance – Health screening	To provide a market competitive remuneration package.

SHAREHOLDING GUIDELINES

The Committee operates a policy where Executive Directors are expected to build a shareholding equivalent to one times the value of their salary, calculated by reference to the value of the shares at the date of acquisition, within five years of being appointed to the Board. The Chief Executive is expected to hold shares equivalent to the value of one-and-a-half times his annual salary. The number of shares held is inclusive of DSBP and SIP shares but exclusive of shares under award in the LTIP and outstanding Sharesave options. The resulting shareholdings of the Executive Directors as at 31 December 2012 are shown below (see Chart 3).

CHART 3 – DIRECTORS' SHAREHOLDINGS AND SHAREHOLDING REQUIREMENTS

NAME	NUMBER OF SHARES HELD AS AT 31.12.12	VALUE OF SHARES HELD AS AT 31.12.12	SHAREHOLDING AS A PERCENTAGE OF SALARY AS AT 31.12.12	YEARS REMAINING WITHIN WHICH TO ACQUIRE POLICY SHARES
David Sleath	297,627	£894,563	172.0	Minimum holding achieved
Justin Read	32,747	£73,046	21.5	3.5

POLICY ON SERVICE CONTRACTS

Executive Directors

The contracts are on a 12-month rolling basis and do not contain liquidated damages clauses. The Committee retains discretion in structuring Executive Directors' contracts where appropriate.

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 further three-year periods on the recommendation of the Nomination Committee and subject to the Board's agreement. The Non-Executive Directors' letters of appointment contain a three-month notice period and the Chairman's contains a six-month notice period. Further details are set out in Chart 4 below.

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. The Remuneration Committee's advisors provide the Board with data on non-executive fees.

POLICY ON TERMINATION PAYMENTS

The Company retains the right to terminate the service contract of any Executive Director subject to contractually agreed payments in lieu of notice which are limited to annual salary plus any specified benefits. Payments are normally phased over the 12-month notice period, based on the principle of a Director's duty to seek alternative employment and thereby mitigate their loss. In determining compensation, the Committee will take into account best practice, the provisions of the Code and will take legal advice on the Company's liability to pay compensation.

POLICY ON EXECUTIVE DIRECTORS' EXTERNAL APPOINTMENTS

With the support of the Chairman and Chief Executive, the Executive Directors are normally only permitted to take one non-executive directorship outside the Group, as these roles can broaden the experience brought to the Board. Such appointments require Board approval and the time commitment the appointment will require is taken into consideration. Executive Directors may retain fees for external appointments.

CHART 4 – DATES OF APPOINTMENT AND CONTRACTUAL NOTICE PERIODS

NAME[1]	DATE OF APPOINTMENT	NOTICE PERIOD
Nigel Rich	1 July 2006	6 months
David Sleath	1 January 2006	12 months by the Company 6 months by the Director
Justin Read	30 August 2011	12 months by the Company 6 months by the Director
Christopher Fisher	1 October 2012	3 months
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

Note:
1 Margaret Ford was appointed to the Board on 1 January 2013 and her letter of appointment includes a three-month notice period.

POLICY IMPLEMENTATION

SALARY, BENEFITS AND PAYMENTS IN LIEU OF PENSION

Full details of the remuneration paid to David Sleath and Justin Read are set out in the table on page 63. The Executive Directors did not have a salary increase in 2012. With effect from 1 January 2013, the Chief Executive's salary was increased from £520,000 to £550,000 and the Group Finance Director's salary was increased from £340,000 to £360,000. The next salary review for the Executive Directors will be in April 2014.

The Executive Directors receive life assurance, private medical insurance and a company car or cash in lieu. The Chief Executive receives a cash allowance of 30 per cent of salary in lieu of pension and the Group Finance Director receives a cash allowance of 20 per cent of salary. Retirement benefits are available to all UK employees and employees in certain Continental European jurisdictions, dependent on local market practice.

BONUS

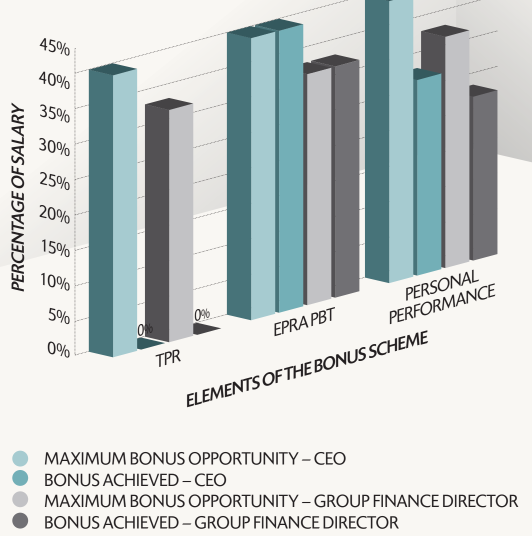
The structure of the Bonus was revised in 2012. For the Executive Directors, the 2012 Bonus comprised three equally weighted components: EPRA PBT; relative TPR; and individual performance.

- EPRA PBT was selected for its link to the delivery of a sustainable dividend strategy.
  - 2012 – EPRA PBT exceeded the stretch target, which will result in a full payout under this component of the Bonus.
- TPR was selected as the best and most important internal driver of TSR. The TPR calculation for the Bonus excludes land. This is consistent with the IPD benchmark and is intended to avoid disincentivising managers from bringing forward proposals to acquire land, as development is an important part of the Group's ongoing strategy.
  - 2012 – the Company's relative TPR for 2012 was below that of the benchmark and accordingly nothing will be paid under this component of the Bonus.
- Personal performance, based on individual, year-end performance rating, including the achievement of stretching personal objectives such as the key drivers of TPR as well as broader targets based on strategy implementation. 50 per cent of the maximum amount available under the personal performance component of the Bonus is payable for on-target performance; 70 per cent is payable where targets are exceeded; and for exceptional performance, 100 per cent is payable. Where targets are not achieved, payments may be withheld in part or in full, as appropriate.
  - 2012 – As a result of their individual performance, both David Sleath and Justin Read will receive 70 per cent of the Bonus payable under this component. (See Chief Executive's Review on pages 10 to 19 for highlights of the year and progress against strategic priorities).

For the 2012 Bonus, the maximum opportunity remained at 120 per cent of salary for the Chief Executive and 100 per cent of salary for the Group Finance Director. David Sleath and Justin Read both achieved 56.7 per cent of their respective maximum payments under the 2012 Bonus. Details of Bonus achievement as a percentage of salary are shown in Chart 5. 25 per cent of the Bonus payable will be deferred into shares to be held in the DSBP (see Chart 12 on page 63).

Following a review of the Bonus and the DSBP in the context of total remuneration, the maximum Bonus opportunity for 2013 will increase to 150 per cent for the Chief Executive and 120 per cent for the Group Finance Director, and the amount of Bonus subject to deferral will double (see DSBP). As part of the review of the 2013 Bonus arrangements, the TPR and EPRA PBT performance targets were made more stretching.

CHART 5 – PROPORTION OF BONUS ELEMENTS ACHIEVED 2012 BONUS OUTTURNS



25 per cent of any Bonus payment is deferred as shares in the DSBP

DEFERRED SHARE BONUS PLAN (THE DSBP)

The DSBP was implemented in respect of the 2010 Bonus for Executive Directors and a number of senior managers. In respect of 2010, 2011 and 2012, 25 per cent of any Bonus payable is subject to deferral into shares under the DSBP. No further performance conditions attach to DSBP shares, although vesting is subject to participants' continuing employment or good leaver status. Awards vest at the discretion of the Committee and are subject to clawback provisions in the case of misstatement or misconduct. DSBP awards do not carry any entitlement to dividends; however, the Committee may, at the time of the release of the shares, pay a cash sum broadly equivalent to the value of the dividends that would have been paid over the three-year holding period.

For the 2013 Bonus, the proportion that will be deferred into the DSBP for the Executive Directors has doubled, increasing from 25 per cent to 50 per cent of Bonus earned.

LONG TERM INCENTIVE PLAN (THE LTIP)

With the changes that were implemented in 2012, there are different sets of performance conditions applying to the outstanding LTIP awards.

2009 – 2011 LTIP AWARDS

For the awards made from 2009 to 2011, two performance conditions were used, EPS weighted 60 per cent and relative TPR weighted 40 per cent, with both measured over a three-year performance period. The EPS performance condition was chosen as it underpins the delivery of earnings to shareholders. The TPR performance was selected for its close alignment to shareholder value. Adjusted diluted EPS is calculated according to the applicable EPRA guidelines, excluding valuation gains/losses and exceptional items. Actual performance for EPS is calculated from the published figures in the Annual Report. These calculations are reviewed by the auditor and are approved by the Committee. The Committee retains the discretion to withhold vesting of awards should such payments be deemed inappropriate.

Under the EPS performance condition, 25 per cent of shares vest where adjusted diluted EPS growth of four per cent per year is achieved and 100 per cent of the allocation vests on achievement of adjusted diluted EPS growth of 10 per cent per year. Shares vest on a straight-line basis between these two points. All shares under this element of the award lapse if four per cent adjusted diluted EPS growth per year is not achieved. The relative TPR performance condition is dependent on, and is measured against, the IPD UK Industrial Index, as this index is independent and provides a measure of the Company's property portfolio performance relative to other UK industrial property investments. The Committee's practice was to make LTIP awards to the Chief Executive of 175 per cent of salary and to other Executive Directors of 140 per cent of salary.

2009 LTIP VESTING

The three-year performance period for the 2009 LTIP award completed on 31 December 2011 and during 2012, this award vested in part. Having met a proportion of the EPS conditions, 31.8 per cent of the shares subject to this performance condition vested. The Company failed to meet its TPR targets for the 2009 LTIP, accordingly all shares under award in respect of this performance condition lapsed (see Charts 6 and 7).

The Committee has the discretion to adjust awards downwards at vesting if it is not satisfied that the outcome is a fair reflection of underlying performance, or in the event of excessive risk-taking or misstatement. No such discretion was exercised in respect of the vesting of the 2009 LTIP award.

CHART 6 – LTIP TPR RELATIVE PERFORMANCE THRESHOLDS AND VESTING PERCENTAGE

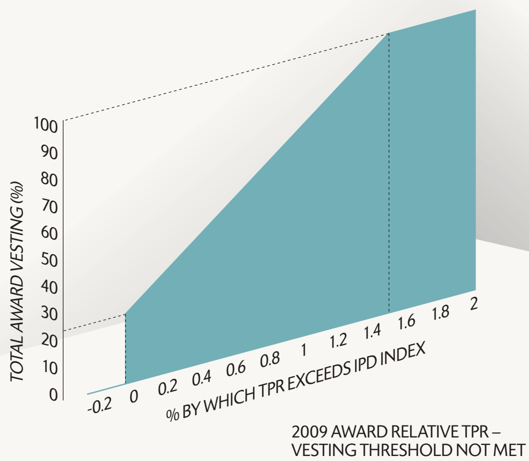
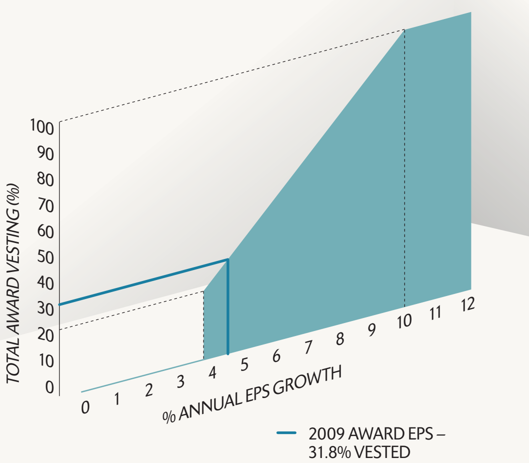


CHART 7 – LTIP EPS PERFORMANCE THRESHOLDS AND VESTING PERCENTAGE



2012 LTIP AWARDS

At the 2012 AGM, shareholders approved an increase in the performance period for the 2012 and subsequent LTIP awards from three to four years to reflect more closely the time horizon for value creation in line with the Company's strategy. The performance conditions were revised and based on relative TSR and relative TPR, equally weighted. The normal grant size of awards to Executive Directors was increased to 200 per cent of salary, with a maximum award size of 300 per cent of salary in exceptional circumstances. For senior managers the award is calculated by reference to their salary, their seniority and their performance rating for the prior year. For 2012, approximately 100 employees were eligible to participate in the LTIP. The Committee retains its discretion to adjust awards downwards at vesting if it was not satisfied that the outcome was a fair reflection of underlying performance, or in the event of excessive risk-taking or misstatement.

TSR was selected because of the close alignment with shareholder value, and TPR was selected as it most closely reflects the internal drivers that support TSR. The TSR benchmark for the 2012 LTIP award is based on the weighted mean TSR of other FTSE350 REITs. 25 per cent of this element vests if the Company's four-year TSR is in line with benchmark TSR, rising on a straight-line basis to 100 per cent vesting if the benchmark is exceeded by five per cent per year. The 2012 LTIP award TPR benchmark is the IPD benchmark based on UK/European industrials indicies weighted to reflect the geographical mix of the Group's portfolio (80/20 UK/Continental Europe for the 2012 award). Of this element, 25 per cent vests if the Company's four-year TPR is in line with the IPD benchmark, rising on a straight-line basis to 100 per cent of this element vesting if the IPD benchmark is exceeded by at least 1.5 per cent per year (see Charts 8 and 9). As with the Bonus, the TPR calculation for all outstanding LTIP awards excludes land.

For 2012, the Committee made two reduced LTIP awards: the 2012 LTIP award and an LTIP transitionary award. The 2012 LTIP award will vest, subject to performance conditions, based on four-year performance. So as to prevent the lengthening of the performance period resulting in there being no potential LTIP vesting in 2015, the LTIP transitionary award will vest, subject to performance conditions, on three-year performance. Each of these awards was based on the normal LTIP grant size, reduced by 25 per cent. The same performance targets will apply to both awards. These arrangements have been designed so that the overall expected cost (on an accrual basis) to the Company of the LTIP is broadly the same. Dividends accrue on the LTIP shares that are released on vesting, and will be paid in cash or shares.

CHART 8 – LTIP RELATIVE TPR VESTING SCHEDULE

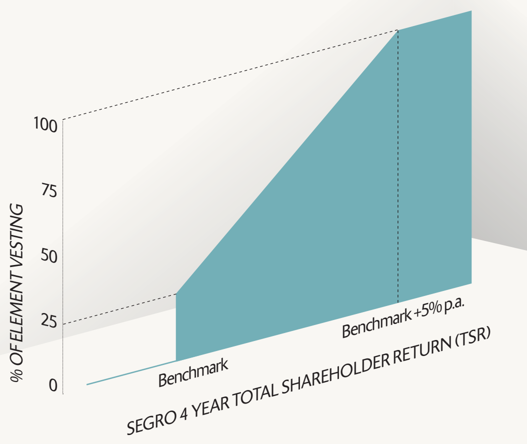


CHART 9 – LTIP RELATIVE TPR VESTING SCHEDULE

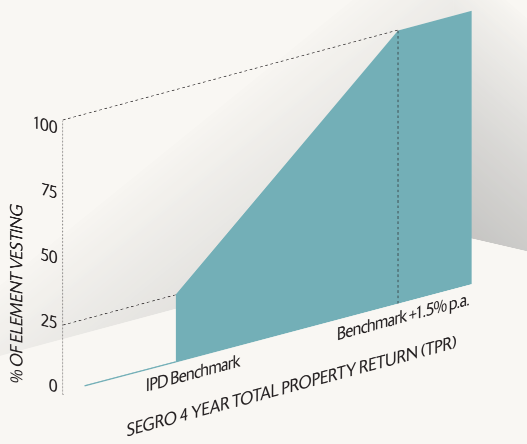
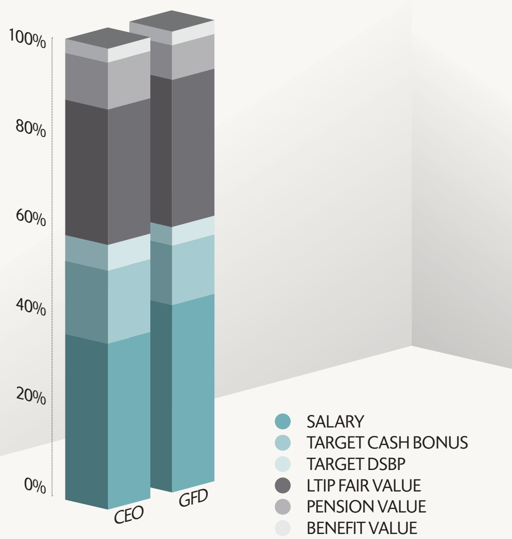


CHART 10 – RELATIVE PROPORTIONS OF REMUNERATION



DETAILS OF THE AWARDS TO BE MADE IN 2013

For the 2013 award, the normal LTIP grant size for the Executive Directors will remain at 200 per cent of salary. Although the Committee has not made any changes to the structure from 2012, the composition of the relevant IPD comparator index may be amended to reflect better the geographical structure of the Group portfolio over the performance period, and it is the Committee's intention that any changes will result in performance conditions that are no less stretching.

With all the outstanding LTIP awards, the Committee retains the discretion to downwardly adjust unvested incentive awards if it is not satisfied that the outcome is a fair reflection of underlying performance, or in the event of excessive risk-taking or misstatement. In the event of a change of control of the Company, the Employee Benefit Trust, in consultation with the Company, has the discretion to determine whether, and the extent to which, awards vest. Financial performance and institutional guidelines would be taken into account in exercising this discretion. Details of LTIP awards granted to the Executive Directors are set out on page 64.

Chart 10 indicates the relative importance of the elements of the 2012 remuneration for the Executive Directors. The relative proportions of remuneration have been calculated using actual amounts received in respect of 2012 for salary and cash in lieu of pension. Benefits include cash and values attributed on benefits in kind for the year. For the cash element of the Bonus, the DSBP and the LTIP, target percentages based on salary as at 31 December 2012 were used.

SHARESAVE

Sharesave is an HMRC-approved scheme open to all UK employees. Savings can be made over a three-year period to purchase shares in the Company at a price that is set at the beginning of the saving period. This price is usually set at a 20 per cent discount to the market price. Employees may save up to £250 per month across all Sharesave schemes of which they are a participant.

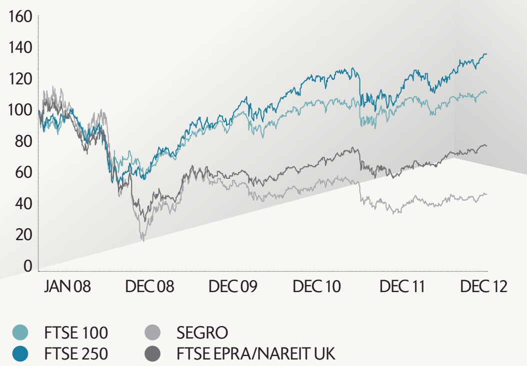
SIP AND GSIP

SIP is an HMRC-approved scheme open to all UK employees subject to service. Eligible employees are awarded shares annually up to seven per cent of their salary or £3,000, whichever is the lower. GSIP is designed on a similar basis but is not HMRC approved and is operated for non-UK employees only. For 2012, the maximum award was based on the lower of seven per cent of salary or £3,000 (or the euro equivalent). The award is based on prior year profit before tax against budget.

TOTAL SHAREHOLDER RETURN (TSR)

Chart 11 below shows TSR for the Company over the last five financial years compared with 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. 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 11 – TSR – VALUE OF A HYPOTHETICAL £100 HOLDING OF SHARES



AUDITED INFORMATION

CHART 12 – DIRECTORS' EMOLUMENTS 2012

NAME[1]	SALARY/FEES £000	PAYMENTS IN LIEU OF PENSION £000	BENEFITS[2] £000	BONUS CASH £000	DSBP VALUE OF SHARES £000	TOTAL 2012 £000	TOTAL 2011 £000
Nigel Rich Chairman	250	–	–	–	–	250	250
David Sleath Chief Executive	520	156	29	265	88	1,058	1,253
Justin Read Group Finance Director	340	68	19	145	48	620	262
Christopher Fisher[3] Independent Non-Executive Director	13	–	–	–	–	13	–
Andrew Palmer Independent Non-Executive Director Senior Independent Director	65	–	–	–	–	65	65
Chris Peacock Independent Non-Executive Director Chairman of the Remuneration Committee	61	–	–	–	–	61	60
Mark Robertshaw Independent Non-Executive Director	53	–	–	–	–	53	53
Doug Webb Independent Non-Executive Director Chairman of the Audit Committee	61	–	–	–	–	61	60
Thom Wernink Independent Non-Executive Director	53	–	–	–	–	53	53
Total	1,416	224	48	410	136	2,234	2,056

Notes
1 Margaret Ford was appointed to the Board on 1 January 2013. She will receive an annual fee of £53,000 per year until the end of the 2013 AGM, when her fee will be increased to £75,000 per annum to reflect her additional duties as Senior Independent Director and Chairman of the Remuneration Committee.
2 Benefits include private medical healthcare, life assurance, company car or cash allowance in lieu of a company car.
3 Christopher Fisher was appointed to the Board on 1 October 2012.

SINGLE FIGURE

David Sleath's total remuneration as calculated in accordance with the FRC's guidance on the BIS draft proposals is £1,155,468. The figure is comprised from both his fixed and variable elements of remuneration (see Charts 13 and 14).

As Justin Read joined the Company in 2011, he does not have an LTIP award vesting in 2013. Therefore, the components of his single figure are those which appear in the emoluments table above.

CHART 13 – DAVID SLEATH; SINGLE FIGURE 2012

- £520,000 SALARY
- £156,000 PAY IN LIEU OF PENSION
- £28,801 BENEFITS
- £265,200 BONUS CASH
- £88,400 DSBP
- £97,067 LTIP VESTING

CHART 14 – DAVID SLEATH; SINGLE FIGURE 2012

FIXED ELEMENTS OF REMUNERATION	**£704,801**
Salary	£520,000
Pay in lieu of pension	£156,000
Benefits	£28,801
VARIABLE ELEMENTS OF REMUNERATION	**£450,667**
Bonus cash amount	£265,200
DSBP	£88,400
LTIP vesting	£97,067
TOTAL REMUNERATION	**£1,155,468**

The DSBP amount represents the face value of the shares at deferral, based on the average value for the final three months of 2012, deferred into the DSBP in respect of the 2012 Bonus. The value provided in respect of the LTIP is based on the performance conditions achieved in respect of the 2010 LTIP award and the same average share-price calculation used for the DSBP.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors and their immediate families in the ordinary shares of the Company at 1 January 2012 and 31 December 2012 were:

NUMBER OF ORDINARY SHARES	BENEFICIAL INTERESTS[1] 31.12.2012 ORDINARY 10P SHARES	BENEFICIAL INTERESTS[1] 01.01.2012 ORDINARY 10P SHARES
Nigel Rich[2]	123,902	110,208
Christopher Fisher[3]	10,000	-
Andrew Palmer	8,458	8,458
Chris Peacock	11,946	11,787
Justin Read	20,449	10,186
Mark Robertshaw	8,000	8,000
David Sleath	198,657	145,925
Doug Webb	19,500	15,300
Thom Wernink	20,000	20,000

1 Beneficial interests in the table above represent shares beneficially held by each Director (as at date of joining 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. Between 31 December 2012 and 26 February 2013 there were no changes in respect of the Directors' shareholdings. As at 31 December 2012, 852,633 shares (2011: 864,590 shares) were held by the Trustees of the 1994 SEGRO plc Employees' Benefit Trust. As at 26 February 2013, 852,633 shares were held by this Trust. The Trustees of the SIP held non-beneficial interest in 329,179 and 212,792 shares as at 31 December 2012 and 1 January 2012 respectively. 323,108 shares were held as at 26 February 2013. 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 8,217 shares as a result of a trusteeship he holds; he has no voting rights over these shares.

3 Christopher Fisher was appointed to the Board on 1 October 2012.

DEFERRED SHARE BONUS PLAN

NAME	DATE OF GRANT	NO. OF SHARES UNDER AWARD 01.01.12	SHARE PRICE OF SHARES ON GRANT (PENCE)	NO. OF SHARES UNDER AWARD 31.12.12	END OF HOLDING PERIOD
David Sleath					
2010 DSBP	01.04.11	32,531	321.5	32,531	31.03.14
2011 DSBP	02.04.12	–	234.8	66,439	01.04.15
TOTAL	–	**32,531**	–	**98,970**	
Justin Read					
2011 DSBP	02.04.12	–	234.8	12,298	01.04.15
TOTAL	–	––	–	**12,298**	

LTIP

NAME	NO. OF SHARES UNDER AWARD 01.01.12	NO. OF SHARES LAPSED/NOT RELEASED	NO. OF SHARES OVER WHICH AWARDS GRANTED	SHARE PRICE OF SHARES ON GRANT (PENCE)	NO. OF SHARES RELEASED	MARKET VALUE ON DATE OF RELEASE (PENCE)	NO. OF SHARES UNDER AWARD 31.12.12	END OF PERFORMANCE PERIOD OVER WHICH PERFORMANCE CONDITIONS HAVE TO BE MET
David Sleath								
20.10.09 LTIP	156,363	126,498	–	380.10	29,865	239.21	–	31.12.11
28.04.10 LTIP	191,293	–	–	314.70	–	–	191,293	31.12.12
29.03.11 LTIP	274,675	–	–	331.30	–	–	274,675	31.12.13
01.05.12 LTIP (Transitionary)	–	–	352,781	221.10	–	–	352,781	31.12.14
01.05.12 LTIP	–	–	352,781	221.10	–	–	352,781	31.12.15
TOTAL	**622,331**	–	–	–	–	–	**1,171,530**	
Justin Read								
31.08.11 LTIP	187,106	–	–	254.40	–	–	187,106	31.12.13
01.05.12 LTIP (Transitionary)	–	–	230,664	221.10	–	–	230,664	31.12.14
01.05.12 LTIP	–	–	230,664	221.10	–	–	230,664	31.12.15
TOTAL	**187,106**	–	–	–	–	–	**648,434**	

SHARESAVE OPTIONS

NAME	NO. OF SHARES UNDER OPTION 01.01.12	OPTIONS GRANTED DURING THE YEAR	DATE OF GRANT	OPTION PRICE (PENCE)	OPTIONS EXERCISED DURING THE YEAR	OPTIONS LAPSED DURING THE YEAR	NO. OF SHARES UNDER OPTION AT 31.12.12[1]	PERIOD IN WHICH OPTIONS CAN BE EXERCISED
David Sleath	8,598	–	19.05.09	182.0	–	–	8,598	01.06.14–30.11.14
Justin Read	–	4,781	30.04.12	188.24	–	–	4,781	01.06.15–30.11.15

1 Between 31 December 2012 and 26 February 2013 there were no changes in these holdings.

No options were exercised by Directors during the year and there were therefore no aggregate gains made.

The market price of the shares as at 31 December 2012 was 246.6 pence. The highest and lowest market prices of ordinary shares during the financial year were 259.2 pence and 198.2 pence.

DEFINED BENEFIT SCHEMES

David Sleath left the SEGRO pension scheme with effect from 17 April 2011 and receives a cash payment in lieu of contributions. No other Directors participate in the scheme.

NAME	ADDITIONAL PENSION EARNED IN THE YEAR £ P.A.	ACCRUED PENSION AT 31.12.12 £ P.A.	TRANSFER VALUE AT 31.12.11 £	TRANSFER VALUE AT 31.12.12 £	INCREASE IN TRANSFER VALUE LESS DIRECTORS' CONTRIBUTIONS £
David Sleath	3,745	75,765	1,173,968	1,258,521	84,553

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 to which the Executive Directors would be entitled if they left service at the year end. Retained benefits are payable from normal retirement age. David Sleath was not a member of the Scheme during the year; the increases shown in the table above are due to the statutory deferred revaluation as per the Scheme Rules. There was no additional pension accrued during the year and no increase in accrued pension, less his contributions.

PENSION ENTITLEMENT IN THE EVENT OF SEVERANCE

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

FEES FOR EXTERNAL NON-EXECUTIVE APPOINTMENTS

Since September 2007, David Sleath has been a non-executive director at Bunzl plc and during the year he received a fee of £73,500 for this role.

NON-EXECUTIVE DIRECTORS' FEES

In 2012, 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. The fees payable to Chairmen of the Remuneration and Audit Committees were increased by £3,000 per year on 1 October 2012 to £63,000 per year. There was no change to the Chairman's fee.

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.

FORMER DIRECTORS

Richard Kingston, a former Director, was a Company nominated Trustee of the SEGRO Pension Scheme until 31 October 2012. He received a fee from the Company of £12,500 (2011: £15,000). Ian Sutcliffe, who was a Director until 28 April 2011, received £106,186 in respect of his payment in lieu of notice for the period to 29 February 2012. Ex gratia payments to other former Directors and their dependants totalled £56,470 (2011: £56,470).

This report was approved by the Board on 26 February 2013 and signed on its behalf by

CHRIS PEACOCK
Chairman of the Remuneration Committee
26 February 2013

OTHER STATUTORY INFORMATION

SHARE CAPITAL

The issued share capital for the year is set out on page 98.

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 9.9 pence per share will be paid (2011: 9.9 pence) bringing the total dividend for 2012 to 14.8 pence (2011: 14.8 pence). The final dividend will be paid as a Property Income Distribution. The Company operates a Dividend Reinvestment Plan (DRIP), further information on which is provided on page 106.

The ex-dividend date for the final dividend will be 20 March 2013, the record date will be 22 March 2013 and the payment date will be 26 April 2013.

CHANGE OF CONTROL

Contracts and joint-venture agreements

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

Borrowings and other financial instruments

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

Employee share plans

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

DIRECTORS' AUTHORITIES IN RELATION TO SHARES

The Directors' authorities in relation to issuing, allotting or buying back shares are governed by the Company's Articles of Association and the resolutions passed by shareholders at general meeting. These documents do not form part of this report.

PROCESS FOR APPOINTMENT/REMOVAL OF DIRECTORS

The Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation with regards to the appointment and removal of Directors. Directors are appointed by the Board and elected by shareholders. Directors may be removed by the Board or shareholders as applicable.

ARTICLES OF ASSOCIATION

Shareholders may amend the Company's Articles of Association by special resolution.

OVERSEAS BRANCHES

The Company has a branch in Paris, France.

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 nine days (2011: seven days). The Directors do not consider that there is any one supplier (or person) with whom the Company has a contractual arrangement that is essential to the business.

AUDITOR OF THE COMPANY

A resolution to re-appoint Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

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

By order of the Board
ELIZABETH BLEASE
GENERAL COUNSEL AND COMPANY SECRETARY

26 February 2013

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 26 February 2013 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 Groupe N.V. and its subsidiaries	67,104,853	–	67,104,853	9.04%
Blackrock, Inc. and its subsidiaries	–	54,536,976	54,536,972	7.35%
Third Avenue Management LLC	–	38,797,732	38,797,732	5.23%
AXA S.A. and its subsidiaries	–	29,275,885	29,275,885	3.95%
Legal & General Group Plc and its subsidiaries	22,728,158	3,474,688	26,202,846	3.53%
The Capital Group Companies, Inc.	–	24,845,309	24,845,309	3.35%

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

DAVID SLEATH
CHIEF EXECUTIVE

26 February 2013

JUSTIN READ
GROUP FINANCE DIRECTOR

26 February 2013

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 2012 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 32. 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 an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement contained within the Financial Review in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

CLAIRE FAULKNER
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
26 February 2013

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	2012 £m	2011 £m
REVENUE	4	**371.0**	400.1
Gross rental income	4	**305.4**	326.1
Property operating expenses	5	**(50.6)**	(54.9)
NET RENTAL INCOME		**254.8**	271.2
Joint venture management fee income	4	**7.4**	5.9
Administration expenses	6	**(27.9)**	(32.1)
Share of profit from joint ventures after tax	7	**2.7**	26.6
Realised and unrealised property loss	8	**(340.0)**	(271.4)
Gain on sale of investment in joint ventures		**0.2**	–
Other investment income	9	**2.4**	2.4
Amounts written off on acquisitions	10	**(0.6)**	(0.2)
OPERATING (LOSS)/PROFIT		**(101.0)**	2.4
Finance income	11	**66.1**	115.3
Finance costs	11	**(167.3)**	(171.3)
LOSS BEFORE TAX		**(202.2)**	(53.6)
Tax	12	**4.9**	23.0
LOSS AFTER TAX		**(197.3)**	(30.6)
Attributable to equity shareholders		**(197.3)**	(30.4)
Attributable to non-controlling interests		**–**	(0.2)
		(197.3)	(30.6)
EARNINGS PER SHARE			
Basic and diluted loss per share	14	**(26.6)**	(4.1)p

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	2012 £m	2011 £m
Loss for the year		**(197.3)**	(30.6)
OTHER COMPREHENSIVE INCOME			
Foreign exchange movement arising on translation of international operations		**(12.2)**	(10.6)
Valuation deficit on owner occupied properties	8	**(0.8)**	(0.4)
Actuarial loss on defined benefit pension schemes	22	**(4.9)**	(8.4)
Increase in value of available-for-sale investments		**–**	1.4
Fair value movements on derivatives in effective hedge relationships		**4.0**	4.7
Tax on components of other comprehensive income		**–**	–
OTHER COMPREHENSIVE LOSS BEFORE TRANSFERS		**(13.9)**	(13.3)
Transfer to income statement on sale of available-for-sale investments		**(1.0)**	(2.1)
Transfer to income statement on close out of effective hedge relationships		**–**	2.7
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(212.2)**	(43.3)
Attributable to equity shareholders		**(212.2)**	(43.1)
Attributable to non-controlling interests		**–**	(0.2)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(212.2)**	(43.3)

BALANCE SHEETS
AS AT 31 DECEMBER 2012

		GROUP		COMPANY	
	NOTES	**2012 £m**	2011 £m	**2012 £m**	2011 £m
ASSETS					
NON-CURRENT ASSETS					
Goodwill and other intangibles		**4.0**	1.5	**–**	–
Investment properties	15	**3,795.7**	4,316.6	**–**	–
Owner occupied properties		**4.3**	6.5	**–**	–
Plant and equipment		**2.9**	5.8	**1.4**	1.8
Investments in subsidiaries	7	**–**	–	**4,909.2**	5,251.2
Investments in joint ventures	7	**342.6**	298.8	**–**	–
Finance lease receivables	16	**8.1**	8.2	**–**	–
Available-for-sale investments	17	**15.5**	18.3	**–**	–
Trade and other receivables	18	**146.2**	114.8	**145.9**	114.5
		4,319.3	4,770.5	**5,056.5**	5,367.5
CURRENT ASSETS					
Trading properties	15	**193.3**	261.4	**–**	–
Trade and other receivables	18	**118.2**	140.6	**6.6**	52.4
Cash and cash equivalents	20	**16.6**	21.2	**5.0**	0.9
		328.1	423.2	**11.6**	53.3
TOTAL ASSETS		**4,647.4**	5,193.7	**5,068.1**	5,420.8
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	20	**2,052.1**	2,296.9	**2,028.7**	2,244.4
Deferred tax provision	12	**23.3**	25.2	**–**	–
Provisions		**11.3**	11.1	**8.5**	7.1
Trade and other payables	19	**45.6**	29.4	**974.0**	932.0
		2,132.3	2,362.6	**3,011.2**	3,183.5
CURRENT LIABILITIES					
Trade and other payables	19	**219.0**	223.8	**48.2**	36.8
Borrowings	20	**54.8**	27.7	**52.1**	11.8
Tax liabilities		**4.7**	21.9	**3.6**	4.9
		278.5	273.4	**103.9**	53.5
TOTAL LIABILITIES		**2,410.8**	2,636.0	**3,115.1**	3,237.0
NET ASSETS		**2,236.6**	2,557.7	**1,953.0**	2,183.8
EQUITY					
Share capital	23	**74.2**	74.2	**74.2**	74.2
Share premium	24	**1,069.9**	1,069.5	**1,069.9**	1,069.5
Capital redemption reserve		**113.9**	113.9	**113.9**	113.9
Own shares held	25	**(7.3)**	(10.2)	**(7.3)**	(10.2)
Revaluation reserve		**(2.6)**	(0.6)	**–**	–
Other reserves		**173.3**	189.2	**218.2**	218.5
Retained earnings		**813.6**	1,119.5	**484.1**	717.9
TOTAL SHAREHOLDERS' EQUITY		**2,235.0**	2,555.5	**1,953.0**	2,183.8
Non-controlling interests		**1.6**	2.2	**–**	–
TOTAL EQUITY		**2,236.6**	2,557.7	**1,953.0**	2,183.8
NET ASSETS PER ORDINARY SHARE					
Basic and diluted		**302p**	345p		

The financial statements of SEGRO plc (registered number 167591) on pages 69 to 103 were approved by the Board of Directors and authorised for issue on 26 February 2013 and signed on its behalf by:

DJR Sleath **JR Read**
Directors

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

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

FOR THE YEAR ENDED 31 DECEMBER 2011

GROUP	BALANCE 1 JANUARY 2011 £m	EXCHANGE MOVEMENT £m	RETAINED LOSS £m	ITEMS TAKEN DIRECTLY TO RESERVES £m	SHARES ISSUED £m	OTHER £m	DIVIDENDS £m	TRANSFERS £m	BALANCE 31 DECEMBER 2011 £m
Ordinary share capital	74.2	–	–	–	–	–	–	–	74.2
Share premium	1,069.5	–	–	–	–	–	–	–	1,069.5
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(13.3)	–	–	–	–	3.1	–	–	(10.2)
Revaluation reserve	0.2	–	–	(0.4)	–	–	–	(0.4)	(0.6)
Other reserves:									
Share based payments reserve	6.2	–	–	–	–	(1.8)	–	–	4.4
Fair value reserve for AFS[1]	6.2	–	–	1.4	–	(2.1)	–	–	5.5
Translation and other reserves	13.4	(10.6)	–	4.7	–	2.7	–	–	10.2
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	194.9	(10.6)	–	6.1	–	(1.2)	–	–	189.2
Retained earnings	1,270.9	–	(30.4)	(8.4)	–	(5.6)	(107.4)	0.4	1,119.5
Total equity attributable to equity shareholders	2,710.3	(10.6)	(30.4)	(2.7)	–	(3.7)	(107.4)	–	2,555.5
Non-controlling interests	(1.3)	–	(0.2)	–	–	3.7	–	–	2.2
Total equity	2,709.0	(10.6)	(30.6)	(2.7)	–	–	(107.4)	–	2,557.7

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

STATEMENTS OF CHANGES IN EQUITY CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

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

FOR THE YEAR ENDED 31 DECEMBER 2011

COMPANY	BALANCE 1 JANUARY 2011 £m	RETAINED LOSS £m	ITEMS TAKEN DIRECTLY TO RESERVES £m	SHARES ISSUED £m	OTHER £m	DIVIDENDS £m	TRANSFERS £m	BALANCE 31 DECEMBER 2011 £m
Ordinary share capital	74.2	–	–	–	–	–	–	74.2
Share premium	1,069.5	–	–	–	–	–	–	1,069.5
Capital redemption reserve	113.9	–	–	–	–	–	–	113.9
Own shares held	(13.3)	–	–	–	3.1	–	–	(10.2)
Other reserves:								
Share based payments reserve	2.9	–	–	–	(0.9)	–	–	2.0
Translation and other reserves	47.6	–	–	–	(0.2)	–	–	47.4
Merger reserve	169.1	–	–	–	–	–	–	169.1
Total other reserves	219.6	–	–	–	(1.1)	–	–	218.5
Retained earnings	1,186.7	(354.6)	(5.5)	–	(1.3)	(107.4)	–	717.9
Total equity attributable to equity shareholders	2,650.6	(354.6)	(5.5)	–	0.7	(107.4)	–	2,183.8

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

		GROUP		COMPANY	
	NOTES	2012 £m	2011 £m	2012 £m	2011 £m
CASH FLOWS FROM OPERATING ACTIVITIES	30(i)	**205.1**	239.0	**(0.9)**	(6.9)
Interest received		**49.3**	50.6	**152.4**	184.5
Dividends received		**18.7**	10.4	**144.2**	258.1
Interest paid		**(153.2)**	(170.9)	**(113.7)**	(163.7)
Tax paid		**(12.8)**	(4.9)	**(0.6)**	–
NET CASH RECEIVED FROM OPERATING ACTIVITIES		**107.1**	124.2	**181.4**	272.0
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase and development of investment properties		**(277.9)**	(187.1)	**–**	–
Sale of investment properties		**490.1**	79.9	**–**	–
Purchase of plant and equipment and intangibles		**(3.0)**	(1.9)	**(0.7)**	–
Purchase of available-for-sale investments		**–**	(1.6)	**–**	–
Sale of available-for-sale investments		**3.5**	11.8	**–**	3.2
Additional net investment in subsidiary undertakings		**–**	–	**(152.7)**	(365.1)
Loan advances repaid by subsidiary undertakings		**–**	–	**216.2**	70.5
Sale of investment in joint ventures		**4.1**	–	**–**	–
Investment in joint ventures		**(50.6)**	(15.6)	**–**	(15.6)
Net (increase)/decrease in loans to joint ventures		**(1.2)**	(0.3)	**–**	14.0
Purchase of non-controlling interests		**(0.6)**	(0.4)	**–**	–
NET CASH RECEIVED FROM/(USED IN) INVESTING ACTIVITIES		**164.4**	(115.2)	**62.8**	(293.0)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to ordinary shareholders		**(109.7)**	(107.4)	**(109.7)**	(107.4)
Repayment of bonds		**(112.6)**	–	**(112.6)**	–
Net (decrease)/increase in other borrowings		**(90.4)**	78.3	**(58.7)**	130.1
Net costs to close out debt		**(14.8)**	–	**(14.8)**	–
Net settlement of foreign exchange derivatives		**56.0**	(8.1)	**56.0**	(8.1)
Proceeds from the issue of ordinary shares		**0.4**	–	**0.4**	–
Purchase of ordinary shares		**(0.7)**	–	**(0.7)**	–
NET CASH (USED IN)/RECEIVED FROM FINANCING ACTIVITIES		**(271.8)**	(37.2)	**(240.1)**	14.6
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(0.3)**	(28.2)	**4.1**	(6.4)
Cash and cash equivalents at the beginning of the year		**16.0**	44.6	**0.9**	7.3
Effect of foreign exchange rate changes		**(0.3)**	(0.4)	**–**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**15.4**	16.0	**5.0**	0.9
Cash and cash equivalents per balance sheet		**16.6**	21.2	**5.0**	0.9
Bank overdrafts		**(1.2)**	(5.2)	**–**	–
CASH AND CASH EQUIVALENTS PER CASH FLOW		**15.4**	16.0	**5.0**	0.9

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 38.

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

Management believes that the judgements, estimates and associated assumptions used in the preparation of the financial statements are reasonable, however actual results may differ from these estimates. Critical judgements, where made, are disclosed within the relevant section of the financial statements in which such judgements have been applied. The critical estimate and assumption relates to the property valuations applied by the Group's property valuers. Other judgements and sources of estimation relate to provisioning, accounting for significant transactions, financial instrument valuations and the actuarial assumptions used in calculating the Group's retirement benefit obligations. These 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:
- Amendments to IFRS 7, Financial Instruments: Disclosures – (Oct 2010) Disclosures – Transfers of Financial Assets; and
- Amendments to IAS 12, Income Taxes – (Dec 2010) Deferred Tax: Recovery of Underlying Assets.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):
- IFRS 9 Financial Instruments;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities;
- IFRS 13 Fair Value Measurement;
- IAS 19 (revised June 2011) Employee Benefits;
- IAS 27 (revised May 2011) Separate Financial Statements;
- IAS 28 (revised May 2011) Investments in Associates and Joint Ventures;
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine;
- Annual Improvements (May 2012) to IFRSs (2009 – 2011) Cycle;
- Amendments to IFRS 1 First-time adoption of IFRSs – (March 2012) Government Loans, (December 2010) First-time Adoption of IFRSs after a period of Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;
- Amendments to IAS 1 Presentation of Financial Statements – (June 2011) Presentation of Items of Other Comprehensive Income;
- Amendments to IAS 32 and IFRS 7 Financial Instruments: Disclosures – (December 2011) Offsetting Financial Assets and Financial Liabilities; and
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 (revised May 2011) Separate Financial Statements – (October 2012) Investment Entities.

The Directors do not expect that the adoption of the Standards listed above will have a significant impact on the financial statements of the Group in future periods, except as follows:

The interest cost and expected return on scheme assets used in the previous version of IAS 19 are being replaced with a net-interest amount under IAS 19 (revised June 2011), which is calculated by applying a discount rate to the net defined benefit liability or asset.

IFRS 9 will likely impact both the measurement and disclosures of financial instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these new and amended Standards (including the potential effect of the amendment to IAS 28 and introduction of IFRS 11) until a detailed review has been completed.

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

BUSINESS COMBINATIONS

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

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

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

FOREIGN CURRENCY TRANSACTIONS

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

CONSOLIDATION OF FOREIGN ENTITIES

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

The principal exchange rates used to translate foreign currency denominated amounts in 2012 are:
Balance sheet: £1 = €1.23 (31 December 2011: £1 = €1.20)
Income statement: £1 = €1.23 (2011: £1 = €1.15)

INVESTMENT PROPERTIES

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

TRADING PROPERTIES

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

Trading properties are transferred to investment properties when there is a change in use evidenced by the commencement of an operating lease to another party, together with the intention to hold the property to generate rent, or for capital appreciation, or for both.

PROPERTY ACQUISITIONS AND DISPOSALS

Properties are treated as acquired at the point when the Group assumes the significant risks and rewards of ownership and as disposed when these are transferred to the buyer. Generally this would occur on completion of contract.

LEASES

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

REVENUE

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

RENTAL INCOME

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

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

SERVICE CHARGES AND OTHER RECOVERIES FROM TENANTS

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

FINANCIAL INSTRUMENTS

Borrowings

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

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

Derivative financial instruments

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

Derivatives with a maturity of less than twelve months or that expect to be settled within twelve months of the balance sheet date are presented as current assets or liabilities. Other derivatives are presented as non-current assets or liabilities.

Trade and other receivables and payables

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

Available-for-sale (AFS) investments

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

PENSIONS – DEFINED BENEFIT SCHEMES

The schemes' assets are measured at fair value, their obligations are calculated at discounted present value, and any net surplus or deficit is recognised in the balance sheet. Operating and financing costs are charged to the income statement, with service costs spread systematically over employees' working lives, and financing costs expensed in the period in which they arise. Actuarial gains and losses are recognised in the statement of comprehensive income. Where the actuarial valuation of the scheme demonstrates that the scheme is in surplus, the recognisable asset is limited to that for which the Group can benefit in the future. Professional actuaries are used in relation to defined benefit schemes and the assumptions made are outlined in note 22.

SHARE-BASED PAYMENTS

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

INCOME TAX

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years. Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that suitable taxable profits will be available against which deductible temporary differences can be utilised.

2. EPRA PROFIT

	2012 £m	2011 £m
Gross rental income	**305.4**	326.1
Property operating expenses	**(50.6)**	(54.9)
NET RENTAL INCOME	**254.8**	271.2
Joint venture management fee income	**7.4**	5.9
Administration expenses	**(27.9)**	(32.1)
Share of joint ventures' EPRA profit after tax	**20.2**	16.6
EPRA OPERATING PROFIT BEFORE INTEREST AND TAX	**254.5**	261.6
EPRA net finance costs	**(109.6)**	(123.1)
EPRA PROFIT BEFORE TAX	**144.9**	138.5
ADJUSTMENTS:		
Adjustments to the share of profit from joint ventures after tax[1]	**(17.5)**	10.0
(Loss)/profit on sale of investment properties	**(28.9)**	5.2
Valuation deficit on investment and owner occupied properties	**(284.4)**	(272.7)
(Loss)/profit on sale of trading properties	**(1.8)**	5.2
Increase in provision for impairment of trading properties	**(24.9)**	(9.1)
Gain on sale of investment in joint ventures	**0.2**	–
Other investment income	**2.4**	2.4
Amounts written off on acquisitions	**(0.6)**	(0.2)
Loss on early close out of bonds	**(16.8)**	–
Gain on early close out of bank debt	**2.3**	–
Net fair value gain on interest rate swaps and other derivatives	**22.9**	67.1
TOTAL ADJUSTMENTS	**(347.1)**	(192.1)
LOSS BEFORE TAX	**(202.2)**	(53.6)
TAX		
On EPRA profits	**(1.9)**	(2.1)
In respect of adjustments	**6.8**	25.1
	4.9	23.0
LOSS AFTER TAX		
EPRA profit after tax	**143.0**	136.4
Adjustments	**(340.3)**	(167.0)
LOSS AFTER TAX	**(197.3)**	(30.6)

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

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

3. SEGMENTAL ANALYSIS

The Group's reportable segments are the geographical business units, Greater London, Thames Valley and National Logistics, Germany and Northern Europe, France and Southern Europe and Poland and Central Europe, which are managed and reported to the Board as separate distinct business units.

On 30 June 2012, the reportable segments changed from the previous periods, where we reported geographical segments of the United Kingdom and Continental Europe. The new reportable segments reflect changes made in our management structure and internal reporting following our strategic review and prior period comparatives have been re-presented accordingly.

31 DECEMBER 2012	GROSS RENTAL INCOME £m	NET RENTAL INCOME £m	SHARE OF JOINT VENTURES' EPRA PROFIT £m	EPRA PBIT £m	TOTAL DIRECTLY OWNED PROPERTY ASSETS £m	INVESTMENTS IN JOINT VENTURES £m	CAPITAL EXPENDITURE £m
Greater London	77.7	66.8	14.7	88.3	1,159.5	261.3	7.1
Thames Valley and National Logistics	110.1	95.2	4.8	100.1	1,305.0	62.8	40.5
Germany and Northern Europe	53.5	43.3	0.7	41.9	564.5	18.5	30.3
France and Southern Europe	40.5	35.9	–	34.5	574.2	–	170.4
Poland and Central Europe	23.6	20.7	–	19.8	390.1	–	47.9
Other[1]	–	(7.1)	–	(30.1)	–	–	3.3
TOTAL	305.4	254.8	20.2	254.5	3,993.3	342.6	299.5

31 DECEMBER 2011	GROSS RENTAL INCOME £m	NET RENTAL INCOME £m	SHARE OF JOINT VENTURES' EPRA PROFIT £m	EPRA PBIT £m	TOTAL DIRECTLY OWNED PROPERTY ASSETS £m	INVESTMENTS IN JOINT VENTURES £m	CAPITAL EXPENDITURE £m
Greater London	81.1	67.7	15.8	89.3	1,240.8	275.4	21.0
Thames Valley and National Logistics	129.7	112.9	–	112.2	1,802.4	–	61.0
Germany and Northern Europe	55.3	45.8	0.8	43.4	714.8	23.0	39.4
France and Southern Europe	38.6	33.8	–	32.4	471.1	0.4	37.6
Poland and Central Europe	21.4	18.3	–	17.2	355.4	–	32.0
Other[1]	–	(7.3)	–	(32.9)	–	–	3.2
Total	326.1	271.2	16.6	261.6	4,584.5	298.8	194.2

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

Revenues from the most significant countries within the Group were UK £212.1 million (2011: £238.4 million), Germany £54.3 million (2011: £47.1 million), France £45.1 million (2011: £55.7 million) and Poland £27.8 million (2011: £24.6 million).

4. REVENUE

	2012 £m	2011 £m
Rental income from investment properties	280.9	298.0
Rental income from trading properties	13.8	17.9
Rent averaging	8.8	6.6
Surrender premiums	1.4	3.0
Interest received on finance lease assets	0.5	0.6
GROSS RENTAL INCOME	305.4	326.1
Joint venture management fee income – property management fees	4.1	3.5
– performance and other fees	3.3	2.4
Service charge income	37.2	37.1
Proceeds from sale of trading properties	21.0	31.0
TOTAL REVENUE	371.0	400.1

5. PROPERTY OPERATING EXPENSES

	2012 £m	2011 £m
Vacant property costs	13.7	15.2
Letting, marketing, legal and professional fees	8.9	10.6
Bad debt expense	1.7	1.6
Other expenses, net of service charge income	11.2	10.7
PROPERTY MANAGEMENT EXPENSES	35.5	38.1
Property administration expenses[1]	17.7	18.5
Costs capitalised[2]	(2.6)	(1.7)
TOTAL PROPERTY OPERATING EXPENSES	50.6	54.9

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

6. ADMINISTRATION EXPENSES

6(i) – Total administration expenses

	2012 £m	2011 £m
Directors' remuneration	2.6	3.2
Depreciation	3.0	3.0
Other administration expenses	22.3	25.9
TOTAL ADMINISTRATION EXPENSES	27.9	32.1

The full 2012 depreciation charge, including amounts charged under other headings, is £3.2 million (2011: £3.5 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.

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

	2012 £m	2011 £m
AUDIT SERVICES:		
Parent company	0.4	0.4
Subsidiary undertakings	0.2	0.3
TOTAL AUDIT FEES	0.6	0.7
Audit related assurance services	0.1	0.1
AUDIT AND AUDITED RELATED ASSURANCE SERVICES	0.7	0.8
OTHER FEES:		
Taxation – compliance services	0.1	0.1
Taxation – advisory services	–	0.2
Other[1]	0.1	0.1
TOTAL OTHER FEES	0.2	0.4
TOTAL FEES IN RELATION TO AUDIT AND OTHER SERVICES	0.9	1.2

1 Other services principally relate to those earned by Drivers Jonas Deloitte (now Deloitte Real Estate); the largest individual component (£20,000) related to planning advice in respect of Park Royal properties.

In addition to the above, an audit fee of £45,000, together with other fees totalling £41,000, were due to the Group's auditor in respect of the Airport Property Partnership (APP) joint venture for the year ended 31 December 2012 (£45,000 audit fee and £76,000 other fees for the year ended 31 December 2011). Also, an audit fee of £25,000 was due to the Group's auditor in respect of the Heathrow Big Box Industrial and Distribution Fund joint venture for the year ended 31 December 2012 (2011: £25,000) and £36,000 (2011: £46,000) was due to the Group's auditor in respect of the audit of the Logistics Property Partnership joint venture for the year ended 31 December 2012.

6. ADMINISTRATION EXPENSES CONTINUED

6(iii) – Staff costs

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

	2012 £m	2011 £m
Wages and salaries	**20.9**	24.9
Social security costs	**3.7**	4.6
Pension costs	**1.9**	1.7
Share scheme costs	**1.7**	0.1
Termination benefits	**1.1**	1.8
TOTAL	**29.3**	33.1
Average number of Group employees	**252**	276

Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement and those specified by the Listing Rules of the Financial Services Authority are included on pages 57 to 65 in the Remuneration Report and form part of these financial statements.

7. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

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

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

	LOGISTICS PROPERTY PARTNERSHIP £m	AIRPORT PROPERTY PARTNERSHIP £m	HEATHROW BIG BOX INDUSTRIAL AND DISTRIBUTION FUND £m	OTHER £m	2012 £m	2011 £m
Gross rental income	**9.1**	**21.9**	**7.1**	**1.9**	**40.0**	33.0
Property operating expenses:						
– underlying property operating expenses	**(0.3)**	**(1.2)**	**(0.1)**	**(0.3)**	**(1.9)**	(2.2)
– property management fees	**(0.5)**	**(2.2)**	**(0.2)**	**–**	**(2.9)**	(2.3)
– performance and other fees	**–**	**(1.7)**	**–**	**–**	**(1.7)**	(1.6)
NET RENTAL INCOME	**8.3**	**16.8**	**6.8**	**1.6**	**33.5**	26.9
EPRA net finance costs	**(3.5)**	**(6.9)**	**(2.0)**	**(0.9)**	**(13.3)**	(10.5)
EPRA PROFIT BEFORE TAX	**4.8**	**9.9**	**4.8**	**0.7**	**20.2**	16.4
Tax on EPRA profits	**–**	**–**	**–**	**–**	**–**	0.2
EPRA PROFIT AFTER TAX	**4.8**	**9.9**	**4.8**	**0.7**	**20.2**	16.6
ADJUSTMENTS:						
(Loss)/profit on sale of investment properties	**–**	**(0.1)**	**–**	**–**	**(0.1)**	0.7
Valuation (deficit)/surplus on investment properties	**0.9**	**(9.7)**	**(3.0)**	**–**	**(11.8)**	11.3
Profit on sale of trading properties	**–**	**–**	**–**	**1.5**	**1.5**	0.6
Increase in provision for impairment of trading properties	**–**	**–**	**–**	**(2.0)**	**(2.0)**	(0.9)
Net fair value loss on interest rate swaps and other derivatives	**(0.8)**	**–**	**–**	**–**	**(0.8)**	(1.9)
Other investment loss	**–**	**–**	**–**	**–**	**–**	(0.2)
Amounts written off on acquisitions	**(3.2)**	**(0.2)**	**–**	**–**	**(3.4)**	–
Tax in respect of adjustments	**–**	**–**	**–**	**(0.9)**	**(0.9)**	0.4
TOTAL ADJUSTMENTS	**(3.1)**	**(10.0)**	**(3.0)**	**(1.4)**	**(17.5)**	10.0
PROFIT/(LOSS) AFTER TAX	**1.7**	**(0.1)**	**1.8**	**(0.7)**	**2.7**	26.6

Trading properties held by joint ventures were externally valued resulting in an increase in the Group's share of provision for impairment of £2.0 million (2011: £0.9 million). Based on the fair value at 31 December 2012, the Group's share of joint ventures' trading property portfolio has an unrecognised surplus of £3.7 million (2011: £4.0 million).

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

	LOGISTICS PROPERTY PARTNERSHIP £m	AIRPORT PROPERTY PARTNERSHIP £m	HEATHROW BIG BOX INDUSTRIAL AND DISTRIBUTION FUND £m	OTHER £m	2012 £m	2011 £m
Investment properties	155.5	364.7	101.3	–	621.5	476.2
Other investments	–	8.0	–	1.3	9.3	8.1
TOTAL NON-CURRENT ASSETS	155.5	372.7	101.3	1.3	630.8	484.3
Trading properties	–	–	–	29.1	29.1	33.2
Other receivables	1.5	2.2	0.2	6.4	10.3	19.0
Cash	3.2	10.8	3.0	2.7	19.7	15.5
TOTAL CURRENT ASSETS	4.7	13.0	3.2	38.2	59.1	67.7
TOTAL ASSETS	160.2	385.7	104.5	39.5	689.9	552.0
Borrowings	(92.1)	(162.9)	(44.9)	(6.1)	(306.0)	(208.9)
Deferred tax	–	–	–	(1.3)	(1.3)	(0.9)
Other liabilities	(0.7)	(6.3)	(0.5)	(0.2)	(7.7)	(8.4)
TOTAL NON-CURRENT LIABILITIES	(92.8)	(169.2)	(45.4)	(7.6)	(315.0)	(218.2)
Borrowings	–	–	–	(11.0)	(11.0)	(12.3)
Other liabilities	(4.6)	(12.0)	(2.6)	(2.1)	(21.3)	(22.7)
TOTAL CURRENT LIABILITIES	(4.6)	(12.0)	(2.6)	(13.1)	(32.3)	(35.0)
TOTAL LIABILITIES	(97.4)	(181.2)	(48.0)	(20.7)	(347.3)	(253.2)
GROUP SHARE OF NET ASSETS	62.8	204.5	56.5	18.8	342.6	298.8

In January 2012, the Group completed the acquisition of a 50 per cent interest in the Logistics Property Partnership ("LPP") (formerly UK Logistics Fund ("UKLF")) for £65.7 million. The amounts written off on acquisition of £3.2 million relate to LPP and reflect the difference between purchase price and the fair value of the assets acquired (principally as a result of fees incurred on the transaction).

7(iii) – Investments by the Group

	2012 £m	2011 £m
COST OR VALUATION AT 1 JANUARY	298.8	279.8
Exchange movement	(0.6)	(0.8)
Acquisition	65.7	–
Disposals	(3.9)	(0.9)
Loan advances	1.2	0.7
Loan repayments	–	(0.4)
Dividends received	(18.7)	(8.3)
Share of profit after tax	2.7	26.6
Items taken directly to reserves	(2.6)	2.1
COST OR VALUATION AT 31 DECEMBER	342.6	298.8

The amount of loans advanced by the Group to joint ventures is £172.1 million (2011: £127.0 million).

7(iv) – Investments by the Company

	2012 £m	2011 £m
COST OR VALUATION OF SUBSIDIARIES AT 1 JANUARY	5,251.2	5,626.2
Exchange movement	(22.1)	(25.8)
Additions	152.7	365.1
Net loan movement	(185.6)	–
Increase in provision for investments and loans in the income statement	(287.0)	(714.3)
COST OR VALUATION OF SUBSIDIARIES AT 31 DECEMBER	4,909.2	5,251.2

8. REALISED AND UNREALISED PROPERTY LOSS

	2012 £m	2011 £m
(Loss)/profit on sale of investment properties	**(28.9)**	5.2
Valuation deficit on investment properties	**(283.2)**	(272.3)
Valuation deficit on owner occupied properties	**(1.2)**	(0.4)
(Loss)/profit on sale of trading properties	**(1.8)**	5.2
Increase in provision for impairment of trading properties	**(24.9)**	(9.1)
Total realised and unrealised property loss – income statement	**(340.0)**	(271.4)
Valuation deficit on owner occupied properties – other comprehensive income	**(0.8)**	(0.4)
TOTAL REALISED AND UNREALISED PROPERTY LOSS	**(340.8)**	(271.8)

9. OTHER INVESTMENT INCOME

	2012 £m	2011 £m
Net profit on available-for-sale investments	**1.4**	0.3
Transfer of fair value surplus realised on sale of available-for-sale investments	**1.0**	2.1
TOTAL OTHER INVESTMENT INCOME	**2.4**	2.4

10. AMOUNTS WRITTEN-OFF ON ACQUISITIONS

	2012 £m	2011 £m
Acquisition of LPP	**0.4**	–
Amortisation of intangibles	**0.2**	0.2
TOTAL AMOUNTS WRITTEN OFF ON ACQUISITIONS	**0.6**	0.2

11. NET FINANCE COSTS

FINANCE INCOME	2012 £m	2011 £m
Interest received on bank deposits and related derivatives	**29.6**	24.9
Gain on early close out of bank debt	**2.3**	–
Fair value gain on interest rate swaps and other derivatives	**33.8**	89.4
Return on pension assets less unwinding of discount on pension liabilities	**0.3**	1.0
Exchange differences	**0.1**	–
TOTAL FINANCE INCOME	**66.1**	115.3

FINANCE COSTS	2012 £m	2011 £m
Interest on overdrafts, loans and related derivatives	**(137.4)**	(144.5)
Loss on early close out of bonds	**(16.8)**	–
Amortisation of issue costs	**(5.6)**	(5.3)
Total borrowing costs	**(159.8)**	(149.8)
Less amounts capitalised on the development of properties	**3.4**	2.2
NET BORROWING COSTS	**(156.4)**	(147.6)
Fair value loss on interest rate swaps and other derivatives	**(10.9)**	(22.3)
Exchange differences	**–**	(1.4)
TOTAL FINANCE COSTS	**(167.3)**	(171.3)
NET FINANCE COSTS	**(101.2)**	(56.0)

The interest capitalisation rates for 2012 ranged from 4.7 per cent to 6.2 per cent (2011: 3.6 per cent to 6.2 per cent). Interest is capitalised gross of tax relief.

As discussed further in the Financial Review on page 36, an early repurchase of bonds occurred in 2012 at a cost of £16.8 million.

12. TAX

12(i) – Tax on profit

	2012 £m	2011 £m
TAX ON:		
EPRA profits	(1.9)	(2.1)
Adjustments	6.8	25.1
TOTAL TAX CREDIT	4.9	23.0
CURRENT TAX		
UNITED KINGDOM		
Adjustments in respect of earlier years	0.2	0.1
	0.2	0.1
OVERSEAS		
Current tax charge	(1.5)	(2.3)
Adjustments in respect of earlier years	4.7	2.0
	3.2	(0.3)
TOTAL CURRENT TAX CREDIT/(CHARGE)	3.4	(0.2)
DEFERRED TAX		
Origination and reversal of temporary differences	(6.3)	(6.9)
Released in respect of property disposals in the year	–	1.0
On valuation movements	8.5	22.0
Total deferred tax in respect of investment properties	2.2	16.1
Other deferred tax	(0.7)	7.1
TOTAL DEFERRED TAX CREDIT	1.5	23.2
TOTAL TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES	4.9	23.0

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

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

	2012 £m	2011 £m
Loss on ordinary activities before tax	(202.2)	(53.6)
Add back valuation deficit in respect of UK properties not taxable	100.0	158.4
	(102.2)	104.8
Multiplied by standard rate of UK corporation tax of 24.5 per cent (2011: 26.5 per cent)	25.0	(27.8)
EFFECTS OF:		
Exempt SIIC & REIT gains	14.5	55.1
Permanent differences	(2.9)	1.1
Profit on joint ventures already taxed	(0.3)	(0.5)
Higher tax rates on international earnings	5.2	(1.4)
Adjustments in respect of earlier years and assets not recognised	(36.6)	(3.5)
TOTAL TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES	4.9	23.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2012

12. TAX CONTINUED

12(iii) – Deferred tax provision

Movement in deferred tax was as follows:

GROUP – 2012	BALANCE 1 JANUARY £m	EXCHANGE MOVEMENT £m	RECOGNISED IN INCOME £m	BALANCE 31 DECEMBER £m
Valuation surpluses and deficits on properties	(28.7)	0.7	(8.5)	(36.5)
Accelerated tax allowances	60.3	(1.2)	6.3	65.4
Deferred tax asset on revenue losses	(5.7)	0.1	0.6	(5.0)
Others	(0.7)	–	0.1	(0.6)
TOTAL DEFERRED TAX PROVISION	25.2	(0.4)	(1.5)	23.3

The Group has recognised revenue tax losses of £19.1 million (2011: £21.9 million) available for offset against future profits. Further unrecognised tax losses of £470.4 million also exist at 31 December 2012 (2011: £369.6 million) of which £44.2 million (2011: £38.0 million) expires in 15 years.

12(iv) – Factors that may affect future tax charges

No deferred tax is recognised on the unremitted earnings of international subsidiaries and joint ventures. In the event of their remittance to the UK, no net UK tax is expected to be payable.

The standard rate of UK corporation tax is due to fall in stages to 21 per cent by April 2014. This is unlikely to significantly impact the Group's tax charge.

13. DIVIDENDS

	2012 £m	2011 £m
ORDINARY DIVIDENDS PAID		
Interim dividend for 2012 @ 4.9 pence per share	36.4	–
Final dividend for 2011 @ 9.9 pence per share	73.3	–
Interim dividend for 2011 @ 4.9 pence per share	–	36.3
Final dividend for 2010 @ 9.6 pence per share	–	71.1
TOTAL DIVIDENDS	109.7	107.4

The Board recommends a final dividend for 2012 of 9.9 pence which will result in a distribution of £73.4 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2012 is 14.8 pence (2011: 14.8 pence).

14. EARNINGS AND NET ASSETS PER SHARE

The earnings per share calculations use the weighted average number of shares in issue during the year and the net assets per share calculations use the number of shares in issue at year end. Earnings per share calculations exclude 1.2 million (2011: 1.2 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 1.2 million (2011: 1.1 million) being the actual number of shares held on trust for employee share schemes at year end.

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

	2012			2011		
	EARNINGS £m	SHARES MILLION	PENCE PER SHARE	EARNINGS £m	SHARES MILLION	PENCE PER SHARE
BASIC EPS	(197.3)	740.7	(26.6)	(30.4)	740.4	(4.1)
Dilution adjustments:						
Share options and save as you earn schemes	–	–	–	–	0.2	–
DILUTED EPS	(197.3)	740.7	(26.6)	(30.4)	740.6	(4.1)
Adjustments to profit before tax[1]	347.1		46.8	192.1		25.9
Tax adjustments:						
– deferred tax on investment property which does not crystallise unless sold	(2.2)		(0.3)	(16.1)		(2.2)
– other tax	(4.6)		(0.6)	(9.0)		(1.2)
EPRA EPS	143.0	740.7	19.3	136.6	740.4	18.4

1 Details of adjustments are included in note 2.

14(ii) – Net assets per share (NAV)

	2012			2011		
	EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS £m	SHARES MILLION	PENCE PER SHARE	EQUITY ATTRIBUTABLE TO ORDINARY SHAREHOLDERS £m	SHARES MILLION	PENCE PER SHARE
BASIC NAV	**2,235.0**	**740.9**	**302**	2,555.5	740.6	345
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**–**	**–**	–	0.2	–
DILUTED NAV	**2,235.0**	**740.9**	**302**	2,555.5	740.8	345
Fair value adjustment in respect of debt	**(303.0)**		**(41)**	(182.9)		(24)
Fair value adjustment in respect of trading properties – Group	**4.2**		**1**	7.4		1
Fair value adjustment in respect of trading properties – Joint ventures	**3.7**		**–**	4.0		–
EPRA TRIPLE NET NAV (NNNAV)	**1,939.9**	**740.9**	**262**	2,384.0	740.6	322
Fair value adjustment in respect of debt	**303.0**		**41**	182.9		24
Fair value adjustment in respect of interest rate swap derivatives – Group	**(103.3)**		**(14)**	(81.1)		(11)
Fair value adjustment in respect of interest rate swap derivatives – Joint ventures	**7.5**		**1**	4.1		1
Deferred tax in respect of depreciation	**65.4**		**9**	60.3		8
Deferred tax in respect of valuation surpluses	**(36.5)**		**(5)**	(28.7)		(4)
EPRA NAV	**2,176.0**	**740.9**	**294**	2,521.5	740.6	340

15. PROPERTIES

15(i) – Investment properties

	COMPLETED £m	DEVELOPMENT £m	TOTAL £m
AT 1 JANUARY 2011	4,085.5	347.0	4,432.5
Exchange movement	(28.0)	(4.6)	(32.6)
Property acquisitions	34.5	10.8	45.3
Additions to existing investment properties	22.7	114.2	136.9
Disposals	(71.2)	(6.4)	(77.6)
Transfers on completion of development	82.0	(82.0)	–
Revaluation deficit during the year	(227.3)	(45.0)	(272.3)
AT 31 DECEMBER 2011	3,898.2	334.0	4,232.2
Add tenant lease incentives, letting fees and rental guarantees	84.4	–	84.4
TOTAL INVESTMENT PROPERTIES	3,982.6	334.0	4,316.6

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

15. PROPERTIES CONTINUED

Investment properties are stated at fair value as at 31 December 2012 based on external valuations performed by professionally qualified valuers. The Group's wholly owned property portfolio is valued at 31 December 2012 by CBRE Ltd (previous year's valuations were undertaken by DTZ Debenham Tie Leung). Valuations for the joint venture properties within the UK were performed by Jones Lang LaSalle (APP and LPP) and CBRE Ltd (Big Box). Valuations for the joint venture properties in Continental Europe were performed by CBRE Ltd. The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties.

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

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

Following the commencement of operating leases and change in strategy, £27.4 million of trading properties were transferred to investment properties in line with the accounting policy set out in note 1.

The historical cost of investment and development properties was £4,008.5 million (2011: £4,311.9 million) and the cumulative valuation deficit at 31 December 2012 amounted to £220.9 million (2011: £4.7 million).

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

Prepaid operating lease incentives at 31 December 2012 were £56.5 million (2011: £50.1 million).

Since the year end the Group has disposed of properties with a book value of £142.0 million (see note 32), which were considered held for sale at 31 December 2012.

15(ii) – Trading properties

	COMPLETED £m	DEVELOPMENT £m	TOTAL £m
AT 1 JANUARY 2011	207.6	81.8	289.4
Exchange movement	(4.1)	(1.5)	(5.6)
Property acquisitions	–	3.6	3.6
Additions	2.2	6.2	8.4
Disposals	(20.0)	(5.8)	(25.8)
Transfers on completion of development	14.6	(14.6)	–
Increase in provision for impairment during the year	(6.6)	(2.5)	(9.1)
AT 31 DECEMBER 2011	193.7	67.2	260.9
Add tenant lease incentives, letting fees and rental guarantees	0.5	–	0.5
TOTAL TRADING PROPERTIES	194.2	67.2	261.4

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

Trading properties were externally valued, as detailed in note 15(i), resulting in an increase in the provision for impairment of £24.9 million (2011: £9.1 million). Based on the fair value at 31 December 2012, the portfolio has an unrecognised surplus of £4.2 million (2011: £7.4 million).

16. FINANCE LEASE RECEIVABLES

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

	MINIMUM LEASE PAYMENTS		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	2012 £m	2011 £m	**2012 £m**	2011 £m
AMOUNTS RECEIVABLE UNDER FINANCE LEASES:				
Within one year	**0.6**	0.6	**–**	–
In the second to fifth years inclusive	**2.5**	2.9	**0.3**	0.3
Later than five years	**19.7**	19.8	**7.8**	7.9
	22.8	23.3	**8.1**	8.2
Less unearned finance income	**(14.7)**	(15.1)	**n/a**	n/a
PRESENT VALUE OF MINIMUM LEASE PAYMENTS RECEIVABLE	**8.1**	8.2	**8.1**	8.2
ANALYSED AS:				
Non-current finance lease receivables	**22.2**	22.7	**8.1**	8.2
Current finance lease receivables	**0.6**	0.6	**–**	–
TOTAL FINANCE LEASE RECEIVABLES	**22.8**	23.3	**8.1**	8.2

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 2012 is 6.7 per cent (2011: 6.7 per cent).

At 31 December 2012, the fair value of the Group's finance lease receivables is £8.1 million (2011: £8.2 million), while the unguaranteed residual values of assets leased under finance leases are estimated at £1.4 million (2011: £1.4 million).

17. AVAILABLE-FOR-SALE INVESTMENTS

	2012 £m	2011 £m
VALUATION AT 1 JANUARY	**18.3**	26.8
Exchange movement	**(0.7)**	–
Additions	**–**	1.6
Fair value movement – other comprehensive income	**–**	1.4
Disposals and return of capital	**(2.1)**	(11.5)
VALUATION AT 31 DECEMBER	**15.5**	18.3

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

18. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2012 £m	2011 £m	**2012 £m**	2011 £m
CURRENT				
Trade receivables	**41.4**	30.9	**–**	–
Other receivables	**63.2**	62.0	**0.5**	18.5
Prepayments and accrued income	**9.4**	15.9	**5.7**	4.5
Fair value of forward foreign exchange and currency swap contracts – non hedge	**0.4**	18.7	**0.4**	29.4
Fair value of forward foreign exchange and currency swap contracts – hedge	**–**	10.7	**–**	–
Amounts due from related parties	**3.8**	2.4	**–**	–
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	**118.2**	140.6	**6.6**	52.4
NON-CURRENT				
Other receivables	**0.3**	0.3	**–**	–
Fair value of interest rate swaps – non hedge	**145.9**	114.5	**145.9**	114.5
TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES	**146.2**	114.8	**145.9**	114.5

Other receivables include tax recoverable of £0.1 million (2011: £0.8 million).

Group trade receivables are net of provisions for doubtful debts of £5.7 million (2011: £5.8 million).

19. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2012 £m	2011 £m	**2012 £m**	2011 £m
DUE WITHIN ONE YEAR				
Trade payables	**7.0**	3.3	**–**	–
Non-trade payables and accrued expenses	**196.2**	214.4	**34.0**	35.9
Fair value of interest rate swaps – non hedge	**1.6**	5.2	**–**	–
Fair value of forward foreign exchange and currency swap contracts – non hedge	**13.5**	0.8	**14.2**	0.9
Fair value of forward foreign exchange and currency swap contracts – hedge	**0.7**	0.1	**–**	–
TOTAL TRADE AND OTHER PAYABLES DUE WITHIN ONE YEAR	**219.0**	223.8	**48.2**	36.8
DUE AFTER ONE YEAR				
Obligations under finance leases	**–**	0.4	**–**	–
Other payables	**1.1**	0.8	**–**	–
Fair value of interest rate swaps – non hedge	**41.0**	28.2	**37.5**	26.1
Loans from subsidiaries	**–**	–	**936.5**	905.9
Amounts due to related parties	**3.5**	–	**–**	–
TOTAL OTHER PAYABLES DUE AFTER ONE YEAR	**45.6**	29.4	**974.0**	932.0

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		PRESENT VALUE OF MINIMUM LEASE PAYMENTS	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Payable between second to fifth years	**–**	0.1	**–**	–
Payable after five years	**–**	2.0	**–**	0.4
	–	2.1	**–**	0.4
Less future finance charges	**–**	(1.7)	**–**	n/a
PRESENT VALUE OF LEASE OBLIGATIONS	**–**	0.4	**–**	0.4

In 2011 there were non-current finance lease liabilities on investment properties with a carrying value of £9.2 million. The investment properties were sold during 2012.

20. NET BORROWINGS

20(i) – Net borrowings by type

	GROUP		COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
SECURED BORROWINGS:				
Euro mortgages (repayable within one year or less)	**1.4**	10.4	**–**	–
Euro mortgages (repayable in more than one year but less than two)	**19.1**	1.5	**–**	–
Euro mortgages (repayable in more than two years but less than five)	**20.5**	40.5	**–**	–
TOTAL SECURED (ON LAND, BUILDINGS AND OTHER ASSETS)	**41.0**	52.4	**–**	–
UNSECURED BORROWINGS:				
BONDS				
5.25% bonds 2015	**106.2**	135.9	**110.9**	143.9
6.25% bonds 2015	**99.8**	149.2	**99.8**	149.2
5.5% bonds 2018	**198.9**	198.7	**198.9**	198.7
6.0% bonds 2019	**170.5**	200.2	**181.9**	215.3
5.625% bonds 2020	**247.9**	247.7	**247.9**	247.7
6.75% bonds 2021	**296.9**	296.6	**296.9**	296.6
7.0% bonds 2022	**149.1**	149.0	**149.1**	149.0
6.75% bonds 2024	**221.7**	221.5	**221.7**	221.5
5.75% bonds 2035	**198.1**	198.1	**198.1**	198.1
	1,689.1	1,796.9	**1,705.2**	1,820.0
Bank loans and overdrafts	**376.8**	475.0	**375.6**	436.2
Preference shares held by subsidiary	**–**	0.3	**–**	–
TOTAL UNSECURED	**2,065.9**	2,272.2	**2,080.8**	2,256.2
TOTAL BORROWINGS	**2,106.9**	2,324.6	**2,080.8**	2,256.2
Cash and cash equivalents	**(16.6)**	(21.2)	**(5.0)**	(0.9)
NET BORROWINGS	**2,090.3**	2,303.4	**2,075.8**	2,255.3

The maturity profile of borrowings is as follows:

	GROUP		COMPANY	
MATURITY PROFILE OF BORROWINGS	2012 £m	2011 £m	2012 £m	2011 £m
In one year or less	**54.8**	27.7	**52.1**	11.8
In more than one year but less than two	**100.2**	43.0	**81.1**	41.5
In more than two years but less than five	**468.7**	741.8	**453.1**	676.0
In more than five years but less than ten	**1,063.3**	943.1	**1,074.7**	958.2
In more than ten years	**419.9**	569.0	**419.8**	568.7
In more than one year	**2,052.1**	2,296.9	**2,028.7**	2,244.4
TOTAL BORROWINGS	**2,106.9**	2,324.6	**2,080.8**	2,256.2
Cash and cash equivalents	**(16.6)**	(21.2)	**(5.0)**	(0.9)
NET BORROWINGS	**2,090.3**	2,303.4	**2,075.8**	2,255.3

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

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 37.

	GROUP		COMPANY	
MATURITY PROFILE OF UNDRAWN BORROWING FACILITIES	2012 £m	2011 £m	2012 £m	2011 £m
In one year or less	**42.6**	9.9	**16.9**	0.8
In more than one year but less than two	**24.4**	29.2	**24.4**	16.7
In more than two years but less than five	**364.9**	395.8	**364.9**	395.8
TOTAL AVAILABLE UNDRAWN BORROWING FACILITIES	**431.9**	434.9	**406.2**	413.3

20. NET BORROWINGS CONTINUED

20(ii) – Net borrowings by interest rates

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

INTEREST RATE PROFILE – GROUP	31 DECEMBER 2012 FIXED RATE %	31 DECEMBER 2012 FIXED PERIOD YEARS	31 DECEMBER 2012 FIXED DEBT £m	31 DECEMBER 2012 VARIABLE DEBT £m	31 DECEMBER 2012 TOTAL £m	31 DECEMBER 2011 FIXED RATE %	31 DECEMBER 2011 FIXED PERIOD YEARS	31 DECEMBER 2011 FIXED DEBT £m	31 DECEMBER 2011 VARIABLE DEBT £m	31 DECEMBER 2011 TOTAL £m
BORROWINGS	WEIGHTED AVERAGE AFTER DERIVATIVE INSTRUMENTS					WEIGHTED AVERAGE AFTER DERIVATIVE INSTRUMENTS				
Sterling	6.86	17.0	491.1	352.9	844.0	6.41	13.8	848.9	183.5	1,032.4
Euros	5.21	2.7	740.0	518.5	1,258.5	4.19	3.4	854.1	435.2	1,289.3
US dollars	–	–	–	4.4	4.4	–	–	–	2.6	2.6
Subsidiary preference shares	–	–	–	–	–	–	–	0.3	–	0.3
TOTAL BORROWINGS	5.87	8.4	1,231.1	875.8	2,106.9	5.29	8.6	1,703.3	621.3	2,324.6
CASH AND CASH EQUIVALENTS										
Sterling				(9.5)	(9.5)				(4.1)	(4.1)
Euros				(6.9)	(6.9)				(16.2)	(16.2)
US dollars				(0.2)	(0.2)				(0.1)	(0.1)
Polish złoty				–	–				(0.8)	(0.8)
TOTAL CASH AND CASH EQUIVALENTS				(16.6)	(16.6)				(21.2)	(21.2)
NET BORROWINGS			1,231.1	859.2	2,090.3			1,703.3	600.1	2,303.4

INTEREST RATE PROFILE – COMPANY	31 DECEMBER 2012 FIXED RATE %	31 DECEMBER 2012 FIXED PERIOD YEARS	31 DECEMBER 2012 FIXED DEBT £m	31 DECEMBER 2012 VARIABLE DEBT £m	31 DECEMBER 2012 TOTAL £m	31 DECEMBER 2011 FIXED RATE %	31 DECEMBER 2011 FIXED PERIOD YEARS	31 DECEMBER 2011 FIXED DEBT £m	31 DECEMBER 2011 VARIABLE DEBT £m	31 DECEMBER 2011 TOTAL £m
BORROWINGS	WEIGHTED AVERAGE AFTER DERIVATIVE INSTRUMENTS					WEIGHTED AVERAGE AFTER DERIVATIVE INSTRUMENTS				
Sterling	6.64	16.6	507.2	352.8	860.0	6.24	13.4	872.1	178.3	1,050.4
Euros	5.13	2.9	634.2	582.2	1,216.4	4.08	3.9	650.0	553.2	1,203.2
US dollars	–	–	–	4.4	4.4	–	–	–	2.6	2.6
TOTAL BORROWINGS	5.80	9.0	1,141.4	939.4	2,080.8	5.32	9.4	1,522.1	734.1	2,256.2
CASH AND CASH EQUIVALENTS										
Sterling				(4.9)	(4.9)				–	–
Euros				(0.1)	(0.1)				(0.1)	(0.1)
Polish złoty				–	–				(0.8)	(0.8)
TOTAL CASH AND CASH EQUIVALENTS				(5.0)	(5.0)				(0.9)	(0.9)
NET BORROWINGS			1,141.4	934.4	2,075.8			1,522.1	733.2	2,255.3

21. FINANCIAL INSTRUMENTS AND FAIR VALUES

CATEGORIES OF FINANCIAL INSTRUMENTS

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

Financial liabilities in the Group comprise interest rate swaps, forward foreign exchange contracts, and cross currency swap contracts which are categorised as fair value through the income statement (non-hedge) and forward foreign exchange contracts and cross currency swap contracts designated as net investment hedges. Financial liabilities also include secured bank loans, unsecured bond issues, bank loans and overdrafts, all of which are categorised as debt and initially recognised at fair value less costs and subsequently at amortised cost; and trade and other payables, provisions and current tax liabilities, which are classified as other financial liabilities.

The carrying values of these financial assets and liabilities approximate their fair value, with the exception of unsecured bond issues and secured bank loans. At 31 December 2012 the fair value of £1,689.1 million of unsecured bonds issued was £1,992.0 million (2011: £1,796.9 million compared with £1,980.0 million fair value) and the fair value of £41.0 million of secured bank loans was £41.1 million (2011: £52.4 million compared with £52.2 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 is determined with reference to the quoted market prices. Unlisted investments, such as those classified as available-for-sale investments, are typically valued by the Fund Manager based on the amount at which the asset would be exchanged between knowledgeable, willing parties in an arm's length transaction. The methodology used to estimate fair value will depend on the nature and facts and circumstances of the investment but use one of the following bases: transaction value, earnings multiple, net assets, price of recent investment and sale price, where appropriate a marketability discount will be applied.
– Financial guarantees are issued by the Company to support bank borrowings of 100 per cent owned subsidiary companies domiciled overseas. The face value of these borrowings is already included in the Group balance sheet. As the borrowing entity will have unencumbered directly owned property assets exceeding the value of the guaranteed borrowings, the probability of the Parent entity having to recognise any loss in respect to these guarantees is considered to be highly unlikely. Hence no fair value liability has been ascribed to these guarantees in the accounts of the Parent entity.

FAIR VALUE MEASUREMENTS RECOGNISED IN THE BALANCE SHEET

The Group and Company financial instruments that are measured subsequent to initial recognition at fair value are available-for-sale investments, forward exchange and currency swap contracts and interest rate swaps as detailed in notes 17, 18 and 19. All of these financial instruments would be classified as Level 2 fair value measurements, as defined by IFRS 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 23 to 25. Debt primarily comprises long-term debt issues and drawings against medium-term committed revolving credit facilities from banks as disclosed in note 20.

The Group is not subject to externally imposed capital requirements.

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 pages 38 to 39.

21. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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

	2012			2011		
	EUROS £m	US DOLLARS £m	TOTAL £m	EUROS £m	US DOLLARS £m	TOTAL £m
GROUP						
Gross currency assets	**1,651.6**	**27.4**	**1,679.0**	1,670.0	26.6	1,696.6
Gross currency liabilities	**(1,387.9)**	**(17.7)**	**(1,405.6)**	(1,418.2)	(12.5)	(1,430.7)
NET EXPOSURE	**263.7**	**9.7**	**273.4**	251.8	14.1	265.9
COMPANY						
Gross currency assets	**1,242.8**	**13.2**	**1,256.0**	1,127.3	9.9	1,137.2
Gross currency liabilities	**(1,268.6)**	**(30.9)**	**(1,299.5)**	(1,333.3)	(22.3)	(1,355.6)
NET EXPOSURE	**(25.8)**	**(17.7)**	**(43.5)**	(206.0)	(12.4)	(218.4)

2012 gross currency liabilities include EUR31.8 million (£25.9 million) and USD28.6 million (£17.7 million) designated as net investment hedges.

2011 gross currency liabilities include EUR247.2 million (£206.0 million) and USD19.3 million (£12.5 million) designated as net investment hedges.

The remaining gross currency liabilities of the Group shown in the table above that are not designated as net investment hedges are either held directly in a euro or US dollar functional currency entity or passed down to such an entity from a sterling functional currency company through inter-company funding arrangements.

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group's main currency exposure is the euro. The blended sensitivity of the net assets of the Group to a 5 per cent change in the value of sterling against the relevant currencies is £13.6 million (2011: £12.7 million), with a sensitivity of £12.6 million against the euro (2011: £12.0 million) and £1.0 million against the US dollar (2011: £0.7 million).

For the Company, the blended sensitivity is £2.0 million (2011: £10.4 million) with a sensitivity of £1.2 million against the euro (2011: £9.8 million) and £0.8 million against the US dollar (2011: £0.6 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	
	2012 %	2011 %	2012 M	2011 M	2012 £m	2011 £m	2012 £m	2011 £m
GROUP								
ECONOMIC CASH FLOW HEDGES								
Sell euros (buy sterling)	**1.25**	1.17	**1,055.3**	782.2	**858.0**	651.8	**(12.9)**	18.7
Buy euros (sell sterling)	**1.22**	1.17	**9.7**	49.1	**7.8**	40.9	**–**	(0.8)
Buy US dollars (sell sterling)	**1.60**	1.56	**21.4**	15.3	**13.2**	9.9	**(0.2)**	–
Buy Polish złoty (sell sterling)	**5 .01**	–	**1.1**	–	**0.2**	–	**–**	–
NET INVESTMENT HEDGES								
Sell euros (buy sterling)	**1.28**	1.15	**31.8**	247.2	**25.9**	206.0	**(0.7)**	10.7
Sell US dollars (buy sterling)	**1.62**	1.56	**28.6**	19.3	**17.7**	12.5	**–**	(0.1)
TOTAL							**(13.8)**	28.5
COMPANY								
ECONOMIC CASH FLOW HEDGES								
Sell euros (buy sterling)	**1.25**	1.16	**1,112.4**	1,029.4	**904.4**	857.9	**(13.6)**	29.4
Buy euros (sell sterling)	**1.23**	1.17	**35.0**	49.1	**28.4**	40.9	**–**	(0.8)
Buy US dollars (sell sterling)	**1.60**	1.56	**21.4**	15.3	**13.2**	9.9	**(0.2)**	–
Sell US dollars (buy sterling)	**1.62**	1.56	**28.6**	19.3	**17.7**	12.5	**–**	(0.1)
TOTAL							**(13.8)**	28.5

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings. The current Group policy states that 50 to 100 per cent of net borrowings should be at fixed rate provided by long-term debt issues attracting a fixed coupon or from floating rate bank borrowings converted into fixed rate or hedged via interest rate swaps, forwards, caps, collars or floors or options on these products. Hedging activities require the approval of the Treasury Committee and are evaluated and reported on regularly to ensure that the policy is being adhered to. The Board reviews the policy on interest rate exposure annually with a view to establishing that it is still relevant in the prevailing and forecast economic environment.

INTEREST RATE SENSITIVITY ANALYSIS

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

If interest rates had been 1 per cent higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2012 would decrease/increase by £6.0 million (2011: decrease/increase by £4.9 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits. Fixed rate debt issues are held at amortised cost and are not re-valued in the balance sheet to reflect interest rate movements.

INTEREST RATE SWAP CONTRACTS

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

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts, based on their contractual maturities, outstanding as at the reporting date:

PAY FIXED, RECEIVE FLOATING CONTRACTS:

	AVERAGE CONTRACT – FIXED INTEREST RATE		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
	2012 %	2011 %	**2012 £m**	2011 £m	**2012 £m**	2011 £m
GROUP						
In one year or less	**2.97**	–	**122.0**	–	**(1.6)**	–
In more than one year but less than two	**3.06**	2.97	**101.6**	125.0	**(4.8)**	(3.4)
In more than two years but less than five	**2.35**	2.45	**593.5**	712.5	**(36.2)**	(30.0)
In more than five years	**–**	–	**–**	–	**–**	–
TOTAL			**817.1**	837.5	**(42.6)**	(33.4)
COMPANY						
In one year or less	**–**	–	**–**	–	**–**	–
In more than one year but less than two	**2.62**	–	**40.7**	–	**(1.3)**	–
In more than two years but less than five	**2.35**	2.37	**593.5**	650.0	**(36.2)**	(26.1)
In more than five years	**–**	–	**–**	–	**–**	–
TOTAL			**634.2**	650.0	**(37.5)**	(26.1)

RECEIVE FIXED, PAY FLOATING CONTRACTS:

GROUP						
In one year or less	**–**	–	**–**	–	**–**	–
In more than one year but less than two	**6.75**	–	**250.0**	–	**48.5**	–
In more than two years but less than five	**5.70**	5.67	**898.0**	239.0	**87.7**	9.4
In more than five years	**6.75**	6.18	**50.0**	709.0	**9.7**	105.1
TOTAL			**1,198.0**	948.0	**145.9**	114.5
COMPANY						
In one year or less	**–**	–	**–**	–	**–**	–
In more than one year but less than two	**6.75**	–	**250.0**	–	**48.5**	–
In more than two years but less than five	**5.70**	5.67	**898.0**	239.0	**87.7**	9.4
In more than five years	**6.75**	6.18	**50.0**	709.0	**9.7**	105.1
TOTAL			**1,198.0**	948.0	**145.9**	114.5

21. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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

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

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 2012 and at 31 December 2011. 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:	2012 £m	2011 £m
0-30 days	**9.0**	7.1
30-60 days	**2.6**	0.3
60-90 days	**2.1**	0.3
90-180 days	**0.4**	0.1
180+ days	**1.0**	1.9
Past due but not impaired	**15.1**	9.7
Not due	**26.3**	21.2
TOTAL TRADE RECEIVABLES	**41.4**	30.9

No other receivables were considered impaired or overdue.

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

LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by having a policy that requires that adequate cash and committed bank facilities remain available to cover and match all debt maturities, development spend, trade related and corporate cash flows forward over a rolling 18-month period. This is achieved by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk management is discussed in more detail in the Liquidity Position and Going Concern sections in the Financial Review on pages 37 to 38.

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.

	2012						2011					
	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		124.8	1.1	3.5	–	129.4		132.9	0.9	0.1	2.0	135.9
Non-interest bearing liabilities		4.7	–	–	23.3	28.0		21.9	–	–	25.2	47.1
Variable rate debt instruments	3.2	62.0	102.6	273.4	–	438.0	3.5	46.3	53.7	474.0	–	574.0
Fixed rate debt instruments	6.1	105.3	109.3	499.7	2,010.7	2,725.0	6.1	112.7	112.7	623.8	2,141.3	2,990.5
DERIVATIVE FINANCIAL INSTRUMENTS:												
Net settled interest rate swaps		16.3	13.2	9.9	–	39.4		5.5	12.6	8.2	–	26.3
Gross settled foreign exchange –												
Forward contracts												
– Inflowing		(840.6)	–	–	–	(840.6)		(53.3)	–	–	–	(53.3)
– Outflowing		857.3	–	–	–	857.3		54.3	–	–	–	54.3
TOTAL		329.8	226.2	786.5	2,034.0	3,376.5		320.3	179.9	1,106.1	2,168.5	3,774.8

	2012						2011					
	WEIGHTED AVERAGE INTEREST RATE %	UNDER 1 YEAR £m	1–2 YEARS £m	2–5 YEARS £m	OVER 5 YEARS £m	TOTAL £m	WEIGHTED AVERAGE INTEREST RATE %	UNDER 1 YEAR £m	1–2 YEARS £m	2–5 YEARS £m	OVER 5 YEARS £m	TOTAL £m
COMPANY												
NON-DERIVATIVE FINANCIAL LIABILITIES:												
Trade and other payables		4.7	936.5	–	–	941.2		4.3	905.9	–	–	910.2
Non-interest bearing liabilities		3.6	–	–	–	3.6		4.9	–	–	–	4.9
Variable rate debt instruments	3.3	59.1	87.0	252.3	–	398.4	3.3	29.3	51.5	413.0	–	493.8
Fixed rate debt instruments	6.1	105.1	105.1	499.7	2,010.7	2,720.6	6.1	111.7	111.7	607.8	2,141.3	2,972.5
DERIVATIVE FINANCIAL INSTRUMENTS:												
Net settled interest rate swaps		13.0	11.7	9.9	–	34.6		3.2	9.6	7.2	–	20.0
Gross settled foreign exchange –												
Forward contracts												
– Inflowing		(840.6)	–	–	–	(840.6)		(53.3)	–	–	–	(53.3)
– Outflowing		857.3	–	–	–	857.3		54.3	–	–	–	54.3
TOTAL		202.2	1,140.3	761.9	2,010.7	4,115.1		154.4	1,078.7	1,028.0	2,141.3	4,402.4

22. RETIREMENT BENEFIT SCHEMES

BACKGROUND

The Group has four defined benefit schemes in the UK, the SEGRO Pension Scheme (the 'SEGRO scheme'), the Bilton Group Pension Scheme (the 'Bilton scheme') and two additional schemes following the acquisition of Brixton Ltd, the Brixton plc Pension Plan (the 'Brixton scheme') and the J Saville Gordon Group plc and Subsidiary Companies Retirement and Death Benefit Scheme (the 'JSG scheme'). The assets of the schemes are held by Trustees separately from the assets of the employer. The Group also has a number of defined contribution schemes for which £1.3 million has been recognised as an expense (2011: £1.2 million).

All four defined benefit schemes are closed to new members. Valuation of the schemes has been based on the most recent actuarial valuations: 31 March 2010 for the SEGRO scheme, 5 April 2010 for the Bilton scheme, 31 December 2011 for the Brixton scheme and 30 June 2010 for the JSG scheme and updated by the independent actuaries in order to assess the liabilities of the schemes at 31 December 2012.

THE MAJOR ASSUMPTIONS USED WERE AS FOLLOWS:	2012 %	2011 %
Discount rate for scheme liabilities	4.5	4.8
Rate of inflation (RPI/CPI)	3.1/2.5	3.1/2.3
Rate of increase to pensions in payment in excess of GMP:		
Before April 2003 (SEGRO/Bilton)	4.3/2.9	4.2/3.0
From April 2003 to October 2005	2.9	3.0
After October 2005	2.0	2.1
Rate of general long-term increase in salaries	4.1	5.1

COMPOSITION OF SCHEME ASSETS	EXPECTED RETURN 2012 %	ANALYSIS OF ASSETS 2012 £m	EXPECTED RETURN 2011 %	ANALYSIS OF ASSETS 2011 £m
Equities	7.5	70.9	7.5	62.5
Gilts	2.7	58.3	2.9	54.7
Bonds	4.1	60.9	4.6	58.7
Other assets	0.9	3.0	3.2	2.9
Overall – SEGRO scheme	4.9	132.0	5.0	120.5
Overall – Bilton scheme	4.4	24.9	4.5	23.6
Overall – Brixton and JSG scheme	5.6	36.2	5.7	34.7

The life expectancies at age 65 are as follows:

	MALE	FEMALE
Current pensioners	23.8	23.9
Future pensioners	24.9	25.2

Both life expectancy estimates use the standard S1PA base tables with a scaling factor of 80 per cent for males and 100 per cent for females. Future improvements to the life expectancy are in line with CMI 2009 projections with an assumed long-term rate of improvement of one per cent p.a.

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:		2012 £m	2011 £m
(CHARGE)/CREDIT TO GROUP INCOME STATEMENT			
Operating profit:	Current service cost	(0.6)	(0.8)
	Past service cost	–	0.9
	Settlement cost	–	(0.6)
Net finance costs:	Interest on pension liabilities	(8.8)	(9.5)
	Expected return on scheme assets	9.1	10.5
NET (CHARGE)/CREDIT TO THE GROUP INCOME STATEMENT		(0.3)	0.5
CHARGE TO GROUP STATEMENT OF COMPREHENSIVE INCOME		(4.9)	(8.4)

All actuarial gains and losses are recognised immediately and relate to continuing operations. The cumulative recognised actuarial losses are £32.1 million (2011: £27.2 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:

	2012 £m	2011 £m
MOVEMENT IN ASSETS		
1 January	**178.8**	169.3
Expected return on scheme assets	**9.0**	10.5
Actuarial gains/(losses)	**9.3**	(0.8)
Employer cash contributions	**5.0**	7.6
Member cash contributions	**0.2**	0.2
Benefits paid	**(9.2)**	(8.0)
31 December	**193.1**	178.8
MOVEMENT IN LIABILITIES		
1 January	**189.6**	184.0
Service cost	**0.6**	0.8
Past service cost	**–**	(0.9)
Interest cost	**8.7**	9.5
Actuarial losses	**14.2**	7.6
Benefits paid	**(9.2)**	(12.2)
Other	**0.2**	0.8
31 December	**204.1**	189.6
ANALYSIS OF NET LIABILITIES:		
Market value of schemes' assets	**193.1**	178.8
Present value of funded schemes' liabilities	**(204.1)**	(189.6)
RETIREMENT BENEFIT OBLIGATION RECOGNISED IN OTHER PROVISIONS IN THE BALANCE SHEET	**(11.0)**	(10.8)

There is also an unrecognised surplus on the Bilton scheme of £2.9 million (2011: £2.5 million) and the JSG scheme of £0.4 million (2011: £nil). The actual return on the scheme assets in the period was a gain of £18.3 million (2011: £9.7 million).

HISTORY OF EXPERIENCE ADJUSTMENTS	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Present value of defined benefit obligations	**(204.1)**	(189.6)	(184.0)	(173.3)	(116.5)
Fair value of schemes' assets	**193.1**	178.8	169.3	157.6	110.2
Deficit in schemes	**(11.0)**	(10.8)	(14.7)	(15.7)	(6.3)
EXPERIENCE ADJUSTMENTS ON SCHEMES' ASSETS					
Amounts	**9.3**	(0.8)	6.1	11.4	(21.4)
Percentage of schemes' assets	**4.8%**	(0.4%)	3.6%	7.2%	(19.4%)
EXPERIENCE ADJUSTMENTS ON SCHEMES' LIABILITIES					
Amounts	**(2.4)**	(0.1)	(2.9)	(1.2)	(0.7)
Percentage of present value of schemes' liabilities	**1.2%**	0.1%	1.6%	0.7%	0.6%
EFFECT OF CHANGES IN ASSUMPTIONS UNDERLYING THE PRESENT VALUE OF THE SCHEMES' LIABILITIES	**(11.8)**	(7.5)	(3.3)	(15.2)	6.3
TOTAL AMOUNT RECOGNISED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME					
Amounts	**(4.9)**	(8.4)	(0.1)	(3.8)	(17.2)
Percentage of present value of schemes' liabilities	**2.4%**	4.4%	0.1%	2.2%	14.8%

The expected employer's contributions to be paid in the year ending 31 December 2013 is £5.5 million (2012: £6.0 million).

23. SHARE CAPITAL AND SHARE-BASED PAYMENTS

SHARE CAPITAL

ISSUED AND FULLY PAID	NUMBER OF SHARES M	PAR VALUE OF SHARES £m
Ordinary shares of 10p each at 1 January 2012	741.7	74.2
Shares issued	0.4	–
ORDINARY SHARES OF 10P EACH AT 31 DECEMBER 2012	**742.1**	**74.2**

SHARE-BASED PAYMENTS

There are seven employee share schemes in the Group: the Deferred Share Bonus Plan (DSBP), the Long Term Incentive Plan (LTIP), the Share Incentive Plan (SIP), the Global Share Incentive plan (GSIP), the Brixton Share Incentive Plan (Brixton SIP), Sharesave and the Executive Share Option Plan (ESOP).

23(i) – DSBP

The DSBP is for senior employees whereby 25 per cent of any payment under the Bonus Scheme is deferred to shares. For 2013, the percentage subject to deferral for Executive Directors will be 50 per cent of any Bonus payment. The scheme is described on page 60.

	2012 NUMBER	2011 NUMBER
AT 1 JANUARY	**270,246**	–
Shares granted DSBP	**317,231**	270,246
Shares expired/lapsed	**(15,018)**	–
AT 31 DECEMBER	**572,459**	270,246

The 2011 DSBP grant was made on 2 April 2012, based on a 30 March 2012 closing share price of 234.8p.

23(ii) – LTIP

The LTIP is a discretionary employee share scheme. Shares are conditionally awarded based on individual performance. Vesting of awards is subject to three- or four-year performance conditions and is at the discretion of the Remuneration Committee. The performance conditions of the LTIP are detailed in the Remuneration Report on pages 57 to 65. UK participants will have an 18-month period from the release date in which to elect to receive their shares, subject to Remuneration Committee approval. If a participant ceases to be employed by the Group, the award will lapse, unless the participant is deemed to be entitled to the award, in which case the award will be pro-rated on length of employment in relation to the award date.

In 2012, the LTIP performance period was extended from three to four years. To avoid the position where there would be no potential vesting in 2015, transitionary arrangements were put in place; a Transitionary LTIP award based on three-year performance conditions was made in addition to the 2012 LTIP award which was based on a four-year performance period. For both awards, the grant size was reduced by 25 per cent. It is anticipated that subsequent awards will vest on four-year performance. The same performance targets will apply to both awards.

	2012 NUMBER	2011 NUMBER
AT 1 JANUARY	**6,801,474**	6,087,828
Shares granted LTIP	**4,558,915**	2,180,342
Shares vested	**(311,381)**	(300,487)
Shares expired/lapsed	**(2,957,460)**	(1,166,209)
AT 31 DECEMBER	**8,091,548**	6,801,474

The 2012 LTIP awards were made on 1 May 2012. The calculation of the award was based on a share price of 221.1p, the closing mid-market share price on 30 April 2012. No consideration was paid for the grant of any award.

The Black-Scholes model has been used to fair value the shares granted currently under award, apart from the 2012 TSR element of the award which uses the Monte Carlo model. The assumptions used are as follows:

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

23(iii) – SIP

The SIP is an HMRC approved all-employee share plan. UK employees, who have been employed by the Group since 1 October of the preceding year, may be awarded shares in relation to the Company's prior year performance and their salary. 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 2012 award was seven 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.

	2012 NUMBER	2011 NUMBER
AT 1 JANUARY	**206,470**	111,012
Shares granted	**184,759**	113,191
Shares forfeited	**(7,733)**	(4,029)
Shares released	**(59,802)**	(13,704)
AT 31 DECEMBER	**323,694**	206,470

As at 31 December 2012, 329,179 shares (2011: 212,792) are held in the SIP trust.

23(iv) – GSIP

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

	2012 NUMBER	2011 NUMBER
AT 1 JANUARY	**100,465**	65,453
Shares granted	**90,397**	63,975
Shares released	**(12,103)**	(22,488)
Shares forfeited	**(7,814)**	(6,475)
AT 31 DECEMBER	**170,945**	100,465

23(v) – Brixton SIP

Prior to acquisition in 2009, Brixton operated a share incentive plan. Brixton shares in the Brixton SIP were converted to SEGRO shares under the scheme of arrangement. As at 31 December 2012, 4,743 shares (2011: 5,673 shares) were held in trust for the Brixton SIP.

23(vi) – Sharesave

The Group operates an HMRC approved all-employee savings related share option plan. For 2012, a three-year period was offered to employees and if they remain in employment, employees can purchase shares in the Company at a price which is fixed at the start of the saving period. The price is usually set at a 20 per cent discount to the market price. If a participant ceases to be employed by the Group, in certain circumstances the participant may be able to exercise their options within a fixed period from the date of leaving. During 2012, the movements in Sharesave options were as follows:

	2012		2011	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
AT 1 JANUARY	**405,930**	**205.6p**	429,900	202.8p
Options granted	**220,577**	**188.2p**	50,825	257.4p
Options exercised	**(211,890)**	**182.0p**	(27,850)	182.0p
Options expired/lapsed	**(98,784)**	**224.3p**	(46,945)	250.6p
AT 31 DECEMBER	**315,833**	**203.4p**	405,930	205.6p

The consideration received by the Company from options exercised during the year was £385,739 (2011: £50,687). The grants made since 7 November 2002 have been fair valued using the Black-Scholes model. The assumptions are as follows:

DATE OF GRANT	NUMBER OF OPTIONS OUTSTANDING	MARKET PRICE	EXERCISE PRICE	RISK-FREE INTEREST RATE	DIVIDEND YIELD	VOLATILITY	EXERCISABLE BETWEEN	FAIR VALUE PER SHARE THREE YEARS	FAIR VALUE PER SHARE FIVE YEARS
4 April 2008	3,257	703.2p	562.6p	4.1%	4.8%	46.5%	2011-2015	234p	252p
19 May 2009	51,587	227.5p	182.0p	0.5%	8.7%	53.0%	2012-2014	61p	59p
29 April 2010	31,998	319.6p	255.7p	1.8%	5.5%	57.0%	2013-2015	112p	118p
28 April 2011	24,955	321.7p	257.4p	1.8%	4.5%	57.0%	2014-2016	119p	128p
30 April 2012	204,036	235.3p	188.2p	1.8%	6.8%	54.0%	2015	67p	N/A
TOTAL	**315,833**								

23. SHARE CAPITAL AND SHARE-BASED PAYMENTS CONTINUED

23(vii) – ESOP

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

	2012		2011	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
AT 1 JANUARY	**114,526**	**664.2p**	164,319	667.8p
Options expired/lapsed	–	–	(49,793)	676.1p
AT 31 DECEMBER	**114,526**	**664.2p**	114,526	664.2p

The options outstanding at 31 December 2012 were exercisable between 419.2p and 689.2p per share. The grants made since 7 November 2002 have been fair valued using the Black-Scholes model. The main assumptions are as follows:

DATE OF GRANT	20-MAR-03	29-APR-05
Option price	419.2p	689.2p
Risk-free interest rate	5.1%	4.8%
Dividend yield	4.8%	4.0%
Volatility	21.3%	21.0%
Exercisable between	2006–2013	2008–2015
Fair value per share	61p	106p
Options exercisable	10,591	103,935

A total of 430,359 (2011: 520,456) options exist at 31 December 2012 in relation to the Sharesave and ESOP scheme, with a weighted average remaining contractual life of 2.4 years (2011: 2.0 years).

24. SHARE PREMIUM ACCOUNT

GROUP AND COMPANY	2012 £m	2011 £m
BALANCE AT 1 JANUARY	**1,069.5**	1,069.5
Shares issued	**0.4**	–
BALANCE AT 31 DECEMBER	**1,069.9**	1,069.5

25. OWN SHARES HELD

	GROUP		COMPANY	
	2012 £m	2011 £m	2012 £m	2011 £m
BALANCE AT 1 JANUARY	**10.2**	13.3	**10.2**	13.3
Shares purchased	**0.7**	–	**0.7**	–
Disposed of on exercise of options	**(3.6)**	(3.1)	**(3.6)**	(3.1)
BALANCE AT 31 DECEMBER	**7.3**	10.2	**7.3**	10.2

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

26. COMMITMENTS

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

GROUP	2012 £m	2011 £m
Properties	**62.9**	50.7

In addition, commitments in the Group's joint ventures at 31 December 2012 (at share) amounted to £nil million (2011: £6.8 million). In 2011 the Group also had a commitment to purchase a joint venture for £50.0 million.

27. CONTINGENT LIABILITIES

The Group has given performance guarantees to third parties amounting to £11.4 million (2011: £14.8 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 £2.4 million (2011: £33.3 million) and has indicated its intention to provide the necessary support required by its subsidiaries.

The Group has provided certain representations and warranties in relation to disposals which are usual for transactions of this nature, including representations and warranties relating to financial, regulatory and tax matters. No provision has been made at 31 December 2012 in relation to the representations and warranties provided.

28. OPERATING LEASES

THE GROUP AS LESSOR

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

	GROUP £m	JOINT VENTURES AT SHARE £m	2012 £m	2011 £m
Not later than one year	**268.2**	**36.8**	**305.0**	313.5
Later than one year but not later than five years	**689.8**	**111.0**	**800.8**	830.9
Later than five years	**618.6**	**195.7**	**814.3**	806.0
BALANCE AT 31 DECEMBER	**1,576.6**	**343.5**	**1,920.1**	1,950.4

THE GROUP AS LESSEE

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

	2012 £m	2011 £m
Not later than one year	**2.2**	2.1
Later than one year but not later than five years	**2.8**	4.8
Later than five years	**–**	0.2
TOTAL	**5.0**	7.1

29. RELATED PARTY TRANSACTIONS

GROUP

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

	2012 £m	2011 £m
New loans during the year	**1.2**	0.7
Loans repaid during the year	**–**	(0.4)
Loans outstanding at the year end	**172.1**	127.0
Dividends received	**18.7**	8.3
Management fee income	**7.4**	5.9

COMPANY

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

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

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel comprise Executive and Non-Executive Directors and any other members of the Executive Committee, as outlined in the Governance Report on pages 46 to 51. Key management personnel compensation is shown in the table below:

	2012 £m	2011 £m
Salaries and short-term benefits	**3.5**	4.4
Termination benefits	**–**	0.6
Post employment benefits	**0.1**	0.2
Share-based payments	**0.6**	0.1
TOTAL REMUNERATION	**4.2**	5.3

29. RELATED PARTY TRANSACTIONS CONTINUED

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 57 to 65.

30. NOTES TO THE CASH FLOW STATEMENTS

30(i) – Reconciliation of cash generated from operations

	GROUP		COMPANY	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Operating (loss)/profit	**(101.0)**	2.4	**(159.1)**	(452.9)
Adjustments for:				
Depreciation of property, plant and equipment	**3.2**	3.5	**1.1**	–
Share of profit from joint ventures after tax	**(2.7)**	(26.6)	**–**	–
Loss/(profit) on sale of investment properties	**28.9**	(5.2)	**–**	–
Gain on sale of investment in joint ventures	**(0.2)**	–	**–**	–
Amounts written off on acquisitions	**0.6**	0.2	**–**	–
Revaluation deficit on investment and owner occupied properties	**284.4**	272.7	**–**	–
Gain on sale of available-for-sale investments	**(2.4)**	(2.4)	**–**	–
Other income reallocated	**–**	–	**(144.2)**	(258.1)
Pensions and other provisions	**(3.1)**	(11.8)	**284.3**	704.0
	207.7	232.8	**(17.9)**	(7.0)
CHANGES IN WORKING CAPITAL:				
Decrease in trading properties	**36.6**	22.9	**–**	–
(Increase)/decrease in debtors and tenant incentives	**(32.5)**	(11.4)	**16.8**	0.1
(Decrease)/increase in creditors	**(6.7)**	(5.3)	**0.2**	–
NET CASH INFLOW/(OUTFLOW) GENERATED FROM OPERATIONS	**205.1**	239.0	**(0.9)**	(6.9)

30(ii) – Deposits

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

30(iii) – Analysis of net debt

	AT 1 JANUARY 2012 £m	EXCHANGE MOVEMENT £m	CASH FLOW £m	NON-CASH ADJUSTMENTS[1] £m	**AT 31 DECEMBER 2012 £m**
GROUP					
Bank loans and loan capital	2,350.7	(16.0)	(202.3)	(2.3)	**2,130.1**
Capitalised finance costs	(31.3)	–	(0.7)	7.6	**(24.4)**
Bank overdrafts	5.2	–	(4.0)	–	**1.2**
TOTAL BORROWINGS	2,324.6	(16.0)	(207.0)	5.3	**2,106.9**
Cash in hand and at bank	(21.2)	0.3	4.3	–	**(16.6)**
NET DEBT	2,303.4	(15.7)	(202.7)	5.3	**2,090.3**
COMPANY					
Bank loans and loan capital	2,264.2	(2.3)	(170.6)	(2.3)	**2,089.0**
Capitalised finance costs	(8.0)	–	(0.7)	0.5	**(8.2)**
TOTAL BORROWINGS	2,256.2	(2.3)	(171.3)	(1.8)	**2,080.8**
Cash in hand and at bank	(0.9)	–	(4.1)	–	**(5.0)**
NET DEBT	2,255.3	(2.3)	(175.4)	(1.8)	**2,075.8**

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

31. GROUP ENTITIES

The principal entities at 31 December 2012 are listed below (all equity holdings unless otherwise stated).

	COUNTRY OF INCORPORATION/OPERATION	SUBSIDIARIES % HOLDING	JOINT VENTURES % HOLDING
PROPERTY			
Airport Property Partnership	England and Wales		50
Allnatt London Properties plc *	England and Wales	100	
Bilton plc *	England and Wales	100	
Brixton Limited *	England and Wales	100	
Brixton Greenford Park Limited	England and Wales	100	
Brixton (Jersey) Limited	England and Wales	100	
Brixton (Metropolitan Park) 1 Limited	England and Wales	100	
Brixton Premier Park Limited	England and Wales	100	
Brixton Properties Limited	England and Wales	100	
Brixton (West Cross) Limited	England and Wales	100	
Logistics Property Partnership	England and Wales		50
Quendis Polska I Sp z.o.o.	Poland	100	
SEGRO Belgium NV	Belgium	100	
SEGRO (Blanc Mesnil) Sárl	France	100	
SEGRO BV (operating in Netherlands, Italy and Central Europe)	Netherlands	100	
SEGRO France SA	France	100	
SEGRO Germany GmbH	Germany	100	
SEGRO Industrial Estates Limited	England and Wales	100	
SEGRO Management NV	Belgium	100	
SEGRO (Marly) SASU	France	100	
SEGRO Properties Limited *	England and Wales	100	
SEGRO (Winnersh) Limited	England and Wales	100	
SEGRO Zwölfte Grundbesitz GmbH	Germany	100	
SEGRO Dreiundzwanzigste Grundbesitz GmbH	Germany	100	
Slough Trading Estate Limited *	England and Wales	100	
The Heathrow Big Box Industrial and Distribution Fund	England and Wales		50
SERVICE			
Followcastle Limited	England and Wales	100	
SEGRO Administration Limited *	England and Wales	100	
SEGRO Finance plc *	England and Wales	100	
OTHER			
SEGRO Holdings France SAS *	France	100	
SEGRO Overseas Holdings Limited *	England and Wales	100	

* Held directly by SEGRO plc, a company incorporated in England and Wales

32. SUBSEQUENT EVENTS

Since the year end the Group has disposed of five investment properties for gross proceeds of £152.3 million (excluding rent top-ups).

FIVE-YEAR FINANCIAL RESULTS

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
GROUP INCOME STATEMENT					
Net rental income	**254.8**	271.2	282.1	269.4	244.9
Administration expenses, excluding exceptional items	**(27.9)**	(32.1)	(39.2)	(40.3)	(40.0)
Share of joint ventures' EPRA profit after tax	**20.2**	16.6	10.8	2.8	0.9
Joint venture management fee income	**7.4**	5.9	1.9	–	–
Net finance cost	**(109.6)**	(123.1)	(128.3)	(127.6)	(116.5)
EPRA PROFIT BEFORE TAX	**144.9**	138.5	127.3	104.3	89.3
Exceptional administration expenses	**–**	–	–	(7.8)	(2.6)
Adjustments to the share of (loss)/profit from joint ventures after tax	**(17.5)**	10.0	31.1	1.8	(8.3)
(Loss)/profit on sale of investment properties	**(28.9)**	5.2	(2.8)	(54.7)	(34.8)
Valuation (deficit)/surplus on investment and owner occupied properties	**(284.4)**	(272.7)	32.4	(271.8)	(975.6)
(Loss)/profit on sale of trading properties	**(1.8)**	5.2	(0.1)	0.6	27.9
Increase in provision for impairment of trading properties	**(24.9)**	(9.1)	(3.6)	(16.1)	(4.0)
Gain/(loss) on sale of investment in joint ventures	**0.2**	–	(0.5)	12.9	–
Other investment income/(loss)	**2.4**	2.4	5.8	(8.0)	1.7
(Amounts written off)/gain arising on acquisitions	**(0.6)**	(0.2)	(13.9)	8.6	–
Net fair value gain/(loss) on interest rate swaps and other derivatives	**22.9**	67.1	21.5	(17.9)	(32.8)
Net loss on early close out of debt	**(14.5)**	–	–	–	–
(LOSS)/PROFIT BEFORE TAX	**(202.2)**	(53.6)	197.2	(248.1)	(939.2)
GROUP BALANCE SHEET					
Investment properties	**3,795.7**	4,316.6	4,498.3	4,825.3	4,311.1
Owner occupied properties	**4.3**	6.5	7.8	8.1	11.1
Trading properties	**193.3**	261.4	289.9	337.8	357.8
TOTAL DIRECTLY OWNED PROPERTIES	**3,993.3**	4,584.5	4,796.0	5,171.2	4,680.0
Plant and equipment	**2.9**	5.8	7.3	7.5	9.1
Investments in joint ventures	**342.6**	298.8	279.8	79.3	67.5
Other assets	**292.0**	283.4	169.8	148.6	190.7
Cash and cash equivalents	**16.6**	21.2	44.6	112.7	165.8
TOTAL ASSETS	**4,647.4**	5,193.7	5,297.5	5,519.3	5,113.1
Borrowings	**(2,106.9)**	(2,324.6)	(2,247.8)	(2,532.8)	(2,661.6)
Deferred tax provision	**(23.3)**	(25.2)	(47.9)	(56.9)	(78.2)
Other liabilities and non-controlling interests	**(280.6)**	(288.4)	(291.5)	(337.1)	(365.8)
TOTAL SHAREHOLDERS' EQUITY	**2,236.6**	2,555.5	2,710.3	2,592.5	2,007.5
TOTAL MOVEMENT IN SHAREHOLDERS' EQUITY					
(Loss)/profit attributable to ordinary shareholders	**(197.3)**	(30.4)	210.3	(233.1)	(938.1)
Other equity movements	**(121.6)**	(124.4)	(92.5)	818.1	(43.4)
	(318.9)	(154.8)	117.8	585.0	(981.5)
DATA PER ORDINARY SHARE (PENCE)					
EARNINGS PER SHARE					
Basic (loss)/earnings per share	**(26.6)**	(4.1)	28.5	(41.3)	(312.2)
EPRA earnings per share	**19.3**	18.4	17.1	18.3	29.1
NET ASSETS PER SHARE BASIC					
Basic net assets per share	**302**	345	366	354	668
EPRA net assets per share	**294**	340	376	368	725
DIVIDEND PER SHARE	**14.8**	14.8	14.3	14.0	13.7

FURTHER INFORMATION

FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

FEBRUARY 2013		
Payment:	6¾ per cent bonds 2024 interest	25 February
Announcement of year end results		27 February
MARCH 2013		
Payment:	7 per cent bonds 2022 interest	14 March
Ex-dividend date for final dividend	Property Income Distribution	20 March
Record date	Property Income Distribution	22 March
Payment:	6 per cent bonds 2019 interest	29 March
APRIL 2013		
Final date for DRIP election	Property Income Distribution	5 April
Payment:	5¼ per cent bonds 2015 interest	22 April
Annual General Meeting		23 April
Payment:	Property Income Distribution	26 April
MAY 2013		
Payment:	6¾ per cent 2021 interest	23 May
JUNE 2013		
Payment:	5½ per cent bonds 2018 interest	20 June
Payment:	5¾ per cent bonds 2035 interest	20 June
JULY 2013		
Announcement of half year results		31 July
AUGUST 2013		
Payment:	6¾ per cent bonds 2024 interest	23 August
SEPTEMBER 2013		
Payment:	7 per cent bonds 2022 interest	14 September
Payment:	6¼ per cent bonds 2015 interest	30 September
Payment:	6 per cent bonds 2019 interest	30 September
OCTOBER 2013		
Payment:	Property Income Distribution &/or Dividend	October
Payment:	5¼ per cent bonds 2015 interest	21 October
NOVEMBER 2013		
Payment:	6¾ per cent bonds 2021 interest	25 November
DECEMBER 2013		
Payment:	5⅝ per cent bonds 2020 interest	9 December

ANALYSIS OF SHAREHOLDERS – 31 DECEMBER 2012

SHAREHOLDER ANALYSIS

RANGE	HOLDERS	% OF HOLDERS	SHARES	% OF SHARES
1 – 1,000	5,971	63.34	1,485,972	0.20
1,001 – 10,000	2,620	27.79	8,095,494	1.09
10,001 – 100,000	509	5.40	17,217,769	2.32
100,001 – 1,000,000	239	2.54	89,924,245	12.12
1,000,001+	88	0.93	625,341,430	84.27
TOTALS	**9,427**	**100.00**	**742,064,910**	**100.00**

CATEGORY ANALYSIS

CATEGORY	HOLDERS	% OF HOLDERS	SHARES	% OF SHARES
Individual (certificated)	6,940	73.61	10,723,292	1.45
Individual (uncertificated)	223	2.38	1,136,282	0.15
Nominee and Institutional Investors	2,264	24.01	730,250,336	98.40
TOTALS	**9,427**	**100.00**	**742,064,910**	**100.00**

SHAREHOLDER INFORMATION

USEFUL HISTORICAL INFORMATION

Share history of the Company

- On 20 August 2007, the ordinary share capital was consolidated on the basis of 12 new ordinary shares of 27 1/12 pence for every 13 ordinary shares of 25 pence held on the 17 August 2007. A special dividend of 53 pence per share was paid in connection with the consolidation on 31 August 2007.
- On 4 March 2009, a rights issue was announced on the basis of 12 new ordinary shares for every existing share held on 17 March 2009 at a subscription price of 10 pence per share. Each 27 1/12 pence ordinary share in issue was sub-divided and re-classified into one ordinary share of one pence each and one deferred share of 26 1/12 pence each. The deferred shares were created for technical reasons in order to maintain the aggregate nominal value of the Company's share capital upon sub-division of its ordinary shares. The very limited rights attached to the deferred shares rendered them effectively valueless and they were cancelled on 8 May 2009.
- In relation to the acquisition of Brixton, on 24 August 2009, SEGRO plc undertook a share consolidation, open offer and private placing. On 31 July 2009, every 10 ordinary shares of one pence each were consolidated into one ordinary share of ten pence each and, 0.10484 open offer shares of ten pence each were offered to every shareholder of SEGRO plc who, on 13 July 2009, held ten ordinary shares of one pence each. The acquisition of Brixton was conducted by a scheme of arrangement. Brixton shareholders were offered 0.175 consideration shares of ten pence each in SEGRO plc for each Brixton share held.

SHAREHOLDER ENQUIRIES

If you have any questions about your shareholding or if you require further guidance (e.g. to notify a change of address) please contact Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, telephone +44 (0)871 384 2186. Alternatively, you can check your shareholding and access dividend information by registering at www.shareview.co.uk, or you can securely send queries via the website by visiting https://help.shareview.co.uk.

ELECTRONIC COMMUNICATIONS

Shareholders now have the opportunity to elect to receive shareholder communications electronically, e.g. Annual Reports, Interim Reports, Notice of the Annual General Meeting and Proxy Forms. You can elect to receive email notifications of shareholder communications by registering at www.shareview.co.uk where you can also set up a bank mandate to receive dividends directly to your bank account and to submit proxy votes for shareholder meetings. Receiving the Company's communications electronically allows the Company to communicate with its shareholders in a more environmentally friendly, cost effective and timely manner.

AGM

The 2013 AGM will be held at 11.00am on 23 April 2013 at RSA House, 8 John Adam Street, London WC2N 6EZ.

SHAREGIFT

ShareGift is a charity (registered under the name The Orr Mackintosh Foundation, registered charity number 1052686) which specialises in accepting donations of small numbers of shares which are uneconomic to sell on their own. Shares which have been donated to ShareGift are aggregated and sold when practicable, with the proceeds passed onto a wide range of UK charities. ShareGift can also help with larger donations of shares. Further details about ShareGift can be obtained from their website at www.sharegift.org or by writing to ShareGift at 17 Carlton House Terrace, London, SW1Y 5AH, telephone: +44 (0)207 930 3737.

DIVIDENDS

A requirement of the REIT regime is that a REIT must distribute to shareholders by way of dividend at least 90 per cent of its profits from 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.

DIVIDEND REINVESTMENT PLAN

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

WITHHOLDING TAX

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

UK shareholders who fall into one of the classes of shareholder able to claim an exemption from withholding tax may be able to receive a gross PID payment if they have submitted a valid relevant Exemption Declaration form, either as a beneficial owner of the shares, or as an intermediary if the shares are not registered in the name of the beneficial owner, to Equiniti. (The Exemption Declaration form is available at www.segro.com under Investors/Shareholder Information/REIT). A valid declaration form, once submitted, will continue to apply to future payments of PIDs until rescinded, and so it is a shareholder's responsibility to notify SEGRO if their circumstances change and they are no longer able to claim an exemption from withholding tax.

Shareholders resident outside the UK may be able to claim a partial refund (either as an individual or as a company) from HMRC subject to the terms of a double tax treaty, if any, between the UK and the country in which the shareholder is resident.

GLOSSARY OF TERMS

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

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

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

ESTIMATED COST TO COMPLETION
Costs still to be expended on a development or redevelopment to practical completion (not to complete lettings), including attributable interest.

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

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

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

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

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

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

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

NET EQUIVALENT YIELD
The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time.

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

NET RENTAL INCOME
Gross Rental Income less ground rents paid, net service charge expenses and property operating expenses.

NET TRUE EQUIVALENT YIELD
Net Equivalent Yield assuming rent is received quarterly in advance.

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

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

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

RENT ROLL
See Passing Rent.

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

SQUARE METRES (sq m)
The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is 1 square metre = 10.7639 square feet.

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

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

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

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

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

NOTES

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

Designed and produced by saslondon.com

FSC
www.fsc.org
MIX
Paper from responsible sources
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GO ONLINE

To keep up to date with SEGRO, you can source facts and figures about the Group through the various sections on our website and sign up for email alerts for fast communication of breaking news.

Financial reports, shareholder information and property analysis are frequently updated and our current share price is always displayed on the Home Page.

As well as featuring detailed information about available property throughout the portfolio, www.segro.com now also includes a dedicated property search function making it easy for potential customers, or their agents, to find business space that fits their requirement exactly. SEGRO's performance in areas such as sustainability and customer care are also featured on the site. www.segro.com

OTHER PUBLICATIONS

Additional disclosures on our property portfolio can be found in the 2012 Property Analysis Booklet. Simply visit www.segro.com for this document and further information on Sustainability.

FORWARD LOOKING STATEMENTS

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

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