SEGRO
WHERE BUSINESS WORKS

2015
Annual Report & Accounts

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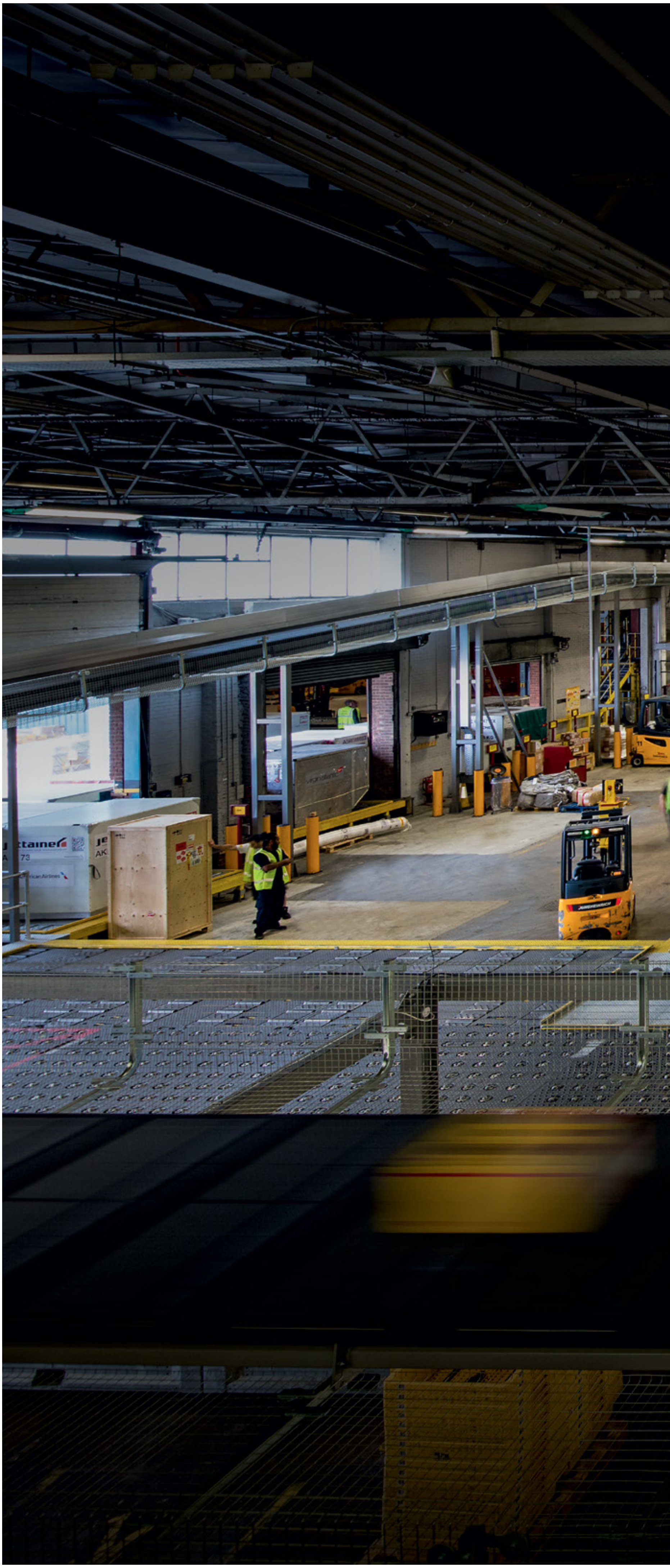
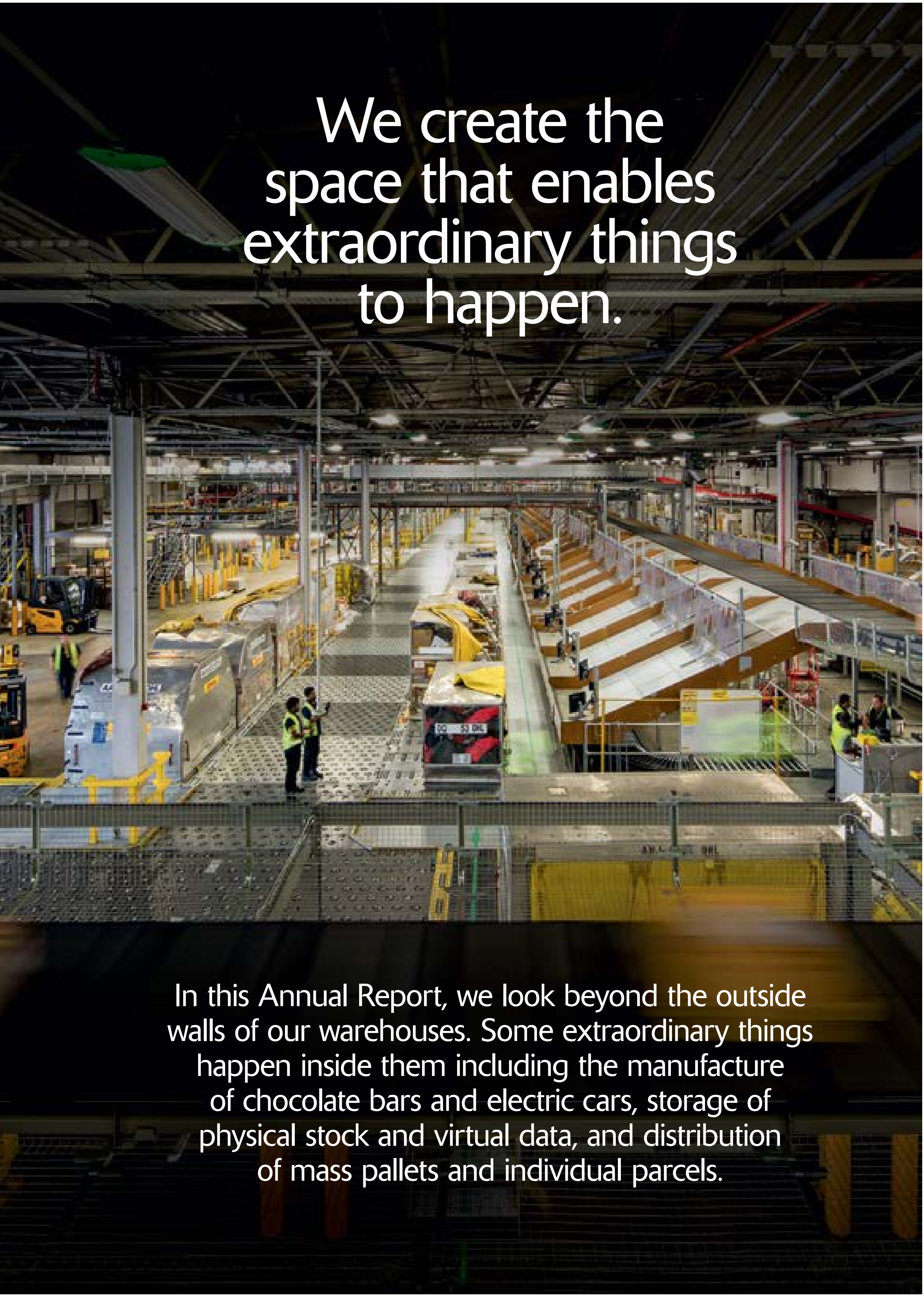
The Directors present the Annual Report for the year ended 31 December 2015 which includes the strategic review, governance report and audited financial statements for the year. References to 'SEGRO', the 'Group', the 'Company', 'we' or 'our' are to SEGRO plc and/or its subsidiaries, or any of them as the context may require. Pages 3 to 70 inclusive, comprise the Strategic Report, pages 110 to 112 inclusive comprise the Directors' Report and pages 94 to 104 inclusive comprise the Directors' Remuneration Report, each of which have been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with these sections shall be subject to the limitations and restrictions provided by such law.

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





We create the space that enables extraordinary things to happen.

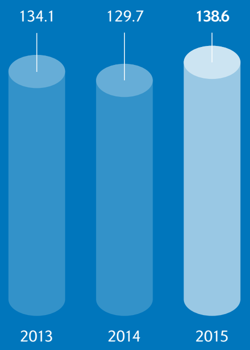
In this Annual Report, we look beyond the outside walls of our warehouses. Some extraordinary things happen inside them including the manufacture of chocolate bars and electric cars, storage of physical stock and virtual data, and distribution of mass pallets and individual parcels.

Financial Record

Summary financial key performance indicators

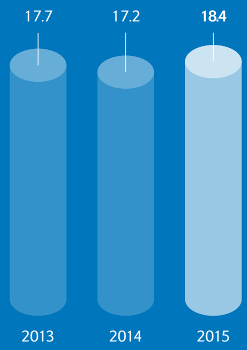
Adjusted profit before tax
(£ million)

£138.6M



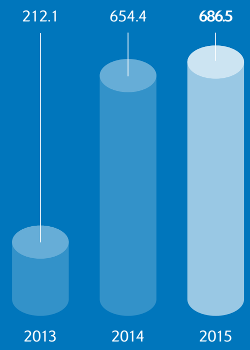
Adjusted EPS
(pence)

18.4P



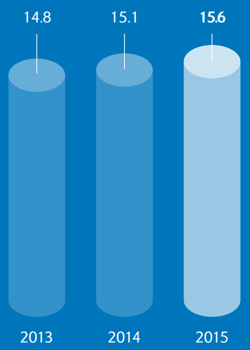
Profit before tax
(£ million)

£686.5M



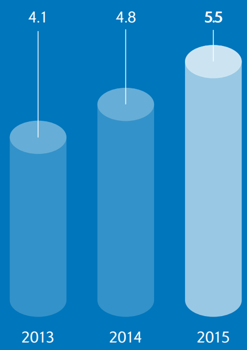
Total dividend per share
(pence)

15.6P



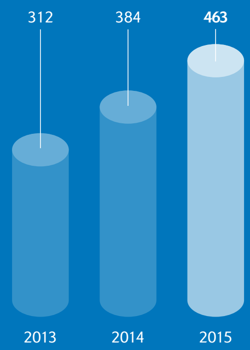
Portfolio value*
(£ billion)

£5.5BN



EPRA net asset value per share
(pence)

463P



* Adjusted for disposal of the Bath Road office portfolio, see page 21

For details on EPRA metrics, see page 170

Chairman's Statement

Strong performance across the business

We have delivered another year of strong operating and portfolio performance. Our focused business model, combined with investment in our portfolio and our people, have positioned SEGRO to take advantage of growth opportunities in the future.

The investment market for industrial and logistics assets continued to strengthen during 2015 which was the main driver of the 11.1 per cent increase in the value of our portfolio during the year.

This favourable market environment provided an opportunity to dispose of further assets no longer core to our strategy, including a portfolio of offices on the Bath Road in Slough which was sold in January 2016 and was the final significant office asset in our ownership.

As asset prices have increased, fewer acquisition opportunities were identified which met our return requirements. However, we have still managed to achieve a number of off-market purchases at attractive prices, adding to our big box logistics warehouse portfolio. A greater part of our investment activity has been focused on our development programme and in generating new development opportunities for the future through the replenishment of our land bank.

We broadened our footprint during the year, through the acquisition of leading Italian logistics developer, Vailog, which will enable us to build a scale position in Northern Italy, one of our target markets, over the next few years.

Operationally, it has been a strong year too. We delivered like-for-like rental growth of 4.2 per cent and the portfolio occupancy improved further with a vacancy rate of 4.8 per cent. We have maintained our focus on keeping costs under control, reducing net interest and operating costs. The combination of these, along with a strong contribution from developments, translated into adjusted earnings growth of 7.0 per cent to 18.4 pence per share.

The SEGRO European Logistics Partnership joint venture (SELP) was an important element of the repositioning strategy and now contains over €2 billion of big box logistics assets, from €1 billion at inception two years ago. We have also increased our exposure to UK big box logistics warehouses through both development and innovative asset swaps. The combination of pan-European big box and urban light industrial warehouses in a single company make SEGRO a unique proposition in the listed market.

Looking ahead, there are few expectations of significant interest rate increases in either the UK or in the Eurozone, meaning that yields on quality warehouse assets should continue to appear attractive to investors, although we expect the pace of yield compression, and therefore capital growth, to slow. The structural drivers of occupier demand for modern, well-located warehouse space also remain favourable: the growth of e-commerce and convenience retailing continues to encourage retailers to restructure and modernise their supply chains, while a gradually improving economic environment in all our major markets should support growth across the many sectors in which our customers operate.

The Board is grateful to all our employees for their hard work in delivering these results and for the continued support of the Group's customers, shareholders and other stakeholders.

Dividend

The Board has assessed the results for 2015 and the outlook for earnings. It has concluded that it is appropriate to recommend an increase in the final dividend per share of 0.4 pence to 10.6 pence (2014: 10.2 pence) which will be paid as a Property Income Distribution. The Board has decided to retain a scrip dividend option, allowing shareholders to choose whether to receive the dividend in cash or new shares. The total dividend for the year will, therefore, be 15.6 pence, a rise of 3.3 per cent on 2014 (15.1 pence). There are more details on page 30 and 110 of this Report.

Ian Coull

In January 2016, Ian Coull, who was Chief Executive of SEGRO from 2003 to 2011, died after a short illness. Ian was a larger than life character, respected throughout the property industry. He started the process of repositioning SEGRO's business to focus on its core activities, and guided the Company through the financial crisis in 2008. Under his leadership, the sale of the US business and the acquisition of Brixton were two transactions which helped to transform the Company. He will be greatly missed by all who knew him.

Board Changes

After almost ten years at SEGRO, I informed the Board in July that I wished to retire at this year's AGM.

I am delighted that Gerald Corbett will join the Board in March and will succeed me as Chairman immediately after the AGM. Gerald has had a successful career in a variety of different industries, the breadth of which will both complement and add to the wealth of experience and expertise on the Board.

The SEGRO I leave is a stronger, more strategically focused company than the Slough Estates Group I joined in 2006, which is a testament to the dedication and efforts of its employees and the management team led by David Sleath. I wish them, and our shareholders and other stakeholders, well for the future.

Nigel Rich CBE
Chairman

At a Glance

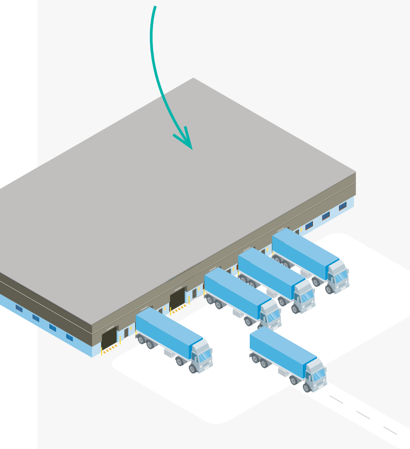
Key elements of our story

1

We own modern assets capable of servicing a wide variety of customers

SEGRO owns European industrial and warehouse properties. Our modern, well-located properties are capable of servicing an extraordinary variety of activities.

Our warehouses vary in size from over 90,000 sq m to less than 2,000 sq m



Read more on page 10

2

We operate in carefully chosen locations across Europe

Our portfolio is concentrated in areas expected to benefit from strong customer demand with a limited supply of competing product.

Big boxes in major transport hubs

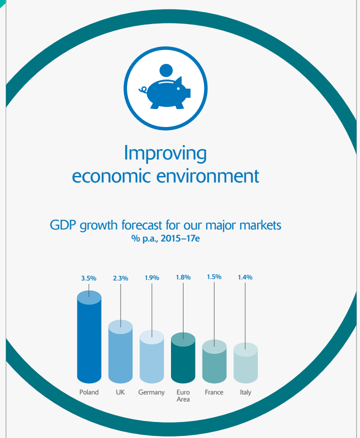
Smaller warehouses on the edge of towns and cities

Read more on page 12

3

We monitor the major market drivers to inform our decisions

The performance of real estate is driven by the interplay of demand and supply on the part of occupiers and investors. We monitor and respond to changing drivers of occupier demand (economic environment, e-commerce) and investor demand (reflected in property yields) and supply (vacancy rates, development levels).



Read more on page 6

4

We have a simple business model and a focused strategy

We invest in high-quality real estate, actively manage our portfolio and, if appropriate, sell assets to crystallise attractive returns.

Our strategy is based on Disciplined Capital Allocation and Operational Excellence, underpinned by an efficient capital structure.

Our goal is to be the leading European owner of industrial and warehouse assets and a leading income-focused REIT

Read more on page 19

5

Strong governance is essential to support delivery of our strategy

Good governance is essential to support the delivery of our strategic priorities. The Board is the custodian of the business and seeks to secure the long-term future of the Company.

We benefit from an experienced Board

Read more on page 71

6

Managing risk is central to our success

Our risk management approach is critical to ensure that we understand the risks we take in our decisions and that we consider possible outcomes both at a project or asset level and at a corporate level.

Read more on page 62

7

We work responsibly across our portfolio and in our business

Our customers, employees, suppliers and shareholders are vital to SEGRO's long-term success. We seek to ensure that our interaction with all of our stakeholders is professional and fair. In return, we expect them to uphold our own rigorous standards.

We strive to ensure that our existing and new buildings comply with the highest possible environmental standards.

Read more on page 44

8

We measure our performance against our target KPIs

Our objective is to deliver attractive returns to our shareholders through the execution of our strategy.

There are a number of Key Performance Indicators on which we report, and against which management and employees are remunerated, to track our progress.

- 20.1% Total shareholder return
- 18.4P Adjusted EPS
- 463P EPRA net asset value per share
- 4.8% Vacancy rate
- 18.4% Total property return
- 38% Loan to value ratio

Read more on page 16

Market Overview

Our key market drivers

The performance of real estate, like all asset classes, is driven by the interplay of demand and supply: investor demand for property assets and occupier demand for space, with performance dependent on the supply of properties to buy or lease to satisfy that demand.

Real estate as an investment asset

If investor demand increases, in the absence of additional supply, the value of real estate will rise; if demand wanes or supply increases, the value will fall. Real estate pricing is commonly expressed as a yield which is the rent payable for a building as a percentage of its value. Assuming rents remain static, as the value of real estate rises, its yield falls (often referred to as 'yield compression') and vice versa.

Real estate as an operating necessity

As occupier demand increases, in the absence of additional supply, overall lease terms will become more expensive for the occupier, including (but not exclusively) an increase in rents. If demand for space falls, or supply increases, overall lease terms, including rent, will become cheaper.

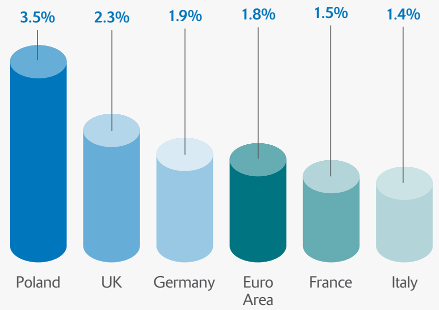
It is for this reason that the property market is considered cyclical: as investor or occupier demand increases, the returns from real estate improve and the supply of assets or space tends to increase to meet that demand. If supply increases too much, or demand starts to fall, supply can exceed demand and asset values and rents will fall until such time as demand matches or exceeds supply, at which point the cycle turns.

We are acutely aware of the cyclical nature of real estate and believe there are six key market factors which influence the performance of our portfolio.

Improving economic environment

GDP growth forecast for our major markets

% p.a., 2015–17e



Source: OECD (13 February 2016)

Commentary:

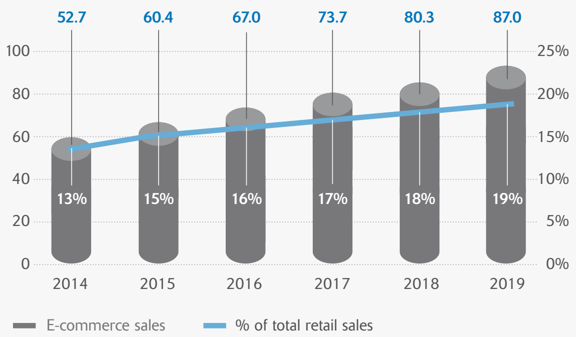
Economic growth is an important driver of demand for space by occupiers. We are optimistic about the prospects for our geographies and markets, with economists expecting moderate and sustainable levels of economic growth, albeit stronger in the UK than in Continental Europe.

Implications for SEGRO:

- Continuing low vacancy rates
- Meaningful rental growth in our UK urban distribution, light industrial and big box logistics warehouse portfolios
- Healthy occupier demand for newly developed space, both pre-let and speculatively built

Structural changes in consumer behaviour

Rapid growth of online retail sales continues
Volume of UK online sales (£bn) and as % of UK retail sales



Source: eMarketer, September 2015

Commentary:

Structural changes in the nature of retailing towards e-commerce and convenience shopping, combined with increasing urbanisation of European populations, are forcing retailers to re-assess how they sell and distribute their goods.

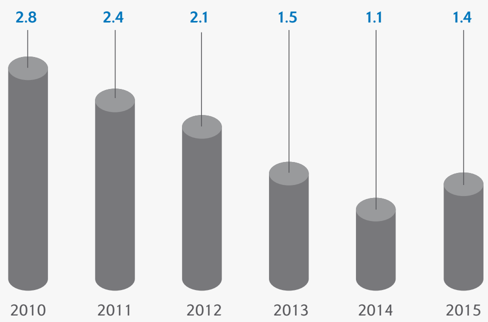
Supply chains must be able to handle both bulk delivery of goods to larger stores and individual deliveries to homes, offices, click-and-collect locations and high street convenience stores. Margin pressure means that retailers, third party logistics providers and parcel delivery companies need modern premises in key transport corridors, logistics hubs or locations close to major conurbations.

Implications for SEGRO:

- Strong occupier demand for our light industrial and urban distribution warehouses located on the edge of major European cities
- 21 per cent of new rent in 2015 was from parcel delivery and third party logistics companies
- See also factors under 'Improving Economic Environment'

Limited availability of modern, well-located warehouse buildings

UK Grade A warehousing in short supply
Availability at year end, sq m in millions



Source: JLL

Commentary:

The relatively short construction time for warehousing means that rising demand can sometimes be quickly met by an increase in supply. However, developers are currently taking a disciplined approach and, in the UK, tightening planning laws are restricting the supply of land. Therefore, although warehouse development is increasing, it is not exceeding (or still falling short of) occupier demand and many buildings under construction are already committed (pre-let) to occupiers. Consequently there are no signs of over-supply in any of our major markets.

Implications for SEGRO:

- Rental values for our UK portfolio are rising, reflecting the supply shortage and healthy occupier demand
- In Continental Europe, supply and demand are roughly in balance, although competition for build-to-suit contracts between developers means that, in Central Europe, market rents fell during the year, although there are no signs of over-supply

Market Overview

Our key market drivers continued…

Reduction in industrial land around major towns and cities

Commentary:

Land zoned for industrial use in and around major conurbations is important to cater for occupiers who need to be close to population centres either for efficient last mile delivery or for an accessible labour source. However, the stock of industrial land is being eroded in our major urban markets by other, higher value uses, most commonly residential. Where land is in short supply, the potential supply response is restricted and, while demand remains strong, overall lease terms, including rental values, are rising.

Implications for SEGRO:

- We have utilised around one-third of our land bank in development activity over the past year, particularly in and around London, creating modern warehouse space to cater for strengthening occupier demand
- In the UK, rental values for our edge-of-town portfolios increased by 5 per cent. Rental values are stable in our edge-of-town portfolios in Continental Europe but are expected to rise over time as the land shortages seen in London are replicated in other major cities

Need for efficient, sustainable buildings

Commentary:

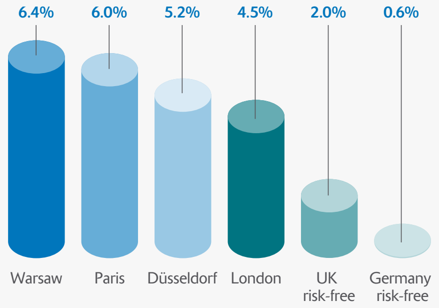
With greater awareness of our impact on the environment, it is important that landlords and developers own and create buildings which are sustainable in the long term and use natural resources efficiently. Likewise, occupiers demand high levels of environmental sustainability to minimise their environmental footprint and to reduce overall occupancy costs, particularly from heating and other utilities.

Implications for SEGRO:

- All of our developments are built to high environmental standards
- A building's sustainability is an important factor in our investment decisions, not only for potential acquisitions but also in deciding whether to refurbish or dispose of existing properties which fall short of environmental standards

Attractive yield profile in a low interest rate environment

Prime yields in all our markets are comfortably above risk-free rates



Source: CBRE, Bloomberg (at 31 December 2015)

Commentary:

Very loose monetary policy across Europe – and globally – means that we are operating in a very low interest rate environment: UK gilts at 31 December 2015 yielded 2.0 per cent and German bunds yielded 0.6 per cent. Prime industrial real estate yields in the UK and Continental Europe are 2.5 and 4.6 percentage points higher than their respective risk-free benchmarks, making industrial real estate attractive on a relative basis. The spread between yield and risk-free rate is also higher than the long-term historical average, meaning that industrial property yields should be well placed to withstand initial rises in interest rates.

Implications for SEGRO:

- Our portfolio increased in value by 11.1 per cent in 2015, mainly due to the average yield compressing by 0.7 percentage points
- Greater competition for standing assets from investors has increased their prices meaning that the returns available to us from developing our own assets are often higher than from acquiring existing assets

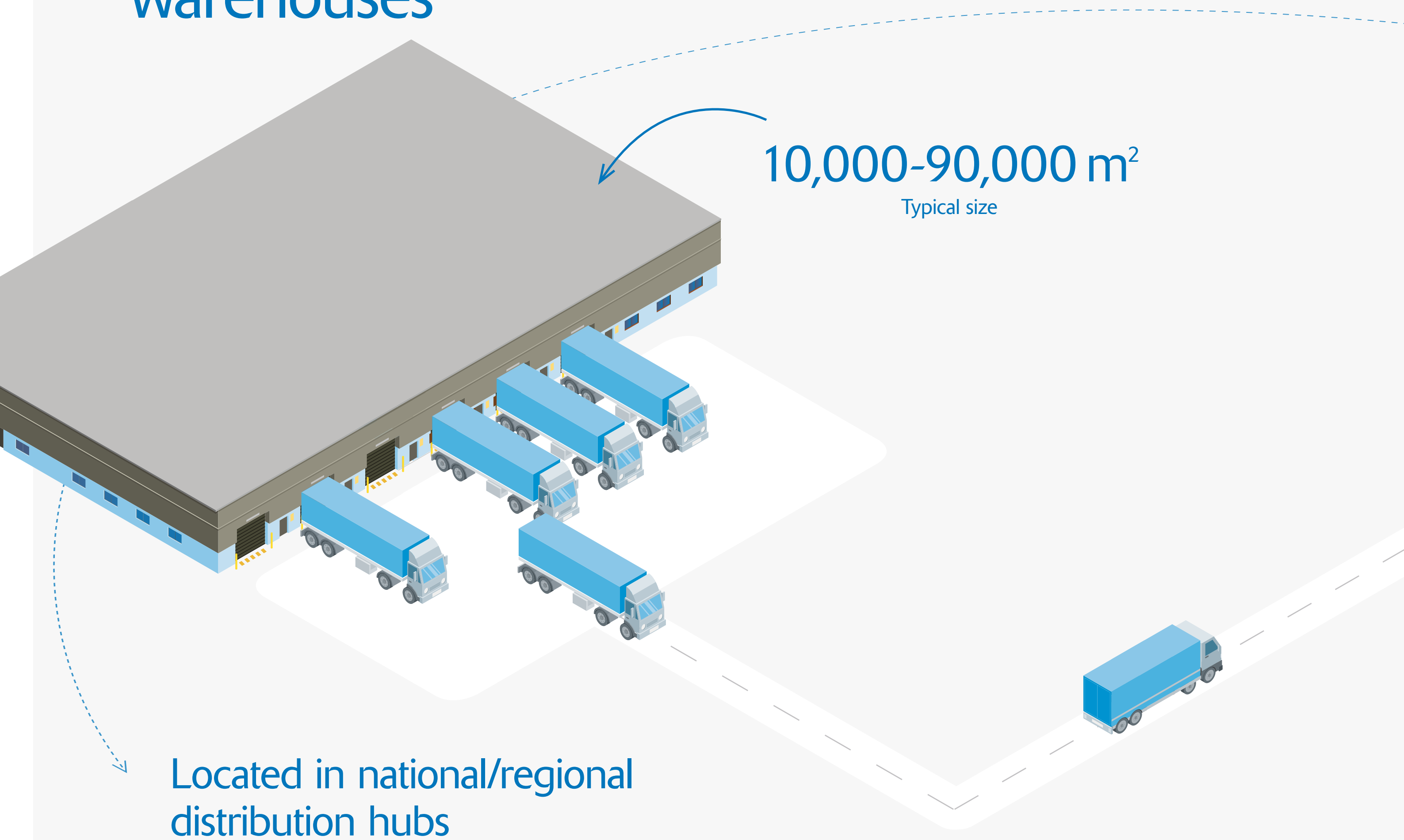
How are we responding?

1. **Asset recycling**, taking advantage of strong investor demand to improve our portfolio quality: selling assets no longer core to our strategy and investing the proceeds in our development programme and selective asset acquisitions.
2. **Accelerated development programme** to take advantage of growing occupier demand and limited supply of modern, sustainable logistics and light industrial buildings, particularly in urban locations.
3. **Actively replenishing our land bank** to extend our development pipeline, particularly around cities in our major markets. We purchased 67 hectares of land suitable for urban warehousing in London, Paris, Cologne and Munich in 2015.
4. **Active asset management**: maximising customer retention, portfolio occupancy, rental growth and asset sustainability through strong customer service and asset maintenance and refurbishment.

Market Overview

We own assets capable of servicing a wide variety of activities

1. Big box logistics warehouses



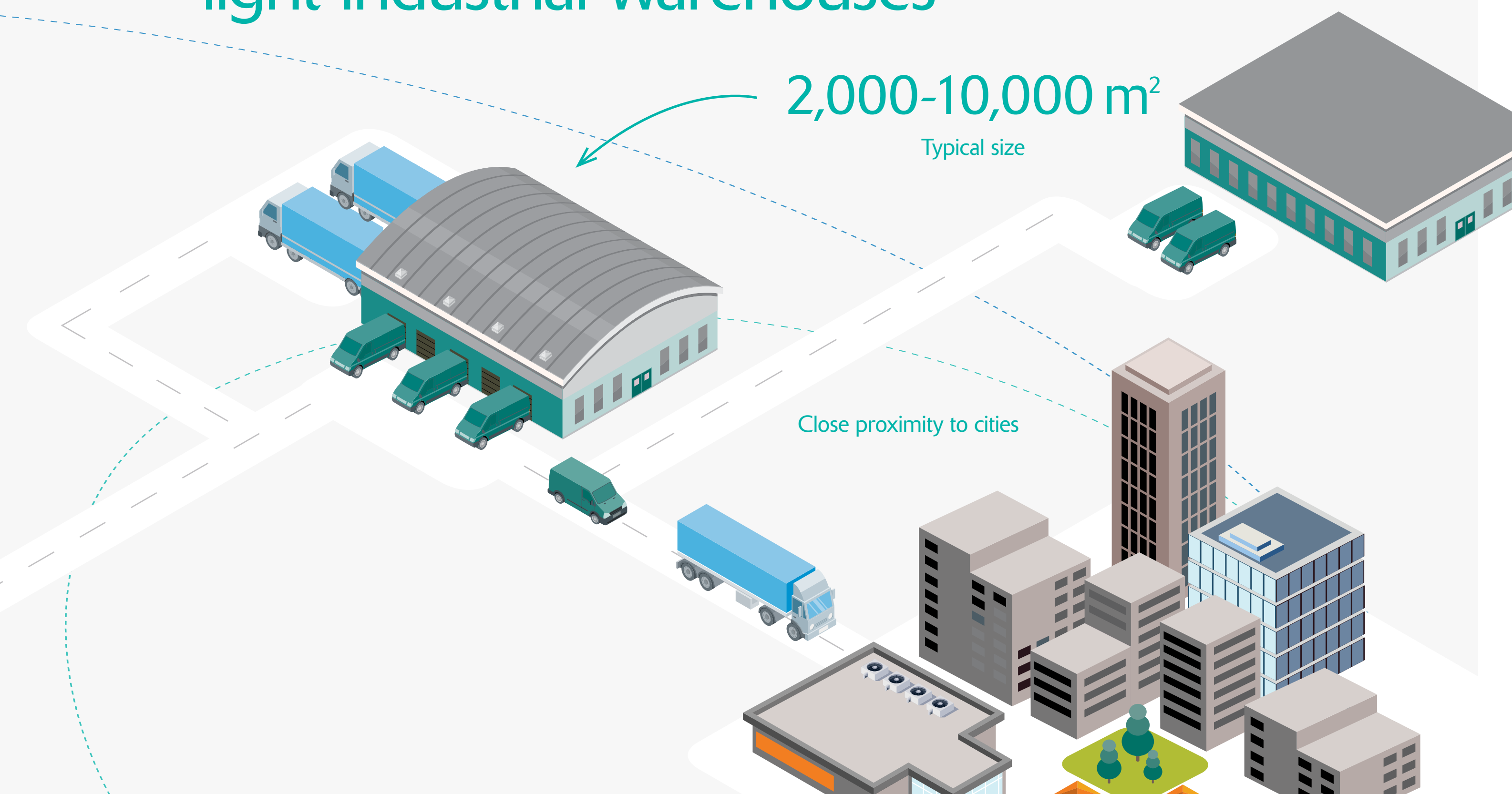
Located in national/regional distribution hubs

Demand for large warehouses for inventory storage and regional, national and international distribution is growing, particularly amongst retailers. The cost of servicing both a store network and delivery of items direct to homes and offices has forced companies to restructure their supply chains to extract all available cost efficiencies. A key element is being able to operate out of modern, flexible warehouses with easy access to transport networks, whether road, rail, sea or air, and a labour supply.

Examples of users of our space:

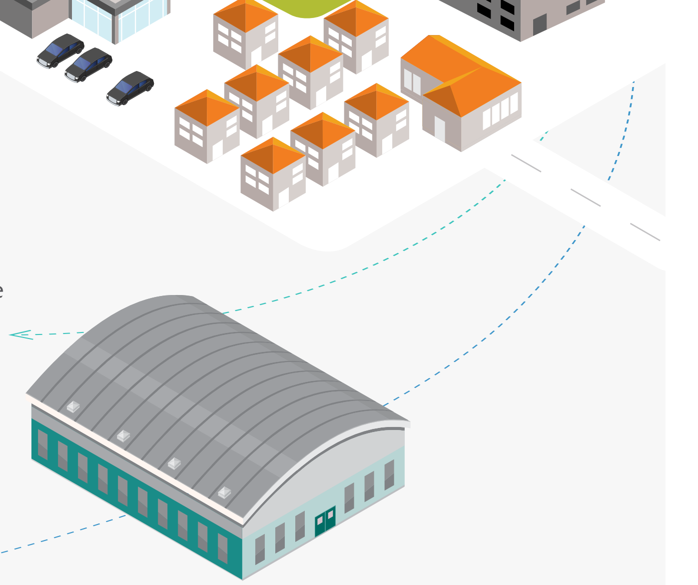
- Retailers
- Third party logistics companies
- Manufacturers
- Distributors

2. Urban distribution and light industrial warehouses



Located on the edge of cities

Proximity to major urban areas is of critical importance to many occupiers: retailers and parcel delivery companies must distribute goods efficiently to both store networks and homes and offices; businesses need premises which are easily accessible for both their customers and their employees; data centre operators need to be located close to users of the data (particularly financial services) to ensure the fastest possible data transfer speeds; and air cargo companies must be located close to major airports. Our urban distribution and light industrial warehouses located on the edge of major cities in Europe cater for all of these requirements.



Examples of users of our space:

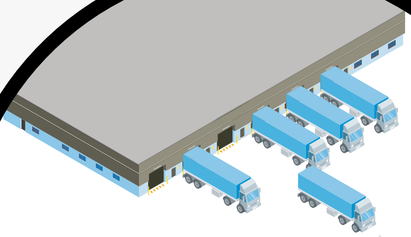
- Retailers and supermarkets
- Parcel delivery and third party logistics companies
- Food preparation companies
- Data centre operators
- Air cargo handling companies
- Wholesalers

Business Review

Our chosen markets benefit from structurally good occupier demand-supply dynamics

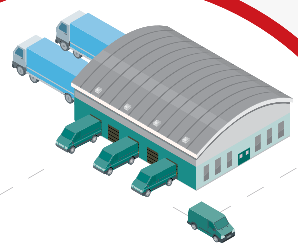
Our products:

Our portfolio is concentrated in areas expected to benefit from strong occupier demand with a limited supply of competing product. Our development land and buildings are located on the edge of major urban conurbations and around key transport hubs in ten European countries.



Big box logistics warehouses

Our warehouse assets of over 10,000 sq m are designed to appeal to a wide range of occupiers for manufacturing, storage and logistics uses. These mainly include national and regional distribution warehouses close to motorway networks and other transport hubs.



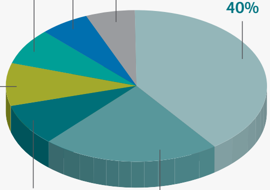
Urban distribution and light industrial warehouses

We own and develop smaller, urban distribution and light industrial warehouses (including parcel distribution facilities) on the edge of major population centres, designed to appeal to a wide range of occupiers.

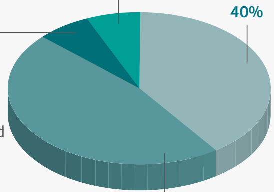
Main locations:

Our portfolio*:

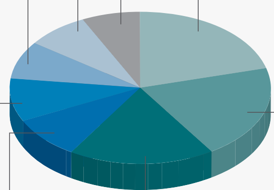
Geographical split by value
(SEGRO share)



Asset type by value
(SEGRO share)



Customer type by rent
(SEGRO share)



Top 20 customers*:

The top 20 customers represent 28 per cent of total headline rent (including JVs at share) at 31 December 2015.

CUSTOMER
Deutsche Post DHL
Royal Mail
Sainsbury's
Booker Belmont
Worldwide Flight Services
Mars Chocolate
DSV
Tesco
Federal Express
La Poste (Geopost/DPD)
Wincanton
IAG (British Airways)
Primark
Staples
Virtus Slough
Leroy Merlin
Geodis
Barclays Bank
Equinix
London City Bond

* Excludes occupiers and properties in the Bath Road office portfolio disposed in January 2016 (see page 21).

Business Model

A simple business model to deliver attractive returns

We own, develop and manage warehouse and industrial properties in selected markets in the UK and Continental Europe.

We aim to generate attractive financial and social returns for our shareholders and wider stakeholders by investing in high-quality, sustainable buildings in prime locations.

What we need
(inputs)

Land
We aim to have sufficient land in the right locations to fuel our development pipeline without having so much that it undermines our income returns.

See page 27 for more information

Assets
We specialise in buying and building warehouse properties located on the edge of major cities and in key transport corridors and hubs.

See page 24 for more information

People
We employ 285 people with skills reflecting all aspects of real estate ownership including asset management, development, investment, marketing and financing.

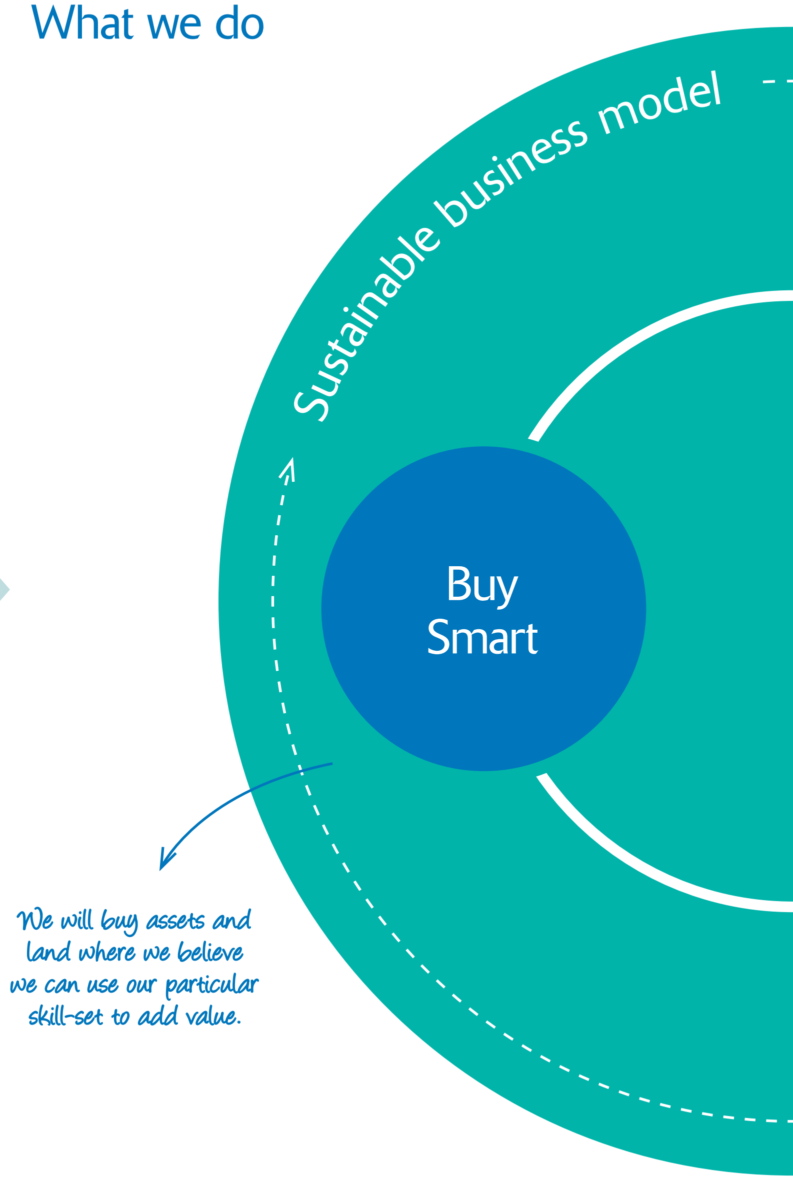
See page 46 for more information

Partners
We join forces with other organisations where their attributes complement our own, such as through joint ventures with other landlords or capital providers.

Capital
Real estate is a capital-intensive business and we rely on strong relationships with our shareholders (providing equity funding) and our banks and bondholders (providing debt).

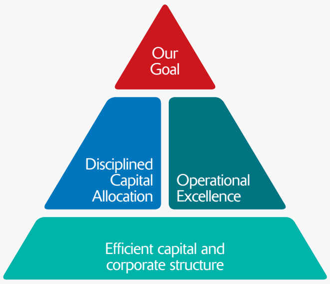
See page 30 for more information

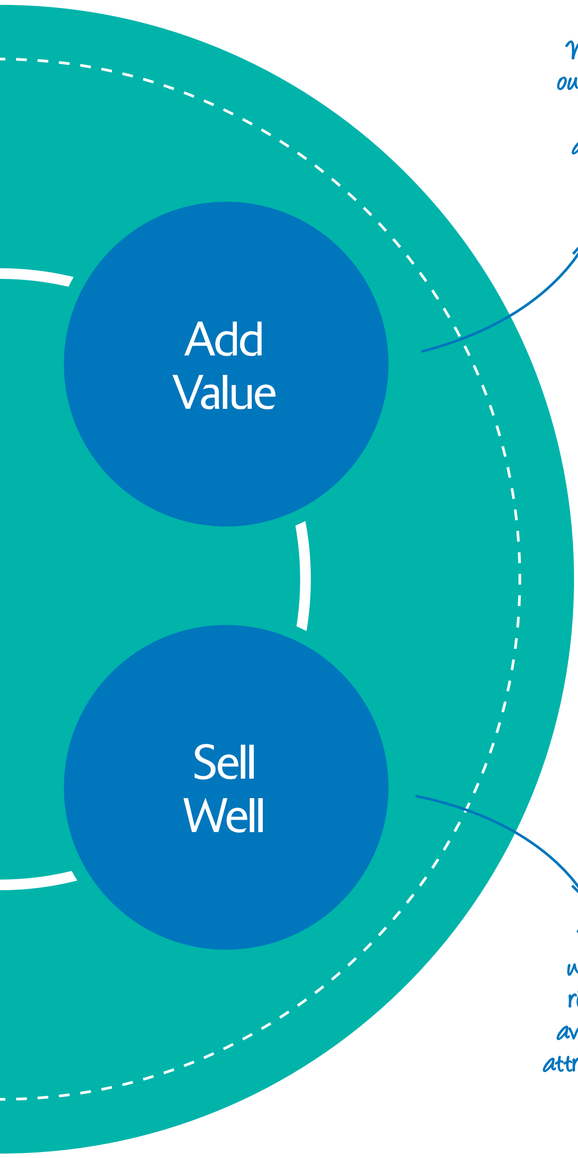
What we do



We apply our strategy to maximise performance

See page 19 for more information





We actively manage our portfolio, improving returns through asset management, refurbishment and development.

We will sell assets where we believe the risk-adjusted returns available to us are less attractive than other uses of our capital.

The value we create
(outputs)

High quality, sustainable buildings
We aim to provide space, including space we develop ourselves, which enables our customers to achieve extraordinary things. Our space is used for an enormous variety of activities, from traditional warehouse uses such as parcel distribution, food manufacturing and bulk storage, to the more eclectic, including film studios and trampolining. They are a vital piece of infrastructure enabling our customers to serve their own customers. We are active managers of our properties and our success is measured through our annual customer feedback survey and our operating KPIs.

Attractive financial returns
We aim to generate total property returns (income return and capital growth) ahead of our benchmark which, when combined with appropriate leverage and a lean cost base, should result in attractive total returns for our shareholders comprising growth in our net asset value (or resilience in a down-cycle), earnings and dividend. Variable compensation for all our employees is linked to these KPIs, while long-term incentive plans are linked to the longer-term performance of our shares relative to our peers and of our property relative to the MSCI-IPD benchmark.

Investing in our communities
We play an active role in the communities in which we operate. Many of our developments are on brownfield sites which help to regenerate previously redundant areas of towns and cities, creating new employment opportunities. We actively encourage our employees to commit time to charitable and community activities. We are particularly active in Slough, the birthplace of SEGRO and our home for 95 years, where the Slough Trading Estate is a major employer and wealth generator for the area.

Key Performance Indicators

Measured against our targets

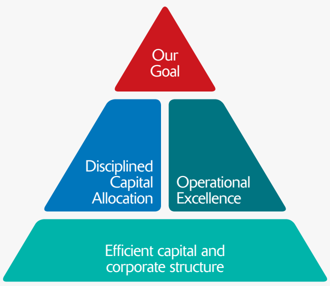
Our aim is to deliver attractive returns to our shareholders and stakeholders through the execution of our strategy.

We track our progress against nine Key Performance Indicators on which we report each year. They are based on metrics for the wholly owned assets and our share of assets held in joint ventures.

Some of these metrics are also used to determine how management and employees are remunerated.

Further details on our remuneration policies and the metrics used to determine remuneration are set out in the Remuneration Committee Report on pages 94 to 104.

Our strategy (see page 19 for more details)



Risk management

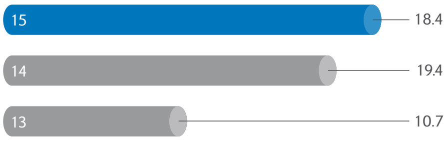
We recognise that the management of risk has a role to play in the achievement of our strategy and nine KPIs. Risks can hinder or help us meet our desired level of performance.

The relationship between our principal risks and our KPIs is identified in the Principal Risks on pages 62 to 70.

Total Property Return

(TPR)†

18.4%



What it is: TPR is the ungeared combined income and capital return from the portfolio during the year. It is an important measure of the success of our strategy in terms of asset selection and asset management. MSCI Real Estate (formerly known as IPD) prepares the calculation, as well as providing benchmark TPR data for similar properties in their wider universe. We aim to outperform the benchmark over the long term. Details on how TPR impacts short- and long-term incentives are provided on pages 97 and 101.

Our performance: The TPR of the Group in 2015 was 18.4 per cent (2014: 19.4 per cent). Our UK portfolio generated a TPR of 19.1 per cent, performing ahead of the MSCI-IPD All Industrial benchmark of 16.3 per cent (the most relevant benchmark information at the time of going to print). The TPR of our Continental Europe portfolio was 16.2 per cent. MSCI-IPD benchmark data for Continental Europe will be received later in the year.

EPRA NAV per share*

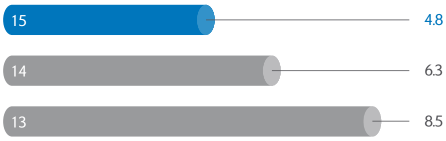
463pence

What it is: EPRA Net Asset Value (NAV) is the value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that is 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 increased by 79 pence per share over the year to 31 December 2015, most of which was due to a 11.1 per cent increase in the value of the Group's property portfolio. Our completed UK portfolio generated an uplift of 13.1 per cent and our Continental European portfolio increased by 7.9 per cent.

EPRA vacancy rate*

4.8%



What it is: The vacancy rate measures our ability to minimise the quantity of non income-producing built 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. We target a longer-term vacancy rate of 5–7 per cent.

Our performance: The portfolio vacancy rate improved to 4.8 per cent (31 December 2014: 6.3 per cent) due primarily to letting up vacant space on existing and speculatively developed assets.

Customer satisfaction

77%

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: Satisfaction as an occupier of our buildings was rated as 'good' or 'excellent' by 77 per cent of the customers participating in the 2015 survey (2014: 86 per cent). Although a decline from last year, the number remains high reflecting our focus on communication, being responsive and understanding the needs of our customers. We continue to target similarly high levels in the future.

Key Disciplined capital allocation · Operational excellence · Efficient capital and corporate structure · Items are directly captured in SEGRO's incentive schemes

Loan to value ratio (LTV)

(Including joint ventures at share)‡

38%

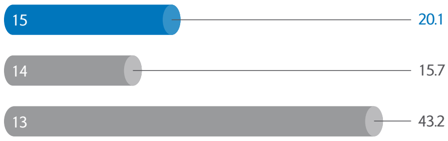
What it is: The proportion of our property assets (including investment, owner-occupier and trading properties at carrying value and our share of properties in joint ventures) that are funded by borrowings. Our 'mid-cycle' LTV ratio target remains at 40 per cent but, at this stage in the cycle, we aim to maintain it at below 40 per cent to mitigate any risk from capital value declines. 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 improved to 38 per cent from 40 per cent year on year, principally as a result of the reduction in net borrowings achieved through asset disposals during the year and the total portfolio valuation increase. The timing of investment decisions and disposals may cause the LTV to fluctuate and, adjusting for the disposal of the Bath Road office portfolio in January 2016, the LTV ratio has improved further to 34 per cent.

Total Shareholder Return

(TSR)

20.1%



What it is: TSR measures the change in our share price over the year assuming that dividends paid are reinvested. 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 the long term incentive plan remuneration for both the Executive Directors and senior management.

Our performance: The TSR of the Group was 20.1 per cent, compared with 9.7 per cent for the FTSE 350 Real Estate sector. This performance reflects a combination of the 15.2 pence dividend (10.2 pence 2014 final dividend and 5.0 pence 2015 interim dividend) paid during the year and an increase in the share price from 370 pence at 31 December 2014 to 429 pence at 31 December 2015.

Adjusted EPS

18.4pence

What it is: Our headline Adjusted earnings per share (EPS) reflect earnings from our operating business: rental income less operating, administrative and financing costs and tax. It is the primary determinant of the level of the annual dividend. IFRS EPS include the impact of realised and unrealised changes in the value of our assets which can often mask the underlying operating performance. These changes are reflected more appropriately in the movement in our EPRA NAV.

Our performance: Adjusted EPS increased by 7 per cent during the year, reflecting higher rental income from like-for-like rental growth, acquisitions and lower vacancy, as well as reduced financing and operating costs.

Total cost ratio

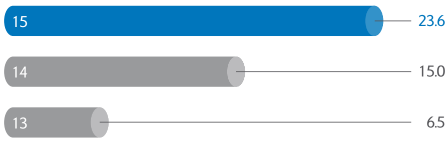
22.5%

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 a total cost ratio of 20 per cent.

Our performance: The total cost ratio improved further to 22.5 per cent (2014: 23.7 per cent). Although disposals in late 2014 caused gross rental income to fall by 2 per cent, lower property operating costs, stable administrative costs and higher joint venture fee income caused overall operating costs to fall by 7 per cent.

Rent roll growth

£23.6M



What it is: The headline annualised gross rental income contracted during the year less income lost from takebacks. There are two elements: to grow income from our standing assets by reducing vacancy and increasing rents from lease renewals and rent reviews; and to generate new rent by developing buildings either on a pre-let or speculative basis. Rent from new acquisitions is not included.

Our performance: In total, we generated £23.6 million of net new annualised rent during the year (2014: £15.0 million) including rent from pre-lets agreed based on year-end exchange rates.

† The 2015 TPR has been calculated independently by MSCI Real Estate (formerly known as IPD) in order to provide a consistent comparison with an appropriate MSCI-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.

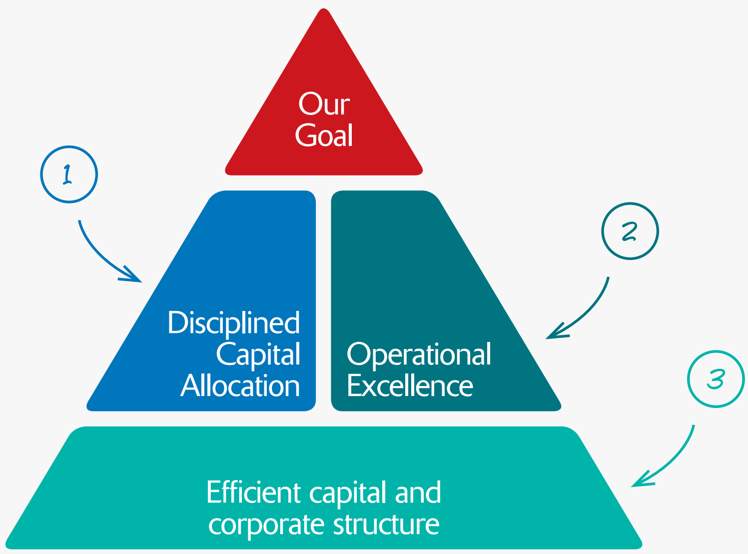
‡ The LTV ratios include our share of joint venture borrowings and property assets. In 2013 and 2014, we treated deferred consideration from our partner in the SELP joint venture as cash within the LTV ratio as it was callable at three months notice. The balance was paid to us in October 2015 meaning that the 2015 LTV ratio is unadjusted.

* EPRA NAV is an alternate metric to its IFRS equivalent that is calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). SEGRO discloses EPRA alternative metrics on pages 170 to 172 (NAV, EPS, vacancy rate, total cost ratio, initial yield) to provide a transparent and consistent basis to enable comparison between European property companies. See www.epra.com for further details.

Chief Executive's Review

Delivering on the strategy

> "Our strategic focus has delivered another strong year of operating and capital performance.



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

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

1

Disciplined Capital Allocation: picking the right markets and assets to create the right portfolio shape by actively managing the portfolio composition and adapting our capital deployment according to our assessment of the property cycle.

2

Operational Excellence: optimising performance from the portfolio through dedicated customer service, expert asset management, development and operational efficiency.

3

Efficient capital and corporate structure: we aim to underpin the property level returns from our portfolio with a lean overhead structure and appropriate financial leverage through the cycle.

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

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

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

1

Disciplined Capital Allocation

Owning the right properties in the right places

> Our modern portfolio of warehouses is located in Europe's most important cities and transport hubs.

Phil Redding
Chief Investment Officer

Chief Executive's Review

Capitalising on favourable market conditions

What we said we would do in 2015

Investment to be more focused on development and land acquisitions than on buying standing assets. New European markets to be investigated.

What we achieved in 2015

£334 million of asset acquisitions (2014: £480 million). We acquired a 90 per cent stake in leading Italian logistics developer, Vailog, securing a platform of standing assets and development opportunities in Northern Italy.

What to expect in 2016

Investor demand for high quality assets and land remains competitive so we expect to acquire less in 2016 than in 2015, taking advantage instead of the strengthening occupier market and lack of modern, well-located space to accelerate development activity.

Acquiring high quality warehouse assets in Europe

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

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

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

Acquisitions: What to expect in 2016

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

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

Disposing of non-strategic assets

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

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

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

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

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

Disposals: What to expect in 2016

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

Bath Road office portfolio

In December 2015, we exchanged contracts to sell a portfolio of offices adjoining the Slough Trading Estate on the Bath Road for £325 million. The transaction was completed and the proceeds received in January 2016. The size of the disposal materially changes a number of our financial metrics. Therefore, where appropriate, we have disclosed pro forma metrics to adjust for the impact of the disposal.

Chief Executive's Review

Asset values continued to increase

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

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

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

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

Rental values were stable for most of our properties in Germany and showed signs of improvement in France.

More details of our property portfolio can be found in Note 15 to the financial statements and in the 2015 Property Analysis Report available at www.segro.com/investors

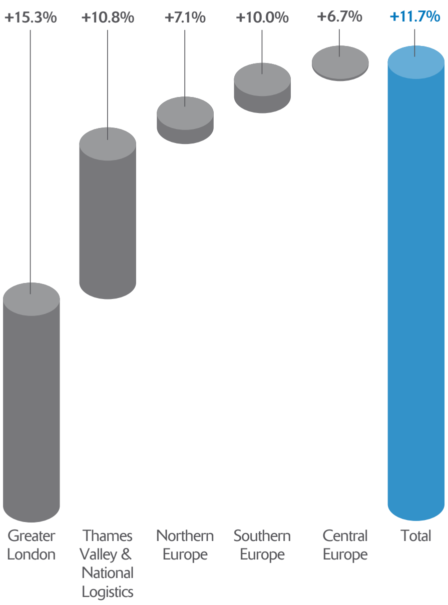
Valuations: What to expect in 2016

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

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

Portfolio like-for-like valuation change, %[1]

(excluding acquisitions and capital expenditure)



1 Percentage change relates to completed properties, including JVs at share.

Acquisitions completed in 2015

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

Disposals completed in 2015

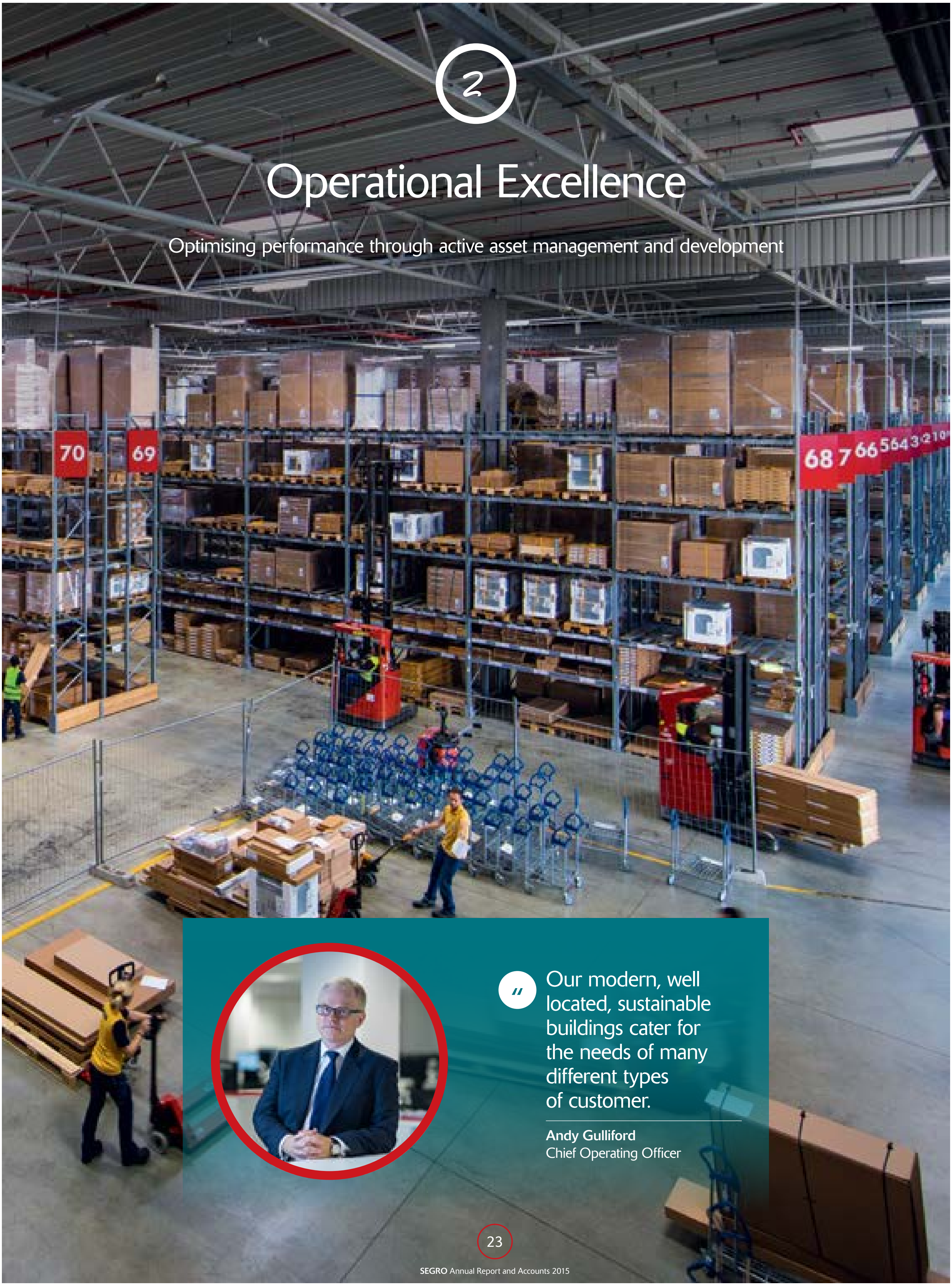
Asset Location/Type	Disposal proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics	77.1	5.8	6.0
Light industrial	158.8	6.6	7.0
Offices	86.0	7.3	7.3
Land	13.7	n/a	n/a
Disposals completed in 2015	335.6	6.6[2]	6.7[2]
Bath Road office portfolio (sold in January 2016)	325.0	5.6	6.3

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

2

Operational Excellence

Optimising performance through active asset management and development



> Our modern, well located, sustainable buildings cater for the needs of many different types of customer.

Andy Gulliford
Chief Operating Officer

Chief Executive's Review

Optimising the performance of our portfolio

What we said we would do in 2015

We highlighted rent roll growth and cost efficiency as key priorities, noting that disposals could cause our cost ratio to rise slightly. We also expected vacancy to rise slightly in the early part of the year due to the completion of speculative developments before falling back by year end.

What we achieved in 2015

Operating metrics have been very strong this year; including rent roll growth of £5.2 million on standing assets (2014: £4.8 million growth), an improved vacancy rate of 4.8 per cent (2014: 6.3 per cent), an improvement in the cost ratio to 22.5 per cent (2014: 23.7 per cent). 77 per cent of customers rated us 'good' or 'excellent' (2014: 86 per cent).

What to expect in 2016

Our operations teams continue to focus on generating rent roll growth from standing assets and development while our central functions seek to manage and, where possible, reduce the cost base. In the absence of any deterioration in occupier demand, we expect to deliver a strong operating performance in 2016.

Improving returns from our existing assets

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

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

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

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

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

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

Growing rental income from letting existing space and new developments

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

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

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

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

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

Asset management: What to expect in 2016

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

Rent reviews and lease renewals

In the UK, most of our leases over five years in length are subject to five yearly, upwards-only rent reviews: if market rent levels for a particular property and location are higher than the rent being paid, the rent payable is reviewed upwards; if market rents are lower, then the rent payable is maintained. In Continental Europe, indexation provisions apply on an annual basis. Where a customer renews a lease, the rent is subject to full negotiation. Rent changes on review and renewal are a good indication of rental trends as they involve the same customer and the same building. We calculate the change based on headline rents excluding incentives.

Uplift of 2.6 per cent

Rents are improving in our UK markets, especially in London and South-East England. During the year, new rents on review and renewal were 3.3 per cent higher in the UK (in tandem with an improvement in lease terms) and 1.2 per cent lower in our Continental European portfolio. In Continental Europe, the reduced rents on renewal occurred mainly in Central Europe where competition for tenants is greater; they were broadly stable in our other markets.

Portfolio vacancy

We aim to keep vacancy low: not only do vacant buildings earn no rent, but they also cost us money in terms of insuring and securing them and, in the UK, we must also pay business rates on empty space. We measure vacancy based on valuers' Estimated Rental Values (ERV). Every building, whether occupied or not, has a rental value. Our vacancy rate is calculated by dividing the ERV of vacant buildings by the ERV of our whole portfolio. A small number of our buildings may be subject to short-term leases (less than one year) where we are preparing them for redevelopment or where a customer wants seasonal space. If we treat this short-term space as being vacant, our vacancy rate is higher.

Vacancy improves to 4.8 per cent

The vacancy rate at 31 December 2015 improved to 4.8 per cent (31 December 2014: 6.3 per cent), of which approximately 20 per cent represents speculative developments completed in 2014 and 2015. Treating short-term lettings as vacant space would increase the vacancy rate to 6.3 per cent (31 December 2014: 7.7 per cent). The average vacancy rate during the year was also lower, at 6.5 per cent compared to 7.7 per cent in 2014. We have reduced our target vacancy rate to between 5 and 7 per cent (from between 6 and 8 per cent) reflecting the improvement in portfolio quality resulting from the repositioning activity undertaken over the past four years. This range allows for temporary volatility arising from the timing of speculative development completions.

Space returned on lease termination

While we work hard to retain our customers, inevitably some will choose to leave our properties. A customer leaving a building may reflect their need for larger premises which we will do our best to provide. The return of a building may offer us the opportunity to refurbish it and let it out at a higher rent. We employ an independent company to carry out an annual survey of our customers to give them a formal opportunity to provide feedback on our customer service and to let us know what we do well and where we need to improve.

Retention rate of 68 per cent

During the year, space equating to £14.1 million (2014: 16.1 million) of rent was returned to us, including £1.3 million of rent lost due to insolvency (2014: £3.8 million). We retained 68 per cent of rent at risk from break or expiry during the year (2014: 68 per cent). During 2016, £28.7 million of rent is at risk from lease break or expiry and, at 31 December 2015, customers in administration represented £0.3 million of annualised rent (31 December 2014: £2.3 million).

77 per cent of customers rated us 'good' or 'excellent' in our annual customer survey, a lower level than in 2014 (86 per cent), reflecting in part market rental growth, but still high by historic standards. We continually seek to improve our customer service and the survey is a useful tool to direct our focus.

Overall lease terms — incentives and lease lengths

Rent payable is one of a number of terms to be agreed in negotiations with new customers. There are two other main variables: incentives and lease length. In certain circumstances, we may offer a customer a discount on their rent to offset the costs of relocating from their existing premises. This is most commonly in the form of a rent-free period, but can also be a capital contribution. In strong occupier market conditions, there is less need to offer incentives and customers are willing to sign up to longer leases, often foregoing breaks in the lease (a lease break offers the customer an opportunity to terminate the lease at a certain point).

Lease terms improve

The level of incentives agreed for new leases (excluding those on developments completed in the year) represented 8.0 per cent of the headline rent, a modest improvement from the 8.5 per cent in 2014 and substantially better than the 11.0 per cent achieved in 2013.

Lease lengths also improved to 6.8 years to first break (8.6 years to expiry) as at 31 December 2015, compared to 6.7 years (8.6 years to expiry) at 31 December 2014. Lease terms continue to be longer in the UK (7.5 years to break) than in Continental Europe (5.5 years to break).

Rents from new pre-let agreements and take-up of speculative developments

Meeting budgeted rent roll growth from existing assets is an important element of all employees' remuneration, accounting for up to 25 per cent of variable compensation (33 per cent for Executive Directors). If this is not met, then the payment will be zero and no credit is given for rent roll growth from pre-let agreements and take-up of newly developed space.

£20 million of rent contracted from developments

During the year, we contracted £14.1 million of rent from pre-let agreements during the year (2014: £10.7 million). Parcel delivery and logistics companies account for approximately half of the agreements, including Deutsche Post DHL and Hermes in the UK, TNT in France and Geodis in Germany. Retailers were also prominent, including John Lewis in the UK, and our first pre-lets on land in Italy, acquired with Vailog, to retailer OVS and food distributor Naturasi.

We also secured £6.3 million from take-up of space completed speculatively (2014: £3.8 million), the largest of which was a 22,000 sq m warehouse in Rugby to DHL in November.

Cost efficiencies

We aim to maintain an efficient cost base. This involves not only ensuring we own sufficient assets in each of our main geographies to extract economies of scale but that we own properties which are most likely to be in demand in all economic conditions (to minimise the costs of holding vacant properties) and which are sufficiently modern and flexible to require limited capital expenditure. Our cost efficiency is expressed as a cost ratio, which is our total accounting cost base as a proportion of accounting gross rental income.

Total cost ratio improves to 22.5 per cent

Our total cost ratio for 2015 improved to 22.5 per cent (2014: 23.7 per cent). Approximately half of our costs are considered property operating costs, the remainder being central administration costs.

Property operating costs fell by £2.8 million, driven mainly by a £5.9 million reduction in vacant property costs. This partly reflects the lower average vacancy rate during the year but was also helped by an increase in out of period credits of £1.8 million which we do not expect to recur in future years.

Enhancing growth through development

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

Development projects completed

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

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

Active development projects

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

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

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

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

Future development projects

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

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

We acquired 36 hectares of land in South-East England, both in our heartland of West London and the Thames Valley, and in East London, a key target market for us, where population growth is expected to be fastest as the area undergoes widespread regeneration. We acquired 8 hectares of land in Purfleet and have also been selected as the preferred partner by the Greater London Authority (GLA) to develop 35 hectares of industrial land across five sites known collectively as East Plus. The agreement will give us the right to acquire the land from the GLA on a draw-down basis, minimising the earnings drag of holding non-income producing land on our balance sheet. We estimate that the sites could support around 140,000 sq m of urban distribution and light industrial warehouse space. The combination of these sites, along the A13 main road between London's inner and outer ring-roads, should provide us with an enviable position in this regenerating area.

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

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

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

Chief Executive's Review

Enhancing growth through development continued…

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

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

Development: What to expect in 2016

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

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

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

Germany: 35,500 sq m let to ASICS

Poland: 32,000 sq m let to Volkswagen

Slough, UK: 5,500 sq m speculative development, now under offer

Italy: 92,900 sq m let to Leroy Merlin

Germany: 17,000 sq m speculative development, now 91% let

London, UK: 6,000 sq m speculative development; now fully let

Rugby, UK: 22,000 sq m speculative development; fully let

Poland: 8,800 sq m let to DPD

3

Efficient Capital Structure

Creating a strong and resilient capital base

"Disposals and rising portfolio values mean our gearing has improved.

Justin Read
Group Finance Director

Chief Executive's Review

Creating a strong and resilient capital base

What we said we would do in 2015

To manage our levels of net debt to target an average 40 per cent loan to value ratio (LTV) through the cycle, funding investment activity with the proceeds of disposals.

What we achieved in 2015

Group net debt increased by £128 million due to net investment in our portfolio. The increase in the value of our portfolio resulted in a look-through LTV of 38 per cent at 31 December 2015, falling to 34 per cent when adjusted for the Bath Road office portfolio disposal.

What to expect in 2016

Our intention for the foreseeable future is that we should aim to keep our LTV below our mid-cycle target of 40 per cent. This ensures significant headroom to our tightest gearing covenant should property values decline, as well as providing the flexibility to take advantage of any opportunities arising.

Improved financial leverage

Net debt, including our share of joint venture net debt, increased by £153 million during the year to £2.2 billion. The loan to value ratio (LTV) improved to 38 per cent (31 December 2014: 40 per cent) due mainly to the 11.1 per cent increase in the value of our portfolio.

Adjusting for the disposal of the Bath Road office portfolio reduces our LTV to a pro forma level of 34 per cent.

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

We estimate that our portfolio would have to fall in value by 47 per cent before breaching the tightest covenants on our debt. To put this into context, our portfolio fell in value by approximately 35 per cent between the peak in 2007 and the trough in 2012, our portfolio today is of substantially better quality than it was in 2007, and we believe that the potential for a market correction of the magnitude of 2008/09 is relatively low. This risk is considered in more detail on page 66.

The euro weakened by 10 per cent against sterling during the year. We have maintained a high degree of hedging to protect our balance sheet and earnings from the impact of future volatility. Our net assets are 89 per cent hedged and our euro earnings are 69 per cent hedged against movements in the euro-sterling exchange rate. Further details can be found in the Financial Review.

Capital structure: what to expect in 2016

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

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

Dividend increase reflects a strong year and confidence for the future

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

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

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

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

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

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

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

Outlook: what to expect for SEGRO in 2016 and beyond

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

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

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

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

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

Our priorities for 2016 and beyond

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

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

Expert asset management and customer service are fundamental to delivering attractive returns through the cycle. We will continue to focus on satisfying our customers, actively managing the portfolio, including maintaining a high occupancy rate, and pursuing further operating and cost efficiencies.

- **Efficient and resilient capital structure.** Having reduced our LTV ratio to 34 per cent following the sale of the Bath Road office portfolio in early 2016, we intend to maintain this ratio at below 40 per cent over the medium term in order to enable us to fund capital expenditure whilst providing appropriate resilience in the event of a property market correction. In this context, our planned capital expenditure for 2016 is expected to be substantially funded from the proceeds of further asset disposals.

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

David Sleath
Chief Executive

Operational Review

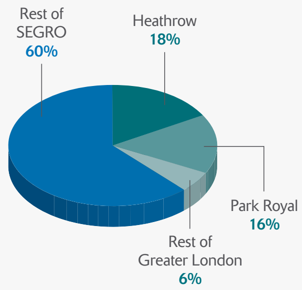
Greater London

Taking advantage of a supply-constrained market

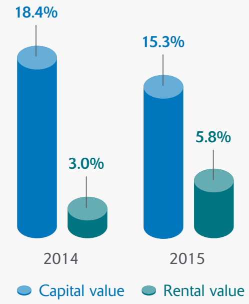
Our developments have delivered brand new industrial and logistics space to satisfy London's growing need for urban delivery capacity.

Alan Holland
Business Unit Director – Greater London

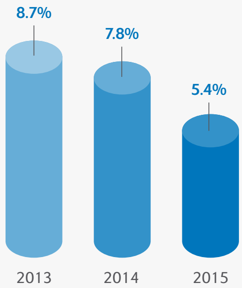
Portfolio by value



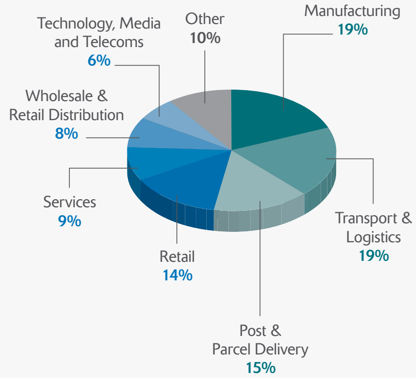
Capital value and rental value growth



Vacancy rate



Customer split by type



Operating summary of the year

- Improved vacancy rate and rental levels reflecting strong demand and limited supply.
- Completed 10,400 sq m of developments, in prime industrial areas.
- Established East London presence through land acquisition in Purfleet and agreement to enter a partnership with the Greater London Authority to develop 35 hectares of land into urban distribution and light industrial warehouses.

Opportunities for the year ahead

- 69,200 sq m of developments underway, completing in 2016, including the remainder of Origin in Park Royal and several sites in the supply-constrained market around Heathrow.
- Progress development plans for Hayes and East London to take advantage of strong occupier demand.

Risks for the year ahead

- Two political decisions are relevant for our Greater London portfolio: the EU referendum and Heathrow's third runway are both decisions where a prolonged period of uncertainty may cause potential occupiers to delay their own investment decisions.
- Land prices rise above levels at which industrial development becomes viable, limiting our ability to extend development pipeline.

Mash Purveyors, Origin

Mash Purveyors was one of the first occupants of our flagship Origin development in the heart of Park Royal. Mash is a distributor of quality fruit and vegetables to London's hotels and restaurants. Its new premises are ideally located to deliver fresh goods to its customers, being just 13km from Central London.

Operational Review

Slough Trading Estate

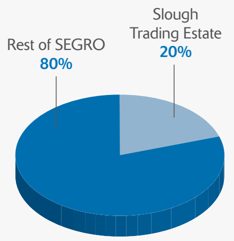
Providing modern space for growing businesses

"

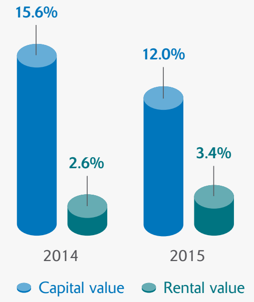
The modern warehousing on the Slough Trading Estate allows our customers to grow their businesses in a modern and efficient environment.

Gareth Osborn
Business Unit Director – Thames Valley & National Logistics

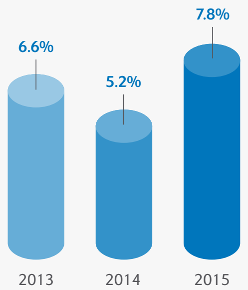
Portfolio by value



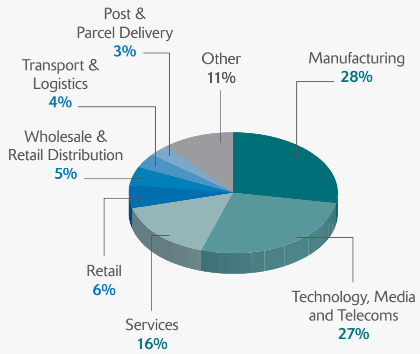
Capital value and rental value growth



Vacancy rate



Customer split by type



Operating summary of the year

- The year-end vacancy has increased due to speculative development completions, accounting for 25 per cent of vacant space.
- Completed 12,100 sq m of speculative development on the Slough Trading Estate of which 7,100 sq m has already been let.
- New road bridge completed to improve north-south access on the Estate.
- The sale of the Bath Road office portfolio focuses our ownership on warehousing.

Opportunities for the year ahead

- 16,600 sq m of developments completing in 2016, including a new 10,900 sq m warehouse let to Bidvest 3663 which will also be used as its new head office.
- Take advantage of occupier demand to realise the potential £5 million of rent from letting up vacant space, particularly in recently-completed developments.

Risks for the year ahead

- There are few remaining sites for development on the Estate, leaving us short of space to allow our customers to expand. We have sought to mitigate this risk by acquiring a former Unilever facility opposite the Estate to provide additional options.

All Print, Slough Trading Estate

All Print Supplies is one of the UK's leading suppliers of signs and materials to the sign, exhibition and display markets. It has been a SEGRO customer on the Slough Trading Estate for over 30 years and recently expanded its operation, moving into a newly developed warehouse from which it manufactures and distributes its products across the UK.

Operational Review

UK Big Box Logistics Warehouses

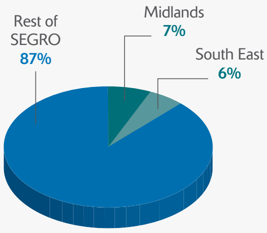
Facilitating efficient retailer supply chains and parcel delivery

"

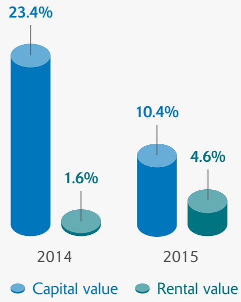
Modern, big box logistics warehouses in major transport hubs and corridors are crucial for retailers distributing goods in bulk to their stores as well as individually to their customers.

Gareth Osborn
Business Unit Director –
Thames Valley & National Logistics

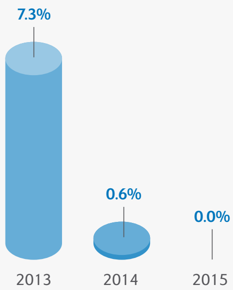
Portfolio by value



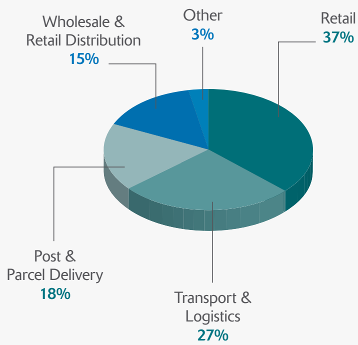
Capital value and rental value growth



Vacancy rate



Customer split by type



Operating summary of the year

- Portfolio remains fully leased, reflecting strong occupier demand.
- Completed development of a 22,000 sq m speculative big box unit in Rugby, let prior to completion to Deutsche Post DHL to service its distribution contract with fashion retailer TK Maxx.
- Pre-let agreed for a 25,000 sq m warehouse for Hermes for national parcel delivery.

Opportunities for the year ahead

- In addition to the Hermes pre-let warehouse, we have started construction of two warehouses on a speculative basis, delivering 43,700 sq m into a market short of high quality warehouse space.
- In 2014, we purchased a 38,200 sq m, short-leased warehouse in Magna Park, one of the UK's best located logistics parks. We currently expect to take back the warehouse in October 2016, giving us an opportunity to improve its value through re-letting it.

Risks for the year ahead

- The supply response to increased occupier demand for big box warehouses can be very fast and there is a risk that this can lead to over-supply, reflected in higher vacancy and falling rents. Although development levels have increased, availability of space in our core markets of the Midlands and South-East England is still well below current take-up levels.

Staples, Corby

Staples is a global provider of office supplies, office furniture and office machines, servicing customers through its network of stores and online. It occupies our warehouse in Corby which operates as a distribution hub servicing its network of over 100 UK stores, as well as customers ordering products online.

Operational Review

Northern Europe

(Germany, Netherlands, Belgium and Austria)

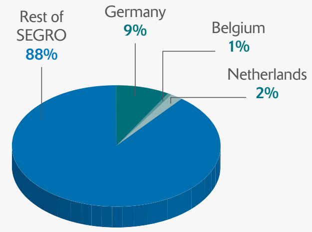
Delivering quality big box, urban distribution and light industrial warehouses in major cities

"

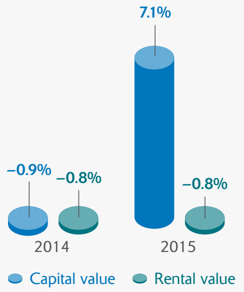
SEGRO's expertise in light industrial development is a real differentiator. Our developments on brownfield sites bring modern space and employment opportunities to run-down areas.

Andreas Fleischer
Business Unit Director – Northern Europe

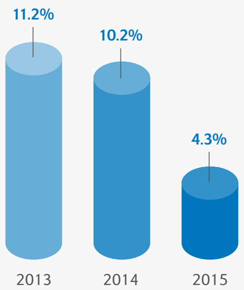
Portfolio by value



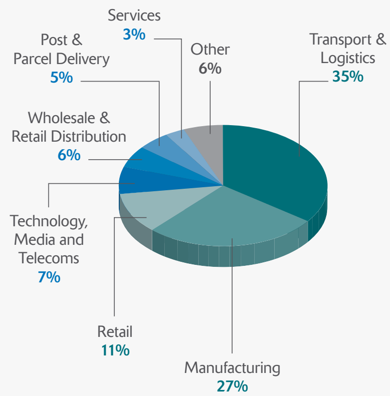
Capital value and rental value growth



Vacancy rate



Customer split by type



Operating summary of the year

- Vacancy rate reduced, reflecting take-up of speculatively developed space including to Lush Cosmetics in Düsseldorf.
- Completed 81,000 sq m of developments, including pre-lets to Geodis in Berlin and Deutsche Post DHL in Nuremberg.

Opportunities for the year ahead

- 100,000 sq m of developments completing in 2016 and early 2017, including the first phase of a new light industrial estate in Cologne.
- Finalise pre-let agreements for land acquired near Munich and Vienna.
- Improve operating efficiency in Netherlands portfolio, taking advantage of additional scale from acquisitions in late 2015.

Risks for the year ahead

- Evidence of a pick-up in competition for big box logistics warehouse pre-lets from trader developers which could impact rental growth.
- Further macro uncertainty in the Eurozone could undermine occupier confidence.

Deutsche Post DHL, SEGRO Park Düsseldorf-City

Deutsche Post DHL is SEGRO's biggest customer, and the largest occupier on SEGRO Park Düsseldorf-City (also known as CityPark) where we built a cross-dock facility from which it is able to serve the city. SEGRO's CityPark development has given a new lease of life to a site which was formerly occupied by a steel mill. It is located just 10 minutes from Düsseldorf's main station, making it an ideal location for companies needing rapid access to the city centre.

Operational Review

Southern Europe

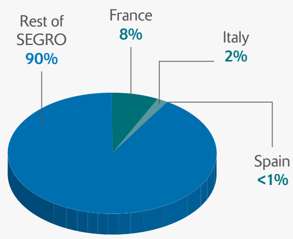
(France, Italy and Spain)

Focused on France; capital base broadened to Northern Italy

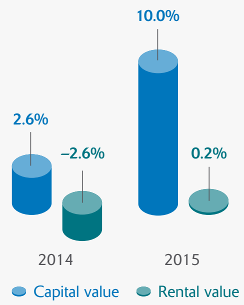
> Our portfolio in France is concentrated on the logistics spine where demand is strong and supply is constrained. The acquisition of Vailog has extended our platform into the prime markets of Northern Italy.

Marco Simonetti
Business Unit Director – Southern Europe

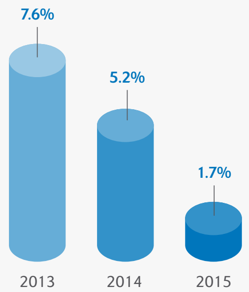
Portfolio by value



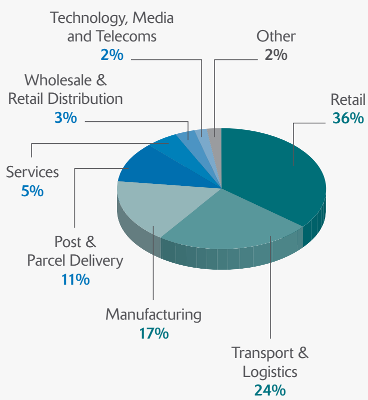
Capital value and rental value growth



Vacancy rate



Customer split by type



Operating summary of the year

- Acquisition of one of Italy's leading warehouse developers provides a high-quality platform in Northern Italy.
- Over 80,000 sq m of pre-let development agreements in France and Italy, including to online fashion retailer OVS and international courier TNT.
- Early signs of rental growth in Paris light industrial and urban distribution warehouse portfolio, reflecting limited availability of modern space.

Opportunities for the year ahead

- Over 100,000 sq m of new developments will complete in 2016 including our first project in Spain for a warehouse on the edge of Barcelona.
- Agree further pre-let development projects in Italy, drawing on land held under option, helping to build scale and realise cost efficiencies.

Risks for the year ahead

- Residual economic weakness in France may limit potential for rental growth in the near term.
- We will continue to seek opportunities for asset acquisitions in Spain to build scale but have thus far been unable to find properties which meet our investment criteria.

Geodis, Paris

Geodis is a global player in third party transport and logistics and the leading operator in France. It occupies 74,300 sq m across SEGRO's portfolio, including a 10,700 sq m warehouse in Saint Ouen, around 25km from Paris. We also inherited Geodis as a customer within Vailog's portfolio, where it occupies a 14,100 sq m warehouse just outside Milan.

Operational Review

Central Europe

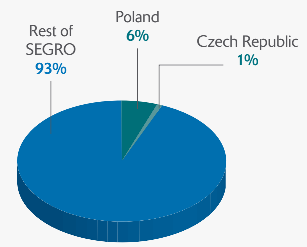
(Poland and Czech Republic)

Making progress in a competitive market

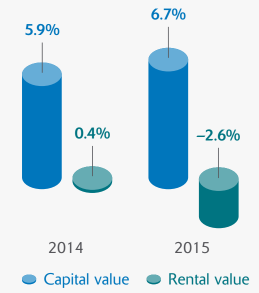
Poland and the Czech Republic are ideally suited to big box logistics for international distribution. Our buildings are located at the major logistics hubs around Warsaw, Prague, Poznan and Lodz.

Magdalena Szulc
Business Unit Director – Central Europe

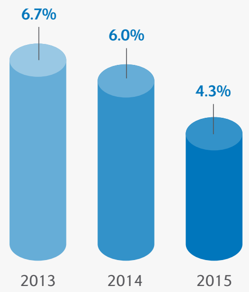
Portfolio by value



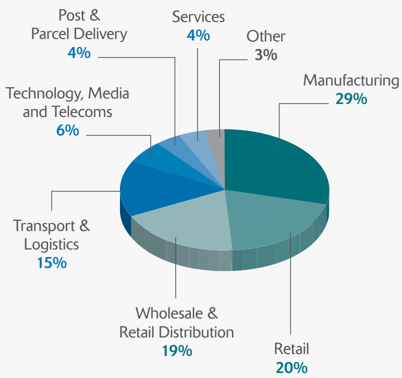
Capital value and rental value growth



Vacancy rate



Customer split by type



Operating summary of the year

- Vacancy rate reduced to 4.3 per cent reflecting strong asset management and a market with little availability of modern space.
- Completed 93,000 sq m of developments, including large logistics warehouses pre-let to motor manufacturer Volkswagen and convenience retailer Zabka.
- Retained 70 per cent of rent at risk despite increasing competition for occupiers in Poland.

Opportunities for the year ahead

- 34,400 sq m of space under development, including 9,300 sq m of speculative warehousing in Hostivice, a major logistics location neighbouring Prague's international airport.

Risks for the year ahead

- Competition for customers in Poland remains strong, particularly from trader-developers, which may impact the potential for rental growth.

Trost Auto Servicing, SEGRO Logistics Park, Prague

Trost Auto Servicing is one of Europe's leading retailers of car parts and workshop equipment. Trost occupies a warehouse on SEGRO Logistics Park in Prague which, although it appears to be a car repair workshop, is actually a showroom and training facility for their customers. SEGRO Logistics Park is ideally located next to Prague's international airport with easy access to the centre of Prague.

Corporate Social Responsibility

Introduction

SEGRO is more than a landlord. As an employer of over 280 people and a developer, owner and manager of buildings, we have a responsibility to our employees, our stakeholders, and to the communities and environments in which we operate.

For almost a century, we have known that acting responsibly is the right thing to do – and that it makes clear business sense. We are proud of this heritage. Today, as society faces ever more complex challenges, we have an even greater imperative, and a responsibility, to be a good corporate neighbour to the communities we work in as well as to our own employees.

Introducing the 'Responsible SEGRO' framework

In 2015, we have invested time in looking at what SEGRO means to our employees and our stakeholders. The results have changed how we think about and report on corporate responsibility. Our new 'Responsible SEGRO' framework focuses on four areas: Our People, Our Community, Our Stakeholders and Our Environment. In future, we will set specific goals to drive our activities across these areas. For now, we have provided the highlights and key details of our activities across the four areas in this report.

Our People

Our employees are at the heart of our business, managing and investing in our assets, working with our customers and ensuring the Company runs smoothly.

Probably the most important achievement of the year was the establishment of SEGRO's new Purpose and Values. Every member of the Company was involved and the initiative has had a palpable effect on the way we operate both internally and externally.

The new Purpose – "We create the space that enables extraordinary things to happen" – emphasises the pride we have for our buildings and for our customers who use them for a huge variety of different purposes. We feature many examples in this Annual Report.

This initiative has featured heavily in our external recruitment efforts and we were pleased to welcome 65 new people into the business over the past year. We continue to encourage all our employees to maximise their potential in and out of work and have invested in both training opportunities and in wellness initiatives to help employees maintain a healthy lifestyle.

We also support our employees to engage in charitable activities, regularly matching fund-raising efforts and encouraging everyone to use their annual 'day of giving'. SEGRO employees donated a total 103 days to local charities, and we collectively contributed over £880,000 to our charity partners.

Our Community

We have a responsibility to the communities in which we operate as well as to our partners at the local authorities, customers and to other stakeholders. Through our development projects and our relationship with our customers, we are in a great position to create skills and employment schemes to help develop a local, sustainable and talented workforce from which our customers can recruit.

The Slough Aspire initiative and our London Community Fund are two practical examples of the role we play in the communities in which we operate. We look forward to implementing similar initiatives in some of our newer markets in future, most immediately in East London where we will be involved with the exciting regeneration of the area.

Our Environment

In 2015 we continued to pursue the environmental goals set out in the 'SEGRO 2020' strategy. This was introduced in 2013 in response to changing customer demands and increasing legislation. It sets clear environmental impact targets for building design, new build and refurbishments in terms of energy and water efficiency and obtaining recognised building certifications.

> " We create the space that enables extraordinary things to happen
>
> — SEGRO Purpose

We have met, or are close to meeting, all of our targets and I am pleased that our carbon footprint has improved during the year but there is further to go.

We have worked hard to integrate new technologies in our existing buildings and developments where possible to assist us in delivering lower carbon buildings, achieving greater resource efficiency and generating energy from renewable sources on site. We improved our GRESB score to become a 'Green Star' for the first time, alongside improving our CDP score for the fourth year running.

Our Stakeholders

We have a wide variety of stakeholders, including our customers, suppliers and shareholders, quite apart from our own employees and our communities.

SEGRO's reputation depends on strong relationships with all of our stakeholders and we maintain a continuous dialogue with them. We are fully committed to making our business and our properties safe and healthy places to work and visit, by achieving the highest standards in our health and safety performance.

We aim to uphold the principles of excellent customer service and we commission an

independent customer satisfaction survey to ensure that our customers have the opportunity to tell us what we are doing well and where we can improve. In the 2015 survey, 77 per cent of customers said that they were satisfied with our performances, which is a high proportion, but I'm confident we can do even better.

We work hard with our suppliers to ensure that they comply with our own requirements and, in return, we commit to paying them promptly.

We work with our shareholders and our debt providers to make sure that they are kept informed about the Company's progress.

What to expect in 2016

We have achieved a great deal in 2015 but there is always more to do including, but not limited to, the following objectives:

- We will continue to embed our Purpose and Values into the fabric of the Company;
- We will offer every employee a Company-sponsored 'day of giving' and we are encouraging everyone to use them;
- We will continue to pursue our 'SEGRO 2020' targets; and
- We can always be better at customer service and will look to improve on our already high satisfaction levels in our Customer Satisfaction Survey.

In 2016, we will continue to improve our practices and build on what we have achieved.

David Sleath
Chief Executive

Corporate Social Responsibility

Our People

285

employees serving 1,200 customers

+14%

increase in headcount since December 2014

7%

employee turnover in 2015

0

accident frequency rate in 2015

2,301

hours of training delivered in SEGRO

SEGRO employs 285 people, serving 1,200 customers across ten European countries. 2015 has been another great year for the business – a success that is down to the hard work and commitment of all our people, combined with our efforts to create an open and engaging workplace.

We believe people are attracted to join and stay with SEGRO because of the unique culture and career opportunities we have successfully developed and nurtured over time.

In return, SEGRO takes its responsibilities to its people seriously, with robust policies on health and safety, equal opportunities, ethical working and human rights.

Graduates

Graduates play a vital role in our talent pipeline. Our Graduate Scheme provides new recruits with on-the-job experience from day one. Over the two-year programme, they undertake three roles in different areas of the business. The first two placements are in business units covering roles such as Asset, Leasing or Development Surveying. The third placement is in the Investment team, where they gain valuable exposure to investment strategy, valuations and buying and selling.

" I have thoroughly enjoyed my experience of the Graduate Scheme at SEGRO. On joining, I was given a comprehensive overview of the business, met with a number of senior people and began to understand the different areas of SEGRO. I have been involved in a variety of leasing and asset management work as well as having the support and autonomy to complete new lettings myself. In 2016 I am looking forward to continuing to drive down vacancy rates in the estates that I work in and gain exposure to landlord and tenant work. Then, I will move into a new rotation and develop skills in a different area of commercial property practice – an opportunity I am relishing and one which will get me ready to sit the APC in 2017.

Joshua Whitlock
2015 Graduate

Talent

SEGRO's success depends on attracting and retaining people who thrive on challenge and responsibility, and developing them to their full potential. In 2015, 65 new employees joined the business including employees of Vailog, one of Italy's leading logistics real estate development companies, acquired by SEGRO in 2015.

As an extension of the Executive Committee, our strong and talented Leadership Team meet regularly to participate in strategic discussions and policy reviews. During the course of the year, they also contributed to Talent Reviews with Executive Directors to identify development opportunities for our most talented people.

Purpose and Values

In September 2014, we embarked on our journey to define SEGRO's Purpose and build on our Values. Our objective was to sustain and build on our engagement by focusing our people on the reason SEGRO exists, beyond delivering shareholder value (our Purpose), and to define how we work together, strengthening our shared culture (our Values).

Purpose and Values

Over a six month period, the SEGRO Leadership Team and senior management worked with innovation consultants to establish a Purpose statement and five Values that reflect the core beliefs that underpin how we conduct our business and make decisions.

Once established, members of the Leadership Team hosted dynamic and vibrant workshops involving every SEGRO employee to provide a forum to discuss what the Purpose and Values mean to them and what was needed to transform them from words to tangible actions.

In response to these workshops, a number of ways in which SEGRO operates have changed, including:

- A permanent research function has been established to ensure employees are kept up to date with trends in both our own and our customers' markets.
- Our monthly business unit meetings are more interactive, showcasing how our customers are using the space we provide them.
- Executive Directors hold regular, Company-wide webcasts to provide updates on the business as well as an opportunity for all employees to ask questions about areas of interest or concern.

At the root of our Purpose is pride in our buildings and in the huge variety of ways our customers use them. This is reflected in our Annual Report which focuses not just on what our warehouses look like on the outside, but the extraordinary things which happen inside them.

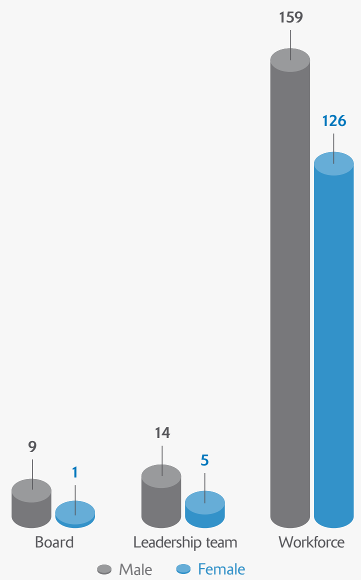
Equal Opportunities

We are committed to offering equal opportunities to all our employees.

We believe that being fair, open minded and free from bias will lead to better business decisions and help us attract the best people.

We are committed to ensuring that we offer equal opportunities to people with disabilities.

Employees by gender



Every SEGRO employee undertakes diversity training as part of their induction and, in 2015, our Executive Directors completed Unconscious Bias training to raise their understanding of diversity issues.

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.

With few exceptions, we advertise internal vacancies openly to give all employees the opportunity to apply.

During 2015, we signed up to the RICS Inclusive Employer Quality Mark.

All employees participate in our annual Bonus Scheme and are invited to participate in our Share Incentive Plan.

Corporate Social Responsibility

Our People continued…

Health and Safety

We take seriously our responsibility for protecting the health and safety of our employees. Health and safety is embedded within the culture of the business. We do this through managing our risks by prevention, tighter controls, training and raising awareness.

The Health & Safety Manager reports monthly to the Chief Operating Officer, Operations and Executive Committee and the Board on health and safety performance. Every incident is thoroughly investigated, recommended procedural changes are implemented and we report back on this during the monthly meetings with senior staff across the Group.

We have an excellent health and safety record and management procedures across the Group.

In 2015, our accident frequency rate for SEGRO employees was zero (2014: 0.19) and there were no Health and Safety prosecutions, enforcement actions or fatalities.

SEGRO was awarded the prestigious RoSPA Gold Award for exceptional work in health and safety for the third consecutive year.

For more information on this aspect, please see page 51 in this Annual Report and the CSR report, which can be found at www.segro.com/sustainability

Code of Ethics

We take pride in operating to the highest business standards, and conducting our business in an ethical and honest way is fundamental to our success.

The SEGRO Code of Ethics explains the key principles which guide our business practices and the activities of all our employees. It includes policies on bribery, corruption and fraud, conflicts of interest, dealing with confidential information, political and charitable donations, whistleblowing and managing relationships with suppliers, customers and stakeholders.

We operate a stringent policy on giving and receiving gifts and corporate entertainment, all of which are recorded on a central register.

All our employees complete online training on the Code of Ethics as part of their induction and are required to certify they have understood and have complied with the Code on an annual basis. Any breaches or serious concerns raised over cases of non-compliance with the Code of Ethics are investigated by the General Counsel or Group HR Director, as appropriate.

Human Rights

Our respect for human rights is at the core of all our employment practices and supplier engagements.

We offer a flexible working policy across the Group, and we never use zero hour contracts.

In accordance with the Modern Slavery Act 2015, we are legally required to make a statement in respect of the 2016 financial year setting out the steps we have taken to ensure slavery and human trafficking does not take place in any part of our business or our supply chain. We will provide Shareholders with further information in our 2016 Annual Report.

Our Community

We are more than just a landlord. We understand our responsibility to the communities in which we operate and the opportunities we can create for people to work in their local areas. At the same time, we recognise the role thriving businesses can play in the wider economy, and the importance for our customers to have access to a sustainable and skilled workforce.

Achieving more in partnership

We aim to maximise the socio-economic benefits delivered through our developments. We engage with community leaders, local authorities and non-governmental organisations to understand the issues facing local communities, and identify areas where our operations can help. Not only does this benefit communities, it also builds trust in our business and helps manage risks that could impact on our investment and development plans.

Focusing on jobs and skills

In 2015, we made great progress with our partners in delivering tangible and positive outcomes for local communities. We have created jobs, developed training programmes, launched college courses, funded start-up businesses and raised the aspirations of local people who previously would not have had the chance to enter employment.

Our Employment and Skills Programme focuses on three key areas:

Training and skills – working with partners to create programmes that help meet local training and development needs.

Employment and apprenticeships – joining forces with our customers and others to provide jobs and apprenticeships for local people.

Financial support and equipment – supporting grassroots community projects that address employment and skills needs in the local community.

Our customers play a fundamental role. They need access to a local and sustainable workforce and are often willing to offer opportunities to train and interview suitable candidates.

In 2015, we created employment schemes in five London boroughs. One of these was with Mash Purveyors, a quality greengrocer based on our flagship development, Origin, in Park Royal which resulted in 10 per cent of their workforce being recruited through a SEGRO employment scheme.

Looking ahead, in 2016 we intend to require all of our construction contractors for our Greater London developments to offer apprenticeships or work experience placements to local residents. We will also continue work to establish a virtual Skills and Employment Team with local authorities to help prepare the unemployed members of the community become 'job-ready'.

Developing employment and skills in the London borough of Hillingdon

In 2015, SEGRO received the Uxbridge College Employer Champion Award for our work in the West London borough of Hillingdon. Our Employment and Skills Programme, in partnership with Hillingdon Council and Uxbridge College, provides training and work opportunities for the local community and guaranteed interview opportunities across local SEGRO developments.

We also worked with Whitbread to develop a hospitality training course that has enabled local people to secure jobs at the new Premier Inn and Beefeater restaurant development at Riverside Way in Uxbridge, West London. We provided 57 apprenticeship weeks, 10 weeks of work experience and 33 weeks of employment for local residents.

Investing in the future of Slough

SEGRO has a special relationship with the local community in Slough which spans the Company's 95 year history.

In 2013, we helped to establish Slough Aspire as a first port of call for training and learning needs in the area. It delivers events and courses for students, businesses and the local community. In 2015, highlights included:

- 2,235 young people engaged;
- 207 employees took part in the Local Workforce Development programme;
- 2,028 people visited the Slough Aspire Centre;
- 564 people attended 40 job clubs; and
- 13 new local business start-ups were supported.

We expect to invest £130 million in development and other initiatives in Slough over the next five years to attract more inward investment to the town.

Corporate Social Responsibility

Our Community continued…

Charitable donations

We support our employees' efforts to make a difference in their local communities.

We operate a central Charity Committee for the Company with local sub-committees for the Business Units which agree independently which charities to support. Membership of the committees is open to all employees and we support as many of our employees' charitable efforts as we can.

In 2015, we donated the equivalent of £886,741 in the form of direct donations (£212,845), employee fund-raising (£53,691) and assistance in kind (£620,205). In addition, our employees more than doubled the amount of their time they gave to charities, from 44 to 103 days.

Supporting LandAid

We are a long-term supporter and partner of LandAid, the charity for the UK property industry that aims to improve the lives of children and young people who experience disadvantage due to their economic or social circumstances.

In 2015, our employees raised £92,147 for LandAid through activities such as a golf day, cake bakes, a sailing day and the Industrial Agents Cycle Challenge.

Andy Gulliford, our Chief Operating Officer, sits on the LandAid Fundraising Committee and two SEGRO employees are currently LandAid Ambassadors.

In 2016, we will encourage every employee to use their 'day of giving' to support LandAid's activities, and we will encourage more of our people to become LandAid Ambassadors.

London Community Fund

Our annual £60,000 London Community Fund is designed to support grass roots community projects in the areas in London where SEGRO operates. In 2015, we funded 13 projects in Brent, Ealing, Hounslow, Hillingdon, Enfield and Barking & Dagenham. Together, these projects have delivered wide-ranging outcomes:

- 176 direct beneficiaries;
- Around 25 per cent of beneficiaries are women;
- 44 per cent of beneficiaries are disabled or have mental health issues;
- 75 people have undertaken work experience placements; and
- 250 people have indirectly benefited through the funding.

One beneficiary was Groundswell's Volunteer Progression Programme (VPP) which aims to support five formerly homeless volunteers to deliver their Homeless Health service in Hounslow. The project started in April 2015 with a three month co-design phase to develop new partner relationships within Hounslow, establish the monitoring framework, and train their volunteers. By October, they had already trained three formerly homeless volunteers, developed partnerships with four homelessness agencies and five GP surgeries; delivered 24 health promotion sessions, and held 14 one-to-one 'engagement meetings'.

East Plus

In October 2015, the Greater London Authority (GLA) and SEGRO agreed to form a development partnership to regenerate 35 hectares of land at London Riverside, East London – known collectively as East Plus. It is the largest deal of its kind between the public sector and a private land developer in the capital.

Key facts

- Work experience and training to students to be offered on all of our construction sites
- 1,000 students will be sponsored through the prestigious CEME Gateway to Skills programme
- £300,000 fund to support grass roots community projects to deliver employability training for hard-to-reach residents
- Local employment partnerships to be created to help our customers identify local talent and support residents to access job opportunities created

"We are delighted to have been selected as the exclusive development partner to the GLA to enable the redevelopment of one of London's most important industrial areas. We have the commitment, expertise and knowledge to help the GLA meet the needs of a growing population and deliver one of the most sustainable and attractive industrial areas in London and the South East, as well as creating over 6,500 jobs across a range of sectors.

David Sleath
SEGRO Chief Executive

Our Stakeholders

1,200

customers

77%

occupier satisfaction in our 2015 customer survey

£300m

supplier spend

83%

invoices with valid PO paid within 30 days

New Health and Safety Construction Standard launched in 2015

Construction standard

In 2015, SEGRO's Cross Border Technical Group developed and implemented a new Health and Safety Construction Standard. This Standard provides a benchmark for all construction activities undertaken by our contractors across the Group. It provides clear standards on Leadership and Behaviour, Designing for Health and Safety, Workplace Health and Performance Management.

SEGRO's goal is to be the best owner, manager and developer of industrial property in Europe. We want to be the partner of choice, creating strong and enduring relationships with our customers, suppliers and shareholders.

Engaging with our customers

It is vital to our continued success that our customers are satisfied with the product and service levels they get from us. We consistently aim to exceed their expectations.

SEGRO encourages its customers to take part in its independent, annual customer satisfaction survey. The feedback is shared throughout the business and shapes our business development and customer engagement activities. This year, we achieved an overall score of occupier satisfaction of 77 per cent. 80.1 per cent of our customers rate SEGRO as 'easy' or 'very easy' to work with.

In 2015, we set up a new Customer Relations Management initiative, led by the Chief Operating Officer. The aim of the initiative is to improve our understanding of the challenges and opportunities facing our customers allowing us to offer potential solutions tailored to their real estate requirements.

Developing our supply chain

We spend over £300 million a year with approximately 3,300 suppliers across the Group. Our supply chain ranges from small local business groups up to multi million pound construction contracts. Developing a transparent, secure and sustainable supply chain is critical to SEGRO's ongoing success.

As a responsible business, we ensure our supply chain complies with all relevant laws, safeguards the environment, and protects the health and safety of employees and users of our assets. All potential suppliers undergo a thorough assessment to ensure that they can meet our stringent requirements for health and safety systems, environmental protection and good business practices. Our anti bribery and corruption policy and practices apply equally to our own staff and to our external suppliers.

We are a signatory to the UK Prompt Payment Code and, when backed by a valid purchase order, we aim to approve and pay invoices within 30 days. During 2015, 83 per cent of invoices with valid purchase orders were paid within 30 days.

In early 2016, we expect to implement a new online service – the SEGRO Supplier Relationship Management (SRM) system – which will be a major step forwards in improving transparency, compliance and communication across our supply chain.

Health and safety in our supply chain

It is our key priority to ensure the highest standards of health and safety for our customers and suppliers.

In line with our occupational health and safety reporting, updates, incidents or issues are logged and reported to senior leaders and the Board on a monthly basis and lessons learned are taken back to the business. We investigate all serious incidents and near misses as soon as we are made aware of them.

In October 2015, we implemented the SEGRO Health and Safety Construction Standard. All contractors must be able to demonstrate that their health and safety procedures meet or exceed the levels set in the Standard.

Corporate Social Responsibility

Our Environment

SEGRO 2020 Recap

As one of Europe's leading landlords, we own or manage 6 million square meters of space. Consequently, we have a significant opportunity – and responsibility – to create sustainable buildings while also meeting our customers' needs and legislative demands.

We believe that business should play an important role in preserving the environment. Through our SEGRO 2020 sustainability strategy we have committed to reducing our environmental impact in key areas such as energy and water consumption, waste reuse and recycling, and renewable energy.

SEGRO 2020 was introduced in 2013 and realigned our technical sustainability goals for the Group in response to changing customer demands and increasing legislation across the UK and Europe. It specifically targets building design, new build and refurbishments, energy and water efficiency and obtaining recognised building certifications such as BREEAM and LEED. We have achieved, or are close to achieving, a number of our targets such as waste reuse and recycling before the 2020 deadline last year, and have invested in key areas again throughout 2015 to help drive continuous improvement. For a high level summary of our performance, see the table below.

Technical sustainability is a central function at SEGRO, and supports the local development, refurbishment, and operational teams in delivering the SEGRO 2020 objectives. The team provides guidance and support on changing legislative requirements to ensure that we are compliant, and are meeting or exceeding our customers' requirements. We constantly look to integrate new technologies that help us to deliver lower carbon buildings, achieve greater resource efficiency and generate energy from renewable sources. We invest in projects and programmes to reduce the environmental impacts of our buildings, and report our carbon emissions to established standards such as EPRA, GRESB and CDP.

In 2015 we were again awarded Gold by EPRA for our reporting disclosure, and improved our GRESB score to become a 'Green Star' for the first time, alongside improving our CDP score for the fourth year running.

Data Coverage

There are some instances where it may not be possible to collect all data for certain SEGRO 2020 targets, mostly affecting refurbishments and developments. This is due to factors such as project completion dates and being reliant on third parties to provide data, but there is also scope to improve our internal procedures to increase coverage. This will be an area of focus for 2016 and will involve working with internal and external stakeholders, alongside improving our internal reporting tools which includes the sustainability toolkits we use to gather data for new developments and refurbishments. Working through the data assurance process has helped us identify where we can improve our procedures in this area.

Improvement Target by 2020	2015 progress towards target	
Improving operational efficiency against our baseline		
80 per cent reuse or recycling of construction/demolition waste	On target	77 per cent (2014: 87 per cent)
60 per cent reuse or recycling of excavation waste	Target met	87 per cent (2014: 92 per cent)
40 per cent reduction in energy intensity	On target	19 per cent reduction vs 2012 baseline (2014: 7 per cent reduction)
20 per cent reduction in water intensity	Not available	We have encountered data quality issues with this target and cannot report progress for 2015. We will resolve these issues during 2016.
Improving the design standards of our new buildings and refurbishments		
100 per cent to have water efficient technology installed	Target met	100 per cent (27 buildings, of which 21 were qualifying developments and 6 were refurbishments)
100 per cent of qualifying buildings to be at least 40 per cent more efficient than our 2009 baseline	On target	70 per cent of buildings met the target (15 out of 21 developments and 8 out of 10 qualifying refurbishments)
100 per cent of qualifying new developments by SEGRO over 10,000m² to be BREEAM certified 'Very Good' or equivalent	Not met	50 per cent of qualifying developments met the target (1 out of 2 developments)
100 per cent of new buildings to be EPC 'B' rated or better	On target	94 per cent (16/17) of new developments achieved the target (2014: 73 per cent)
100 per cent of qualifying refurbishments to be EPC 'C' rated or better	On target	75 per cent (24/32) of qualifying refurbishments achieved 'C' or better (2014: 57 per cent)
Renewable Energy		
Increase renewable energy generating capacity across the group	Target met	8.1 MWp capacity of SEGRO owned renewable energy (2014: 1.6 MWp)
	Target met	5,558 MWh of renewable energy generated in 2015 (2014: 2,088 MWh)

Table of Emissions

GLOBAL GHG EMISSIONS DATA IN TONNES CO_2e

EMISSIONS FROM:		2015	2014
Scope 1 emissions – combustion of fuel and operation of facilities	Δ	5,755	8,848
Scope 2 emissions* – purchased electricity, heat, steam and cooling (location-based)	Δ	21,438	27,860
Scope 2 emissions** – purchased electricity, heat, steam and cooling (market-based)		19,096	N/A
Total carbon footprint (tonnes of CO_2e)	Δ	27,193	36,708
SEGRO'S CHOSEN INTENSITY MEASUREMENT			
Emissions reported above, normalised to tonnes of CO_2e per m^2 of responsible space	Δ	0.0236	0.0242

* Electricity emissions are calculated using the location-based method (using national average emissions factors).

** Electricity emissions for the UK are calculated and reported using the market-based method, using supplier specific emissions factors. For Continental Europe, supplier specific emissions factors could not be obtained, and electricity emissions are therefore calculated using the location-based method. SEGRO intends to obtain supplier specific emissions factors for a larger proportion of the portfolio for 2016 reporting.

Δ Selected information within the scope of KPMG limited assurance.

Mandatory Greenhouse Gas (GHG) Emissions Statement

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas emissions pursuant to Section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The table above provides information on SEGRO's greenhouse gas emissions for 2015. We are pleased to report a decline in comparable absolute emission levels, due substantially to disposals of non-core assets, and a 2.5 per cent improvement in SEGRO's chosen intensity measurement.

Total carbon footprint reported consists of the sum of Scope 1 emissions and Scope 2 (location-based) emissions, for comparability with previous years.

The absolute greenhouse gas emissions for scope 1 and 2 have decreased since 2014. This is partly attributable to the sale or demolition of a number of assets, including the sale of the majority of the Pegasus Park estate in Belgium, Zandsteen in the Netherlands, and Energy Park in Italy.

In addition, a significant enhancement in team engagement, data collection methodologies and data cleansing has enabled greater clarity over whether consumption is the responsibility of SEGRO, or exclusively for occupier consumption. This has allowed more accurate apportionment of tenant consumption as Scope 3 emissions as opposed to Scope 1.

Methodology

Our reporting methodology is aligned to the GHG Protocol using operational control as the boundary and EPRA methodology for intensity metrics. For further information please see our reporting guidelines at www.SEGRO.com/sustainability

KPMG Limited Assurance

We engaged KPMG LLP to undertake an independent limited assurance engagement, using the assurance standards ISAE 3000 and ISAE 3410 over Selected Information included in this Annual Report. The Selected Information within the scope of this assurance is highlighted with the symbol Δ in the Table of Emissions, above. KPMG LLP's full statement is available on our website at www.segro.com/csr/reports and KPMG has issued an unqualified opinion on the Selected Information.

The level of assurance provided for a limited assurance engagement is substantially lower than a reasonable assurance engagement. In order to reach their opinion, KPMG performed a range of procedures which included interviews with management, examination of reporting systems and data testing. A summary of the work they performed is included within their assurance opinion.

Non-financial performance information, greenhouse gas quantification in particular, is subject to more inherent limitations than financial information. It is important to read the Selected Information in the context of KPMG's full limited assurance statement and the reporting criteria as set out in the SEGRO reporting guidelines available at www.segro.com/csr/reports

SELP Adopts SEGRO 2020

During 2015 we have focused on bringing our Continental European operations in line with the UK in terms of sustainability progress in our new developments, refurbishments and standing portfolio. This has involved working closely with our local teams to ensure the objectives of SEGRO 2020 are understood and embedded in Continental Europe.

As a result of this effort, in 2015 the SELP joint venture formally adopted SEGRO 2020, which paves the way for further investment in sustainability projects throughout 2016.

Financial Review

A strong financial position

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

2015 Highlights[1]

20.6%
2014: 23.0%
EPRA net asset value growth[2]

18.4%
2014: 19.4%
Total property return

£686.5M
2014: £654.4M
IFRS profit before tax

£138.6M
2014: £129.7M
Adjusted profit before tax[2]

91.7P
2014: 92.0P
IFRS earnings per share

18.4P
2014: 17.2P
Adjusted earnings per share[2]

463P
31 December 2014: 384P
EPRA net asset value per share[2]

38%
31 December 2014: 40%
Loan to value ratio

1 Management reviews the performance of the business and the financial structure primarily on a proportionately consolidated basis which includes the Group's share of joint ventures on a line by line basis. The Group's key performance indicators are therefore also presented on this basis.

2 Adjusted profit before tax, Adjusted EPS and EPRA NAV are alternate metrics to their IFRS equivalents.

Presentation of financial information

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

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

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

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

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

Adjusted profit

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

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

Like-for-like net rental income

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

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

Adjusted profit

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

Net rental income

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

On a like-for-like basis[1], net rental income increased by £7.4 million, or 4.2 per cent, compared to 2014. This is mainly due to rental increases in our UK portfolio and a lower overall vacancy rate during the year which enhanced gross rental income and reduced vacant property costs.

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

Financial Review

A strong financial position continued…

Income from joint ventures

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

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

Administrative and operating costs

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

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

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

Net finance costs

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

Taxation

The tax charge on Adjusted profit of £1.3 million (2014: £1.9 million) reflects an effective tax rate of 0.9 per cent (2014: 1.5 per cent), consistent with a Group target tax rate of less than 3 per cent.

The Group's target tax rate reflects the fact that over three-quarters of its assets are located in the UK and France and qualify for REIT and SIIC status respectively in those countries. This status means that income from rental profits and gains on disposals of assets in the UK and France are exempt from corporation tax, provided SEGRO meets a number of conditions including, but not limited to, distributing 90 per cent of UK taxable profits.

Adjusted earnings per share

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

Total property return

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

More detail on the performance of the property portfolio can be found in the Chief Executive's Review.

IFRS profit

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

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

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

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £125.6 million (2014: £109.4 million) and are further analysed in Note 7.

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

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

Balance sheet

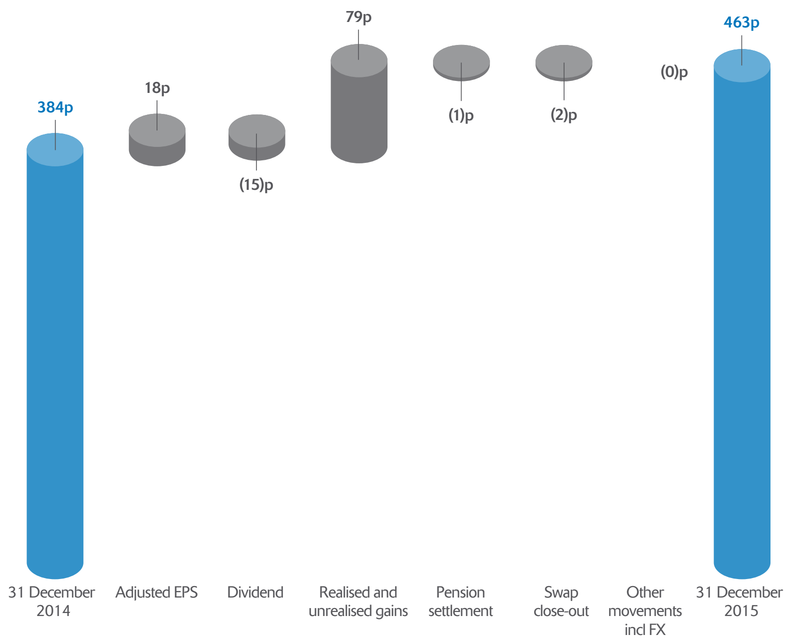
At 31 December 2015, IFRS net assets attributable to ordinary shareholders were £3,489.9 million (31 December 2014: £2,888.8 million), reflecting 468 pence per share (31 December 2014: 390 pence).

EPRA net asset value per share at 31 December 2015 was 463 pence (31 December 2014: 384 pence), the 21 per cent increase mainly reflecting property gains in the period. The chart opposite highlights the other principal factors behind the increase. A reconciliation between IFRS and EPRA net assets is available in Note 14 to the financial statements.

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

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

EPRA net asset value per share



Financial Key Performance Indicators

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

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

Financial Review

A strong financial position continued…

Cash flow/Net debt reconciliation

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

Cash flow and net debt reconciliation

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

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

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

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

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

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

EPRA capital expenditure analysis

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

1 Being £602.5 million investment property and £nil trading property (2014: £437.1 million and £nil million respectively) see Note 15.
2 Being £143.6 million investment property and £0.5 million trading property (2014: £122.7 million and £13.6 million respectively) see Note 15.
3 Being £17.7 million investment property and £0.4 million trading property (2014: £20.2 million and £1.5 million respectively) see Note 15.
4 Includes wholly owned capitalised interest of £2.9 million (2014: £4.4 million) as further analysed in Note 11 and share of joint venture capitalised interest of £0.1 million (2014: £0.4 million).
5 Tenant incentives, letting fees and rental guarantees.

Capital expenditure

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

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

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

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

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

Financial Review

A strong financial position continued…

Treasury policies and governance

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

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

Financial position and funding

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

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

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

Cash and cash equivalent balances, together with the Group's interest rate and foreign exchange derivatives portfolio, are spread amongst a strong group of banks, all but one of which currently have long-term credit ratings of A– or better.

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

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

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

The Group seeks to maintain, over the medium term, an appropriate mix of debt funding between longer-dated core funding provided by bonds, and shorter-dated bank facilities providing funding headroom and more flexible borrowings that are cheaper and easier to repay than bonds. At 31 December 2015, following the repayment of £208.3 million of sterling bonds during 2015, 82 per cent of the gross borrowings of the Group were bonds and 18 per cent were bank borrowings.

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

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

The key financing metrics of the Group are shown in the table on page 57.

Gearing and financial covenants

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

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

The gearing ratio of the Group at 31 December 2015, as defined within the principal debt funding arrangements of the Group (excluding debt funding arrangements within joint ventures), was 52 per cent (31 December 2014: 58 per cent). This is significantly lower than the Group's tightest financial gearing covenant within these debt facilities of 160 per cent.

Property valuations would need to fall by around 41 per cent from their 31 December 2015 values to reach the gearing covenant threshold of 160 per cent. When the figures are adjusted for the impact of the Bath Road office portfolio disposal, the gearing ratio falls to 42 per cent and values would need to fall by around 47 per cent to reach the gearing covenant threshold. A 47 per cent fall in property values would equate to a look-through LTV ratio of around 64 per cent.

The Group's other key financial covenant within its principal debt funding arrangements is interest cover, requiring that net interest before capitalisation be covered at least 1.25 times by net property rental income. At 31 December 2015, the Group comfortably met this ratio at 2.5 times. On a look-through basis, including joint ventures, this ratio was 2.8 times.

Interest rate risk exposure

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

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

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

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

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

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

Foreign currency translation exposure

The Group has negligible transactional foreign currency exposure, but does have a potentially significant currency translation exposure arising on the conversion of its substantial foreign currency denominated assets (mainly euro) and euro denominated earnings into sterling in the Group consolidated accounts. At 31 December 2015, the Group had gross foreign currency assets which were 89 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments). Translation hedging has been maintained towards the upper end of the 50 to 100 per cent policy range in order to substantially reduce the impact of movements in the sterling/euro exchange rate on NAV and Adjusted profit after tax.

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

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

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

Going concern

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

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

The Directors have also considered the Group's viability over the longer period of five years and this is set out on page 65 of this Report.

Justin Read
Group Finance Director

Principal Risks

Effective risk management is central to our long-term success

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

Risk appetite

We have put risk appetite at the heart of our risk management processes. Risk appetite is integral both to our consideration of strategy and to our medium-term planning process. Risk appetite also defines the criteria for assessing the potential impact of risks and our mitigation of them.

The Group's risk appetite is reviewed annually and approved by the Board in order to guide management. As well as qualitative descriptions, the risk appetite defines tolerances and targets for key metrics. It is equally applicable to wholly owned operations and joint ventures.

While our appetite for risk will vary over time and during the course of the property cycle, in general the Group maintains a fairly low appetite for risk, appropriate to our strategic objectives of delivering a sustainable progressive dividend stream, supported by long-term growth in net asset value per share.

Property risk

We recognise that, in seeking outperformance from our portfolio, the Group must accept a balanced level of property risk – with diversity in geographic locations and asset types and an appropriate mixture of stabilised income-producing and opportunity assets – in order to provide opportunities for superior returns.

Our target portfolio should deliver attractive, low risk income returns with strong rental and capital growth when market conditions are positive and show relative resilience in a downturn. We aim to enhance these returns through development, but we seek both to ensure that the 'drag' associated with holding development land does not outweigh the potential benefits and also to mitigate the risks – including letting and construction risks – inherent in development.

In line with our income focus, we have a low appetite for risks to income from customers, and accordingly seek a diverse occupier base with strong covenants and avoid over-exposure to individual occupiers in specialist properties.

Financial risk

The Group maintains a low to moderate appetite for financial risk in general, with a very low appetite for risks to solvency and gearing covenant breaches.

As an income-focused REIT we have a low appetite for risks to maintaining stable progression in earnings and dividends over the long term. We are, however, prepared to tolerate fluctuations in dividend cover as a consequence of capital recycling activity.

We also seek long-term growth in net asset value per share. Our appetite for risks to net asset value from the factors within our control is low, albeit acknowledging that our appetite for moderate leverage across the cycle amplifies the impact of asset valuation movements on net asset value.

Corporate risk

We have a very low appetite for risks to our good reputation and risks to being well-regarded by our investors, regulators, employees, customers, business partners, suppliers, lenders and by the wider communities and environments in which we operate.

Our responsibilities to these stakeholders include compliance with all relevant laws; accurate and timely reporting of financial and other regulatory information; safeguarding the health and safety of employees, suppliers, customers and other users of our assets; safeguarding the environment; compliance with codes of conduct and ethics; ensuring business continuity; and making a positive contribution to the communities in which we operate.

Risk management

Board
- Oversees the Group's risk management and internal controls.
- Determines the Group's risk appetite.

Chief Executive
- Responsible for risk management.
- Assigns responsibility for risks to senior executive risk owners.

Executive risk owner
- Owns risk in domain.
- Assigns accountability for risks to senior risk managers.
- Ensures that risks are identified, assessed and adequately controlled.

Risk manager
- Responsible for ensuring the risk is within appetite.
- Regularly reviews and assesses existing risks with risk management.
- Drives design and implementation of controls.

Audit Committee
- Monitors effectiveness of the Group's risk management and internal control systems.

Executive Committee
- Monitors strategic and other risks.
- Delegates accountability for risk management and monitors performance.

Monitoring committees
- Regularly identify, assign accountability for, and monitor the significant risks and corresponding controls within their domains.
- Report status to risk management function.

Risk management function
- Develops risk policy.
- Manages the process.
- Manages/reports risk register.
- Provides assistance in assessing and documenting risks and controls.
- Provides quality assurance and challenge to risk owners and managers.

Group Risk Committee
- Establishes, monitors and reports on the Group's approach to risk management.
- Oversees the work of the risk management function.
- Challenges individual risk owners and managers.

	Executive risk owner	Monitoring committee	Risk manager	Risk management function
Strategic	Chief Executive	Executive	As assigned by executive risk owner	Provides information, assists in documentation and provides quality assurance to risk managers, executive risk owners and committees.
Financial	Group Finance Director	Finance		
Operational	Chief Operating Officer/ Others as appropriate	Operations Business Information Systems Executive		
Investment	Chief Investment Officer	Executive/Investment		
Compliance	As appropriate	As appropriate		

Principal Risks

Effective risk management is central to our long-term success continued…

An integrated approach to managing risk

The Board has overall responsibility for ensuring that risk is effectively managed across the Group. The Audit Committee reviews the effectiveness of the Group's risk management process on behalf of the Board. Further information on compliance with the risk management provisions of the UK Corporate Governance Code can be found in the Governance section on pages 71–112.

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

Accountabilities for the Group's risk management are outlined in the diagram on page 63.

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. Risk appetite is also formally reviewed by the Board annually.

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 potential impact of such risks on the business and actively considers them in its decision-making. The Board also monitors internal risks and ensures that appropriate controls are in place to manage them.

Risks are considered within each area of the business to ensure that risk management is embedded within the Group's decision making processes and culture. Each risk in the Group Risk Register is owned by a member of the Executive Committee who works with a senior manager who is responsible for the monitoring and mitigation of that risk to within appetite. Each risk is reviewed regularly throughout the year at relevant management committees and each risk is also reviewed in depth with its risk manager and risk owner at least twice a year.

Communication across a relatively small management team, and regular consideration of risk at key management committees, allows management to respond quickly to changing events so as to reduce adverse effects on the Group's risk profile.

Risks are assessed in both unmitigated (assuming that no controls are in place) and residual (with mitigating controls operating normally) states. This assessment directly relates potential impact to risk appetite so that it is clear whether each risk is comfortably within appetite, tolerable, intolerable or below appetite. In 2015 we have begun to formally assess the velocity of the most significant risks to better understand how quickly they might cause an intolerable impact on us.

In addition to reports detailing risks individually and in aggregate, in 2015 we introduced a key risk indicator (KRI) dashboard which indicates actual performance against risk appetite metrics.

Illustrations of some of the reports, including this dashboard, used by management are shown below.

The most significant risks and mitigating controls are detailed in the Group Risk Register.

Controls relevant to each risk are also documented and monitored in the Group Risk Register. The risks and controls in the Register are used to inform the Group's internal audit assurance programme. Management's annual assessment of control effectiveness is driven by the risks and controls drawn from the Group's Risk Register. The link between significant risks and control assurance has continued to be a focus during 2015.

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 Group's approach to risk management is documented and formalised in a policy, reviewed annually by the Executive Committee. The Executive Committee considers emerging risks and their impact on the Group Risk Register formally four times per year.

A robust assessment

In order to robustly assess the principal risks facing the Group, the Board has taken a number of measures. The Board has formally reviewed the principal risks twice during the year. The Board has also completed its annual review and approval of the Group's risk appetite. Furthermore, the Audit Committee receives a report twice a year on how the Group Risk Register has been compiled. The Group's Risk Management process was the subject of an internal audit in 2015 and was assessed as 'appropriately controlled'.

Principal risks

The principal risks have the potential to affect SEGRO's business materially – either favourably or unfavourably. Risks are classified as 'principal' according to their potential to intolerably exceed our appetite (considering both inherent and residual impact) and cause material harm to the Group.

Some risks that may be unknown at present, as well as other risks that are currently regarded as immaterial and therefore not detailed here, could turn out to be material in the future.

The current principal risks facing the Group are described across the following pages, along with the potential areas of impact on the Group's strategy and the principal activities that are in place to mitigate and manage such risks. The direction of change in the level of the risk during the course of 2015, along with an assessment of whether the risk is within our appetite following the application of our mitigating controls, is indicated along with links to further relevant information provided in other sections of this report.

The principal risks that the Group reported last year have evolved in nature, as has the Group's response to them. No new additional risks have been classified as principal since 2014, and no principal risks have been de-classified since that time.

Viability statement

The Group's principal risks, and its approach to managing them, as described in this section, have formed the basis of our assessment of longer term viability. The process for conducting this assessment is summarised in the Audit Committee's report on page 90.

The Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and has adequate resources to meet its liabilities as they fall due over the next five years.

The five year assessment period is the same time horizon as covered by the Group's annual rolling five year strategic financial plan. This is considered to be the optimum balance between our need to plan for the long term (as property investment is a long-term business) and the progressively unreliable nature of forecasting in later years, particularly given the historically cyclical nature of the property industry. Five years is also in a similar timeframe to the Group's weighted average unexpired lease term and to the average maturity of its debt portfolio. In selecting this time period, the Directors confirm that they have no reason to regard five years as a 'cliff edge' in terms of the Group's viability.

In addition to the robust ongoing assessment and management of the risks facing the Group, as already set out in this section, the Group has stress-tested its five year strategic financial plan. This stress-test has considered the risks that could either singularly, or in combination, threaten the viability of the Group. In particular we have considered the potential impacts of:

- A systemic crisis, such as a major dislocation or failure of capital markets or a failure of the insurance market;
- An acute deterioration in occupier or property investment market conditions;
- Significant movements in interest rates and foreign exchange rates;
- A sustained interruption to the Group's business continuity; and
- An inability to refinance maturing debt.

In stress testing we assessed the limits at which key financial ratios and covenants would be breached, causing a threat to the Group's viability. We then assessed the likelihood of that limit being reached as a result of the individual event or combination of events occurring, using a combination of historic data (for example the acute property valuation decline in 2007–2008) and forward-looking probability analysis where available.

As a result of this stress testing, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next five years.

Principal Risks

Effective risk management is central to our long-term success continued…

Property risks

Risks to achieving above average rental and capital growth from our portfolio, including external market and competitive conditions, portfolio strategy, and execution of acquisitions and disposals.

Risk	Impact on strategy	Change in 2015	Mitigations	Residual risk within appetite?	Further information
Market cycle The property market is cyclical and there is a continuous risk that the Group could either misinterpret the market or fail to react appropriately to changing market conditions, which could result in capital being invested or disposals taking place at the wrong price or time in the cycle. This is continuous risk with a moderate likelihood.		→	The Board, Executive Committee and Investment Committee monitor the property market cycle on a continual basis and adapt the Group's investment/divestment strategy in anticipation of changing market conditions. Independent diverse sources of investment and occupier market intelligence are regularly received and considered. Upside and downside scenarios are incorporated into Investment Committee papers to assess the impact of differing market conditions.	✓	The market outlook is detailed in the Chief Executive's Review on page 31.
Portfolio strategy The Group's Total Property and/or Shareholder Returns could underperform in absolute or relative terms as a result of an inappropriate portfolio strategy. This could result from: ◦ Holding the wrong balance of prime or secondary assets; ◦ Holding the wrong amounts or types of land, leading to diluted returns and/or constraints on development opportunities; ◦ Holding the wrong level of higher risk 'opportunity' assets or too many old or obsolete assets which dilute returns; ◦ Holding assets in the wrong geographical markets; ◦ Missing opportunities in new markets or lacking critical mass in existing markets. This is continuous risk with a moderate likelihood.		→	The Group's portfolio strategy is subject to regular review by the Board to consider the desired shape of the portfolio in order to meet the Group's overall objectives and to determine our response to changing opportunities and market conditions. The Group's disciplined capital allocation is informed by comprehensive asset plans and independent external assessments of market conditions and forecasts. Regular portfolio analysis ensures the portfolio is correctly positioned in terms of location and asset type, and retains the right balance of core and opportunity assets. The annual asset planning exercise provides a bottom-up assessment of the performance and potential for all assets to identify underperforming assets that are considered for sale.	✓	Further information is contained in the Chief Executive's review on pages 18 to 31.

Key Disciplined capital allocation | Operational excellence | Efficient capital and corporate structure

Increased risk | Similar risk | Decreased risk

Risk	Impact on strategy	Change in 2015	Mitigations	Residual risk within appetite?	Further information
Execution of investment plans Decisions to buy, hold, sell or develop assets could be flawed due to uncertainty in analysis, quality of assumptions, poor due diligence or unexpected changes in the economic or operating environment. Our investment decisions could be insufficiently responsive to implement our strategy effectively. This is continuous risk with a moderate likelihood as changing investment and occupier market conditions require constant adaptation.		↘	Asset plans are prepared annually for all estates to determine where to invest capital in existing assets and to identify assets for disposal. Locally-based property investment and operational teams provide market intelligence and networking to deliver attractive opportunities. Policies are in place to govern evaluation, due diligence, approval, execution and subsequent review of investment activity. The Investment Committee meets frequently to review investment and disposal proposals and to consider appropriate capital allocation. Investment hurdle rates are regularly reappraised taking into account estimates of our weighted average cost of capital. Major capital investment and disposal decisions are subject to Board approval.	✓	Further information is contained in the Chief Executive's review on pages 21 and 22.

Financial risks

Risks to the revenues, costs, cash flows, equity capital and solvency of the Group resulting from the capital structure of the Group and changes in external factors such as interest rates, foreign exchange rates and the creditworthiness of the Group's major financial counterparties.

Risk	Impact on strategy	Change in 2015	Mitigations	Residual risk within appetite?	Further information
Solvency and covenant breach A substantial fall in the Group's property asset values or rental income levels could lead to a breach of financial covenants within its debt funding arrangements. This could lead to a cancellation of debt funding which could, in turn, leave the Group without sufficient long-term resources (solvency) to meet its commitments. This is a medium-term risk with a low likelihood.		→	Future funding requirements and covenant headroom, including sensitivity to asset valuation declines, are closely monitored by the Group Treasury function, the Finance Committee (which reports to the Group's Executive Committee) and the Board. Group Treasury calculate actual levels and headroom with sensitivities to financial covenants on a quarterly basis and review non-financial covenants on an ongoing basis. The Audit Committee reviews the Group's going concern status bi-annually. In line with its Treasury policy, the Group maintains appropriate undrawn headroom under committed bank facilities which are generally refinanced well ahead of maturity.	✓	Significant headroom exists against all financial covenants. Property valuations would need to fall by around 41 per cent from their 31 December 2015 values to reach the gearing covenant threshold of 160 per cent. Further details of Treasury policy, funding headroom, financial covenant ratios and related headroom and sensitivities are provided in the Financial Review on pages 54 to 61. The Group's viability statement is on page 65.

Principal Risks

Effective risk management is central to our long-term success continued…

Financial risks continued…

Risk	Impact on strategy	Change in 2015	Mitigations	Residual risk within appetite?	Further information
UK exit from the EU The increasing uncertainty associated with the outcome of the UK's EU referendum may temporarily impact investment, capital and occupier markets in the UK through delayed decision making. In the event of a UK vote to leave the EU, property valuations, capital markets and occupier demand in the UK could also be impacted during the subsequent transition period while the terms of exit and future relationships are negotiated. In the long term, exit from the EU could reduce levels of occupier demand as a result of reduced trade and/or the relocation of corporations and financial institutions away from the UK, and London in particular. The likelihood of severe adverse impact on the Group, is judged to be low.		↗	The Group's high quality portfolio of prime industrial assets is diverse in terms of geography (28 per cent of GAV at share is in Continental Europe) and sector exposure. The Group is neither directly exposed to the asset classes, nor significantly exposed to the sectors, most likely to be most directly impacted by a UK exit from the EU. The Group's existing mitigations for resilience through the market cycle also provide mitigation against this risk. As well as the underlying quality and diversity of the portfolio, these include maintaining substantial covenant headroom, access to diverse sources of funding, and FX and interest rate hedging. Short development lead times also enable the Group to respond quickly to changing market conditions.	✓	
European economic environment The risk of a significant adverse impact to the Group's earnings, net asset value, financial covenants or investor confidence arising from the exit of a significant economy from the Eurozone or sustained poor economic performance in the Eurozone. These are short- to medium-term risks with a medium although somewhat changeable likelihood.		↘	We remain alert to the potential financial and operational risks to the business arising from a deterioration in economic conditions in the Eurozone, including a partial break-up. We 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 and regions.	✓	Germany represents 9 per cent, France 8 per cent, Netherlands/Belgium 3 per cent and Italy 2 per cent of the Group's assets. Poland, which also involves exposure to the Euro, represents a further 6 per cent of the Group's assets. Treasury policies are outlined in the Financial Review on page 60.
Financial leverage The Group could maintain an inappropriate capital structure. Financial leverage (usually expressed as the LTV ratio, but in financial covenants defined as gearing) needs to be managed depending on the direction of the economic and property market cycle. If gearing is too high when property valuations are falling, net asset value movements can be exacerbated and financial covenants put at risk. Equally, if gearing is too conservative, there is a risk that attractive growth opportunities could be missed and the benefits of leverage not maximised. This is a medium to long-term risk with a low likelihood.		→	The Group has targeted a mid-cycle look-through LTV ratio of around 40 per cent. Gearing levels are also tracked and forecast internally to monitor headroom against financial covenants. The LTV target is regularly considered in strategic planning and in asset recycling decisions.	✓	Gearing is discussed in the Financial Review on page 60.

Key
Disciplined capital allocation
Operational excellence
Efficient capital and corporate structure

↗ Increased risk
→ Similar risk
↘ Decreased risk

Risk	Impact on strategy	Change in 2015	Mitigations	Residual risk within appetite?	Further information
Interest rates A significant adverse movement in interest rates could have an unacceptable impact on the Group's earnings, on investment market conditions or on tenant covenant strength. This is a long-term risk with a moderate likelihood.		→	In accordance with the Group's Treasury policy, fixed interest cover is maintained between 50 per cent and 100 per cent of net look-through debt in order to balance the cost and certainty of interest rates. The position is formally reviewed biannually by the Finance Committee.	✓	At 31 December 2015, fixed interest cover was 75 per cent of the net borrowings of the Group (including the Group's share of borrowings within joint ventures). Interest rate hedging is detailed in the Financial Review on page 61.
Counterparty default A bank or other counterparty could default while holding SEGRO deposits or derivative assets, resulting in a significant financial loss to the Group. This could also include the loss of solvency headroom from lost undrawn committed bank facilities. This is considered to be a long-term risk with a low likelihood.		→	Counterparties are accepted based on a strict credit rating criteria. Compliance with the policy is monitored daily by both front and back-office staff within Group Treasury.	✓	Treasury policies are outlined in the Financial Review on page 60.

Corporate risks

Risks to business performance, legal and regulatory compliance, health and safety, environmental impact, reputation and business continuity arising from external factors or inadequate internal processes, people or systems.

Risk	Impact on strategy	Change in 2015	Mitigations	Residual risk within appetite?	Further information
Operational delivery and compliance The Group's ability to protect its reputation, revenues and shareholder value could be damaged by operational failures such as: environmental damage; failing to attract, retain and motivate key staff; a breach of anti-bribery and corruption or other legislation; major customer default or supply chain failure. Compliance failures, such as breaches of joint venture shareholders' agreements, secured loan agreements or tax legislation could also damage reputation, revenue and shareholder value. This is a continuous risk with a low likelihood of causing significant harm to the Group.		→	The Group maintains a strong focus on Operational Excellence. The Executive and Operations Committees regularly monitor the range of risks to operational delivery, compliance, business continuity, organisational effectiveness and customer management. The Group's tax compliance is managed by an experienced internal tax team. REIT and SIIC tax regime compliance is demonstrated at least bi-annually. Compliance with joint venture shareholder agreements is managed by experienced property operations, finance and legal staff. The SELP JV additionally has comprehensive governance and compliance arrangements in place, including dedicated management, operational manuals, and specialist third-party compliance support services.	✓	

Principal Risks

Effective risk management is central to our long-term success continued…

Corporate risks continued…

Risk	Impact on strategy	Change in 2015	Mitigations	Residual risk within appetite?	Further information
Health and safety Health and safety management processes could fail, leading to a loss of life, litigation, fines and serious reputational damage to the Group. This is a continuous risk with a low likelihood of causing significant harm to the Group. Nevertheless, we note that this risk is somewhat increased by the scale of the Group's development activity.	Operational excellence	Increased risk	The Group manages an active health and safety management system, with a particular focus on managing the quality and compliance to good health and safety practice of construction and maintenance contractors. A published health and safety policy is backed up by independent site inspections and a programme of staff and contractor training.	✓	Health and safety in our supply chain is discussed on page 51.
Regulatory environment The Group could fail to anticipate legal or regulatory changes, leading to a significant un-forecasted financial or reputational impact. In general, these are medium to long-term risks with a low likelihood of causing significant harm to the Group. Some, such as the OECDs' Base Erosion and Profit Shifting (BEPS) project, could have an earlier impact.	Operational excellence; Efficient capital and corporate structure	Increased risk	Emerging risks in this category are reviewed regularly by the Executive Committee, Finance Committee and Group Risk Management Committee. Corporate heads of function consult with external advisers, attend industry and specialist briefings, and sit on key industry bodies such as EPRA and BPF. A number of potential risks were identified, assessed and managed during the course of the year. None were considered to be material enough to be classified as principal risks. Nevertheless, we continue to maintain a close interest in the BEPS project. Our current assessment is that the direct impact on the Group is likely to be modest, but we will monitor the potential indirect impacts on the investment market and on valuations if BEPS affects more highly leveraged property investors.	✓	

Key Disciplined capital allocation; Operational excellence; Efficient capital and corporate structure

Increased risk; Similar risk; Decreased risk

Our approach to governance

Good governance is essential to support the delivery of our strategic priorities. The Board, as custodian of the business, seeks to secure the long-term future of the Company. We are responsible to our shareholders, customers and other stakeholders for the performance of the Company and for promoting its long-term success.

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Chairman's Introduction

Promoting a strong management structure

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In order for the Company to continue to deliver resilient performance and attractive returns for shareholders the Board must remain committed to high standards of corporate governance.

Nigel Rich CBE
Chairman

I am pleased, once again and for the last time, to introduce the Governance section of the Annual Report where we explain how corporate governance works at SEGRO, how it is central to all aspects of our business and is designed to create an environment where matters can be considered and decisions made at the appropriate level in the organisation.

As you will have read in the Strategic Report, in 2015 we delivered a strong year of operating and capital performance. I believe that in order for the Company to continue to deliver resilient performance and attractive returns for shareholders the Board must remain committed to high standards of corporate governance. Good corporate governance is about more than simply box ticking. It is about communication and information flows, trust and respect and open and honest debate in a structured environment.

Throughout 2015, the Company complied with the 2014 version of the UK Corporate Governance Code ('the Code') and this Report sets out how we applied its principles to the running of the business. This year, both the Board and the Audit Committee spent time considering our response to the new Code requirement to prepare a viability statement. A working group reported to us on the stress tests it undertook on our medium term plan in order to assess our viability. The Audit Committee report provides more information about this process while the viability statement is included with the Principal Risks.

The annual Board evaluation continues to be a valuable opportunity for all the Directors to reflect on how the Board operates and to propose improvements. One of the recommendations from the 2014 external evaluation was making sure that when the Directors were together we used this valuable time effectively. We have sought to streamline the number and volume of papers being presented to the Board to ensure we have the maximum amount of time for discussion and debate. Further information about the Board evaluation process and conclusions are on page 80.

In this Report, we explain how the Board, the Executive Committee and their respective committees interact. It is important that there is good communication between management and the Board and, in particular, an effective working relationship between the Chairman and the Chief Executive.

In the Nomination Committee report, Baroness Ford has explained the process which was followed to appoint Gerald Corbett as Chairman to succeed me following the AGM in April. His successful career across different industries will both complement and add to the wealth of experience and expertise on the Board.

Nigel Rich CBE
Chairman

Board culture

I believe that it is vital for the Board and the Executive Committee to work together to set the values and standards of behaviour for the business and make sure that these are maintained in order to ensure we deliver sustained long-term value for shareholders.

Purpose and Values

Alongside the successful execution of our strategy, I felt articulating our Purpose was an important and integral part of ensuring the long-term success of the Company. I wanted everyone in the Company to be clear about the reason why SEGRO exists and understand what binds us together as One SEGRO. In reviewing our Values, we wanted to make sure that everyone was crystal clear about how we work together, our core beliefs about how we do business and how they guide our decision making, as well as how we interact as a team. The Executive Committee led the process, working alongside our senior teams from across the business. Once finalised, the Leadership Team invited every employee in the business to a roll-out session where they led interactive workshops. At the 2015 Employee Conference we recognised those individuals and teams who were role models in living the Values during the year. The Board had received regular updates on progress with this project and the Non-Executive Directors took part in a roll-out session. I am delighted that our Non-Executive Directors have embraced these Values and feel comfortable challenging the Executive Directors, and each other, to live up to them. Further information about our Purpose and Values is in the CSR section.

Access to people

Individual Non-Executive Directors are encouraged to spend time in the business, outside scheduled Board meetings, and have access to anyone who on a one-to-one basis may be able to help further their understanding of the Company.

During the year, the Non-Executive Directors met with 14 of the 19 members of the Leadership Team, who comprise the Executive Committee and the senior executives immediately below the Executive Directors. I wanted the Non-Executive Directors to meet these leaders and to see the quality and talent that we have in the business. The Board regularly reviews talent and succession planning and getting to know the individual members of the Leadership Team assists with this process.

To enhance his understanding of the day-to-day issues facing the Group, the Chairman has regular lunches at different office locations with employees varying in seniority from a cross-section of the business. He also visited various sites during the year, including Milan and Slough. He attended the 2015 Employee Conference.

When the new Chairman joins the business, an extensive induction programme will be arranged for him. The Executive Directors will be keen not only for him to get to understand the business but also to have unfettered access to our people around the Group. Therefore his site visits and one-to-one meetings will not be escorted.

Presentations to Board meetings and Committee meetings

I am always keen not only for the Non-Executive Directors to hear from a range of people in our business but also for our employees to understand how the Board and our Committees work.

Whenever there is a suitable opportunity, we will invite managers to present to the Board or its Committees on their areas of specialism. For example, our Director of Tax presented to the Audit Committee on tax risks and one of our Investment Directors attended a Remuneration Committee meeting to explain the TPR outturn calculations. These presentations are fantastic development opportunities for our people and a chance for them to see the Board at work.

Asset tours

As mentioned elsewhere, two Board meetings each year are held off site. We receive positive feedback from every Board evaluation about the value the Non-Executive Directors derive from these visits. Of course it is important for these Directors to see the assets to help them understand the investment decisions we make but it is also helpful for them to hear from the local asset and leasing managers, to see them interact with customers, to witness their enthusiasm and sometimes to understand their frustrations.

Office culture

We are fortunate that with a relatively small head count, along with my Executive Committee colleagues, I have met personally practically everyone in the business. We operate with short lines of communication and pride ourselves on being nimble in our decision making. Each of our offices is open plan, we encourage people to use different office facilities within the Group and our IT systems allow people to hot desk in all of our offices.

David Sleath
Chief Executive Officer

Our Board

Doug Webb
Independent Non-Executive Director
Nigel Rich
Chairman
Christopher Fisher
Independent Non-Executive Director
Martin Moore
Independent Non-Executive Director
Phil Redding
Chief Investment Officer


David Sleath
Chief Executive Officer
Justin Read
Group Finance Director
Andy Gulliford
Chief Operating Officer
Mark Robertshaw
Independent Non-Executive Director
Baroness Ford
Senior Independent Non-Executive Director

Biographies

Nigel Rich CBE

Chairman

Appointed: 1 October 2006

Skills and Experience
Nigel brings considerable experience of working at Board level as a Chairman, an Executive and Non-Executive Director. Nigel has had senior management roles in finance and general management in companies with property assets in various sectors including commercial, industrial and residential, in Hong Kong and the UK. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

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 Matheson & Co Ltd, Pacific Assets Trust plc and British Empire Securities and General Trust plc.

Previous Appointments
Group Chief Executive of Trafalgar House plc Group, Managing Director of Jardine Matheson Holdings and Managing Director of HongKong Land. He was previously Chairman of Xchanging plc, Exel plc, CP Ships and the residential agents Hamptons.

He is the Chairman of the Nomination Committee.

Aged 70

David Sleath

Chief Executive Officer

Appointed: 1 January 2006

Skills and Experience
David has considerable knowledge of the Company and the real estate sector and has broad experience of financial and general management and of the professional services industry. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Current Appointments
David was appointed Chief Executive in April 2011, having served as Finance Director since 2006. He is a Non-Executive Director and Audit Committee Chairman of Bunzl plc, a Board member of the European Public Real Estate Association, and Vice President and Board member of the British Property Federation.

Previous Appointments
He has previously held a number of senior finance roles, including Finance Director of Wagon plc and partner at Arthur Andersen, where he worked for 17 years.

He is a member of the Nomination Committee.

Aged 54

Christopher Fisher

Independent Non-Executive Director

Appointed: 1 October 2012

Skills and Experience
Christopher has spent his career in corporate finance and has over 10 years of plc Board experience.

Current Appointments
He is Chairman of Bank of Ireland UK and of the AA, a senior adviser at Penfida, a firm providing corporate finance advice to pension fund trustees, and President of the Council of the University of Reading.

Previous Appointments
Christopher spent most of his career at Lazard, latterly as a Managing Director, and has also been Vice Chairman, Corporate Finance at KPMG. He has served as Non-Executive Director at Yates, Kelda/Yorkshire Water and Southern Cross Healthcare and, in the last case, as its Chairman in 2011. He has also served as a trustee of the Imperial War Museum and currently chairs its Development Trust.

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

Aged 62

Justin Read

Group Finance Director

Appointed: 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, theme parks and banking and across a number of jurisdictions.

Current Appointments
Justin joined the Company as Group Finance Director in August 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 54

Baroness Ford

Senior Independent Non-Executive Director

Appointed: 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. She is an Honorary Member of the Royal Institution of Chartered Surveyors.

Current Appointments
Baroness Ford joined the Board in January 2013 and is currently Chairman of STV Group plc and Grainger plc, and a Non-Executive Director of Taylor Wimpey plc.

Previous Appointments
Previously, Baroness Ford was Non-Executive Chairman of May Gurney Integrated Services plc, Barchester Healthcare Limited and Grove Limited. She was also Chairman of the Olympic Park Legacy Company.

She is the Senior Independent Non-Executive Director, Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Aged 58

Andy Gulliford

Chief Operating Officer

Appointed: 1 May 2013

Skills and Experience

Andy has close to 30 years' experience in real estate and brings extensive knowledge of the Company and the real estate sector in both the UK and Continental Europe. He is a member of the Royal Institution of Chartered Surveyors (MRICS).

Current Appointments

Andy was appointed Chief Operating Officer at SEGRO in November 2011, having joined SEGRO in 2004. He was appointed as an Executive Director in May 2013.

Previous Appointments

Andy was previously SEGRO's Managing Director for Continental Europe. Prior to this, he was the Director of Corporate Acquisitions and also Business Development Director. Before joining SEGRO, Andy spent 19 years at Jones Lang LaSalle, latterly as European Director for the company's industrial and logistics business.

Aged 53

Martin Moore

Independent Non-Executive Director

Appointed: 1 July 2014

Skills and Experience

Martin has 40 years' experience in the real estate and property sector and he brings extensive industry knowledge and breadth of experience, having spent his career at Prudential plc.

Current Appointments

Martin was appointed as Non-Executive Director in July 2014. He is currently Senior Independent Director of F&C Commercial Property Trust Ltd, Non-Executive Director of the M&G Asia Property Fund and Secure Income Reit plc. He is an adviser at Kohlberg Kravis Roberts & Co. LLP and Gener8, and a Commissioner of Historic England.

Previous Appointments

Martin was Chief Executive at M&G Real Estate from 1996 and Chairman from 2012 until his retirement in 2013. He has been an Adviser and Commissioner of The Crown Estate, a Board member and President of the British Property Federation, and a Board member and Chairman of the Investment Property Forum.

He is a member of the Audit and Remuneration Committees.

Aged 59

Doug Webb

Independent Non-Executive Director

Appointed: 1 May 2010

Skills and Experience

Doug comes from a corporate financial management background and has nine 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 currently the Chief Financial Officer of Meggitt plc, 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 Financial 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 and a member of the Nomination Committee.

Aged 54

Phil Redding

Chief Investment Officer

Appointed: 1 May 2013

Skills and Experience

Phil has over 20 years' experience in real estate. He has held a variety of appointments within SEGRO and has been instrumental in a number of key transactions for the Group. He is a member of the Royal Institution of Chartered Surveyors (MRICS).

Current Appointments

Phil was appointed Chief Investment Officer of SEGRO in November 2011, having joined SEGRO in 1995. He joined the Board as an Executive Director in May 2013.

Previous Appointments

Phil started his career in 1990 in the Industrial Agency and Development team of King Sturge, where he held a variety of positions. Prior to becoming an Executive Director at SEGRO, he was Business Unit Director for London Markets.

Aged 47

Mark Robertshaw

Independent Non-Executive Director

Appointed: 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 Group Chief Executive of Innovia Group.

Previous Appointments

He was previously Chief Executive Officer of Morgan Advanced Materials plc, a post he held for eight years having previously been Chief Operating Officer and Chief Financial Officer. Prior to this he was Chief Financial Officer of Gartmore Investment Management plc, and spent nine years with Marakon Associates, a leading management consultancy headquartered in the US.

He is a member of the Remuneration Committee.

Aged 47

Elizabeth Blease

General Counsel and Group Company Secretary

Elizabeth joined SEGRO as General Counsel and Group Company Secretary in May 2008. She qualified as a solicitor in 1992 with Addleshaw Goddard and was previously Group Company Secretary at Brammer plc and Marshalls plc.

Governance

The responsibility of the Board

Responsibilities of the Board

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

Board membership

Details of the Directors, including the skills and experience they each bring to the Board, are on pages 76 and 77. The Board comprises a Non-Executive Chairman, four Executive Directors and five 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. When approving the appointment of Gerald Corbett the Board concluded he was independent. Further information is provided in the Nomination Committee Report on pages 85 and 86.

Attendance

All Directors are expected to attend Board and Committee meetings of which they are a member. During 2015, there were seven scheduled Board meetings.

None of the Non-Executive Directors had raised concerns over the time commitment required of them to fulfil their duties.

Attendance at Board meetings during 2015 is set out in the table opposite.

Roles and responsibilities of the Directors

The Board is responsible collectively for the success of the Group. The table below explains the responsibility of each of the Board members. The division of responsibilities of the Chairman, Chief Executive and Senior Independent Director are set out in writing and approved by the Board.

Role	Name	Responsibilities
Chairman	Nigel Rich	• Leads the Board and ensures its effectiveness. • Sets the agenda, style and tone of Board discussions to promote constructive debate and effective decision making. • Ensures that the corporate governance of the Group is maintained in line with current best practice. • Takes the necessary steps to ensure that all Directors receive the accurate, clear and timely information which they require to enable them to make sound decisions, to monitor the business effectively and to fulfil their duty to promote the success of the Company. • Ensures effective communication with shareholders and stakeholders and makes sure that the members of the Board develop an understanding of the views of major investors.
Chief Executive Officer	David Sleath	• Manages the business of the Group. • Recommends the Group's strategy to the Board and is responsible for the implementation of that strategy.
Executive Directors	Andy Gulliford Justin Read Phil Redding	• Manage the business operations within each Director's area of responsibility in accordance with the Group's strategy.
Independent Non-Executive Directors	Christopher Fisher Martin Moore Mark Robertshaw Doug Webb	• Bring independent judgement and scrutiny to the decisions taken by the Board. • Monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board.
Senior Independent Non-Executive Director	Margaret Ford	• Acts as a sounding board to the Chairman and serves as an intermediary for other Directors when necessary. • Available to shareholders should the occasion arise where there is a need to convey concerns to the Board other than through the Chairman or the Chief Executive.
Group Company Secretary	Elizabeth Blease	• Responsible for advising the Board through the Chairman on all governance matters. • Ensures timely and appropriate information flows within the Board, the Board Committees and between the Directors and senior management. • Ensures compliance with all relevant statutory and regulatory requirements. • Gives guidance and advice within the Company on matters of business ethics and good governance. • Is available to give detailed practical support and guidance to Directors both individually and collectively.

Table of attendance

	Board
Nigel Rich	7/7
Christopher Fisher	7/7
Margaret Ford	7/7
Andy Gulliford[1]	6/7
Martin Moore	7/7
Justin Read	7/7
Phil Redding	7/7
Mark Robertshaw	7/7
David Sleath	7/7
Doug Webb	7/7
Total number of meetings	7

1 Andy Gulliford was unable to join the January 2015 Board meeting as he had to attend a funeral.

A number of other unscheduled Board meetings and telephone conference calls were also held during the year, as the need arose. Each of the Directors has committed to attend all scheduled Board and Committee meetings and would not do so only in exceptional circumstances. Similarly, every effort is made by Directors to attend ad hoc meetings either in person or by using conference facilities.

On the rare occasion that a Director cannot attend a meeting they are still provided with the papers in advance of the meeting and are given an opportunity to discuss them with the Chairman or the Chief Executive.

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 Strategic Report. 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 the financial structure. There is an approved Schedule of Matters Reserved for Decision by the Board, which was updated during the year.

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 2015

Routine Business

Q1

- annual strategic review, noting of the Medium-Term Financial Plan and setting of medium-term objectives;
- presentation from the Company's independent valuers on the 2014 full-year valuation;
- approval of the 2015 budget;
- approval of 2014 financial results and final dividend;
- approval of Principal Risks and risk appetite;
- review of people strategy, succession planning and talent management; and
- annual reports on community engagement, charitable giving, customer satisfaction survey and sustainability strategy.

Q2

- rolling reviews of the performance of investments and developments over the previous three years;
- consideration of the outlook for the property market, both occupier and investment, and the economic climate; and
- presentations from the Company's brokers on shareholders'/analysts' attitudes to the Company.

Q3

- presentation from the Company's independent valuers on the 2015 half-year valuation;
- approval of the 2015 half-year financial results and interim dividend;
- approval of Principal Risks;
- report on anti-bribery and corruption policies and procedures;
- annual review of corporate governance and an update on corporate regulatory changes and reporting requirements; and
- an annual review of Treasury Policies.

Q4

- rolling reviews of the performance of investments and developments over the previous three years;
- consideration of the outlook for the property market, both occupier and investment, and the economic climate; and
- annual strategy day.

Matters specific to 2015

Q1

- approval of land strategy;
- review of the performance of the SELP joint venture; and
- approval of the acquisition of land in Northern Paris.

Q2

- approval of the acquisition of a 90 per cent interest in Vailog S.r.l. for €39.6 million.

Q3

- approval of the acquisition of a portfolio in the Netherlands for €102.5 million; and
- approval of the process to appoint a new Chairman.

Q4

- approval of the sale of the Bath Road office portfolio in Slough for £325 million;
- approval to enter into the Austrian market with the purchase of land in Vienna; and
- approval for the acquisition of the Nestlé site in Hayes and the subsequent authority to sell the land allocated to a residential element of the acquisition.

Governance

How we manage governance

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. 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. 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 Executive Committee has its own Terms of Reference. This Committee meets formally each month but also meets each week for an informal discussion of day-to-day issues.

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

- the Investment Committee;
- the Operations Committee;
- the Risk Committee; and
- the Finance Committee.

These Committees have their own Terms of Reference and membership includes at least one member of the Executive Committee. For further details see page opposite.

Re-election of Directors

In accordance with the Code, each of the Directors will submit themselves for re-election at the 2016 AGM, save for the Chairman who will be retiring. Gerald Corbett will be submitting himself for election as this will be his first meeting since his appointment. The Nomination Committee Report on pages 85 and 86 provides more information about the Directors' appraisal process, while their skills and expertise are set out in the Directors' biographies on pages 76 and 77.

Risk

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 managed effectively across the Group, and the Audit Committee reviews the effectiveness of the risk management process on behalf of the Board. Further details about the risk management process and the Group's Principal Risks are set out on pages 66 to 70.

Please see page 64 for details about how the Board has complied with the new provisions in the Code to carry out a robust assessment of the principal risks facing the Company.

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, 2011 and 2014.

In 2015, the Chairman, with the assistance of the Group Company Secretary, led an 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 rather than simply tick boxes.

The questionnaires covered nine themes:

- composition of the Board;
- balance of power within the Board and across its Committees;
- knowledge of the business;
- role of the Chairman;
- strategy and decision making;
- relationship with shareholders;
- Board administration;
- risk management; and
- effectiveness.

The Directors were unanimous in their view that the Board was operating effectively. There was agreement that the Board was the right size and had the appropriate range of skills and experience. The quality of Board discussions was good and there was a climate of trust and transparency. The Executive Directors were seen as being open and engaged, while the Non-Executive Directors brought a range of skills and experience, and ensured constructive debate.

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

The Board, and each of its Committees, considered the feedback and agreed action plans for the forthcoming year. For the Board, the plan included:

- discussing diversity for both the Board and the Company;
- monitoring the impact for the Company of a possible exit of the UK from the EU; and
- reviewing the timing of the Board meetings throughout the year.

During the year, progress was made with the outputs of the 2014 external evaluation which were reported last year:

- Gerald Corbett was appointed to succeed Nigel Rich as Chairman;
- the Board received two reports during the year on the market outlook but also discussed the cyclical risks of the property market at most meetings; and
- the Directors contributed to a discussion in July about the focus for the November strategy day.

As part of the appraisal process, the Senior Independent Director meets annually 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 with the execution of the agreed strategy.

Governance framework

Board

Nigel Rich (Chairman)
Four Executive Directors
Five Independent Non-Executive Directors

Board Committees

Audit Committee

Monitors the integrity of the Group's financial statements, reviews the relationship with the auditor and the role and effectiveness of the internal audit function.

Oversees the risk management process and control environment.

Nomination Committee

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

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

Management Committees

Executive Committee

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

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

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 Committee

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

Finance Committee

To monitor compliance with the Group's Treasury Policies and the Group's solvency, funding and hedging positions.

Governance

Training and communication

Conflicts

The Board operates a policy to identify and, when appropriate, manage actual or potential conflicts of interest affecting Directors.

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

Any conflicts of interest are recorded and reviewed by the full Board, at each meeting. Directors have a continuing duty to keep the Board updated about any changes to these conflicts.

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.

An induction programme is being prepared for Gerald Corbett for when he joins the Board in March 2016. This programme will spread over six months and will give him a rounded view of the Group's activities and governance. It will give him an opportunity to meet with the current Chairman and Directors, along with the Group Company Secretary and Group HR Director, to understand the running of the Board and its Committees. He will have meetings with the members of the Leadership Team, Business Unit Directors and visit sites in the UK and Continental Europe to gain an understanding of the business. He will also meet with the Group's principal external advisers.

Ongoing training is provided to all Directors either during Board or Committee meetings or through one-to-one meetings with senior managers. See page 84 for more information about how the Directors keep up to date.

Most Board meetings take place in London but during the year meetings and tours took place in Prague and Park Royal. The Board met with management teams in these locations and had tours of the Group's property portfolios.

The Chairman, the Chief Executive and the Group Company Secretary are always available for the Directors to discuss any issues concerning Board meetings or other matters.

All Directors have access to the advice and services of the Group Company Secretary, who is responsible for ensuring compliance with Board procedures. Directors have the right to seek independent professional advice at the Company's reasonable expense.

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

Engagement with shareholders and other stakeholders

The Chief Executive and the Group Finance Director are the Company's principal spokesmen with investors, fund managers, analysts, the press and other interested stakeholders. 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. See the chart below for further details.

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, although no shareholders have requested such a meeting. In previous years, the Chairman has contacted major shareholders and offered a meeting with himself and/or the Senior Independent Director. As he announced in July that he would be retiring it was felt appropriate to defer this offer until the new Chairman was appointed. Both Gerald Corbett and Margaret Ford will be available for meetings should shareholders request them.

Shareholder Engagement: What we did in 2015

JAN

Property conference in London

FEB

2014 full-year results presentation

Investor roadshow in London

Equity sales presentation

MAR

Investor roadshows in London, Edinburgh and Amsterdam

Property conferences in Miami, New York, London and Frankfurt

Equity sales presentation

APR

Trading Update for Q1 2015

Annual General Meeting

MAY

Investor roadshow in London

JUN

Property conferences in Amsterdam and London

Investor and Analyst Event focused on Germany, took place at our offices in Düsseldorf

The Chairman attends regularly the financial results presentations. The Board is kept informed about any discussions with shareholders and the Directors are provided regularly with analysts' reports and investor feedback.

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

We have a dedicated Investor Relations team which reports to the Group Finance Director. Communication with investors and analysts is an ongoing process throughout the year on a proactive and reactive basis. This includes regular scheduled Investor Relations events, outlined in the calendar below, as well as one-to-one and group meetings with Executive Directors, tours of our properties and equity sales team presentations at global and local investment banks. During the year, the Chief Executive, Group Finance Director, senior management and our Investor Relations team met with representatives from over 130 institutions.

Debt investors programme

Banks and Bondholders

A regular dialogue is maintained with our key relationship banks, bondholders and secured lenders, including:

- at least bi-annual meetings between lending banks and our Treasury team and Group Finance Director;
- an annual Bank and Bondholders' meeting, which was attended by approximately 30 of our banks and bondholders; and
- active engagement between our Treasury team and potential lenders/debt investors.

Credit rating agencies

During the year, updates and meetings were held by our Treasury team with Fitch Ratings, Inc rating agency.

Constructive use of the AGM

The AGM is an opportunity for the Directors to communicate with, and answer questions from, shareholders. All Directors are 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 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.

JUL	AUG	SEP	OCT	NOV	DEC
2015 half-year results Investor Roadshows in London	Equity sales presentations	Investor roadshows in Amsterdam and London Equity sales presentations	Trading Update for Q3 2015 Investor roadshows in New York and Switzerland Property conference in London	Investor roadshows across Asia and in Edinburgh and Paris Property conference in London	Property conference in London

Directors' training

I believe it is essential in order to ensure good quality decision making that all of the Directors keep up to date, not only about the business, but also about shareholder views, changing governance requirements and the macro-economic environment in which we operate. I have set out below how we achieved this in 2015.

Internal presentations

In addition to regular business items, the Board received presentations from members of the Leadership Team on:

- the strategy for the Heathrow cargo area and a presentation on the conclusions of the Davies' Airports Commission report;
- risk appetite;
- legal, governance and regulatory matters; and
- people strategy and talent management.

These presentations enable the Non-Executive Directors to see executives below Board level regularly, which not only promotes succession planning, but also keeps the Board informed about more specialist areas of activity.

External presentations

To ensure that the Board delivers long-term returns for its shareholders, it is important that the Directors are exposed to the views and opinions of people outside the Company. During 2015, presentations were received from the Head of Global Research (TMT) at Deloitte on future trends as well as from the Company's corporate advisers UBS and Bank of America Merrill Lynch. Portfolio valuation reports are also given to the Board every six months by the Group's valuers, CBRE and JLL, and which include a forward-looking view of the wider investment and occupational markets in which we operate. In September, the Board was delighted to host a dinner for PSP Investments to hear their perspectives on the SELP joint venture.

Outside Board meetings

My fellow Directors and I get valuable insight from getting around the business so, twice a year, Board meetings are held at regional offices and include presentations from the team and a tour of assets. In 2015, the Board visited assets in Prague and Park Royal. These tours give the Non-Executive Directors the opportunity not only to see assets and meet customers but also to spend time with the local management teams.

All Non-Executive Directors have access to anyone who on a one-to-one basis may be able to help further their understanding of the Company. In 2015, one-to-one meetings included time spent with: the Group Financial Controller to discuss accounting policy, the Head of Tax and Treasury to understand tax treatment, the Group Company Secretary to consider shareholder feedback from the AGM and the Head of Risk Management to review the risk register. Individually, Directors attend seminars and conferences associated with their areas of expertise or responsibility. We also receive an annual legal and regulatory update from our General Counsel and Group Company Secretary.

Analysts' reports and sector updates are circulated to all Directors weekly and they receive regular summaries of press cuttings. Between meetings, the Chief Executive and I communicate regularly with the Directors to update them on recent developments.

Nigel Rich CBE
Chairman

Nomination Committee Report

"The Nomination Committee's key role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver our strategy.

Nigel Rich CBE
Chairman

Areas of focus

- the appointment of an independent Chairman;
- the size, structure and composition of the Board; and
- the proposal for the reappointment of Directors at the 2016 AGM.

Focus 2016

- the Company's diversity policy; and
- the size, structure and composition of the Board.

Attendance of Committee meetings

Nigel Rich (Chairman)[1]	2/5
Christopher Fisher	5/5
Margaret Ford	5/5
Mark Robertshaw[2]	2/2
David Sleath	5/5
Doug Webb[3]	3/3
Total	5

1 Nigel Rich did not attend the Nomination Committee meetings when his own succession was considered.
2 Mark Robertshaw stepped down from the Nomination Committee after the May 2015 meeting.
3 Doug Webb joined the Nomination Committee at the July 2015 meeting.

The Nomination Committee, which I chair, is responsible for: reviewing the size, structure and composition of the Board; making recommendations about new appointments to the Board; and ensuring that any such appointment process is formal, rigorous and transparent.

During 2015, the main focus of the Committee was the appointment of a new Chairman to succeed me. The case study by Margaret Ford on page 86 sets out the process that was followed. I did not attend the meetings when my succession was being discussed.

Nigel Rich CBE
Chairman of the Nomination Committee

Skills on the Board, appraisal process and reappointment of Directors and succession planning

Each year, the Committee reviews the skills and experience of the Board to ensure that it is the right size and has the appropriate balance of skills and experience to operate effectively and to deliver our strategy. See the table on page 86.

The Senior Independent Director leads an annual performance review of the Chairman, while the Chairman leads the appraisal of the Chief Executive. The performance of the other Executive Directors is appraised by the Chief Executive, with feedback from the other Directors where appropriate.

Following these appraisal processes, the Committee concluded that each of the Directors continues to make an effective contribution to the Board. It also considered the time commitments of the Non-Executives Directors, in particular Baroness Ford and Gerald Corbett, and concluded that each of the Directors had sufficient time to commit to the Company. Further details are set out in the Notice of Meeting (see AGM Resolutions –

Nomination Committee Report continued…

Skills and experience of the Non-Executive Directors

Experience	Nigel Rich	Margaret Ford	Christopher Fisher	Martin Moore	Mark Robertshaw	Doug Webb
Real Estate	√	√		√		
Investment Banking/Broking/ Financial Management	√		√		√	√
General Management	√	√			√	√
International Markets	√			√	√	√
UK Public Company Line Management	√				√	√

an explanation). Each of the Directors will be proposed for re-election at the 2016 AGM.

Details of the Non-Executive Directors' letters of appointment and their fees are set out in the Remuneration Report and the Remuneration Policy.

Annually, the Leadership Team assesses talent at all levels across the Group to ensure that there are effective Group and individual development plans in place. The Executive Committee also considers succession planning so that for every senior role, plans are prepared for temporary and emergency cover and for longer-term promotions. The Group HR Director and Chief Executive present annually to the Board on talent management and succession planning for the Executive Directors and senior executives below Board level.

Diversity

The Committee reviews regularly the Company's policy on diversity. 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 experiences. With respect to gender it does not wish to increase the size of the Board solely to enable further women to be appointed. When vacancies do arise, the remit to the search consultants will be, as with the appointment of Gerald Corbett, to select candidates from a wide range of backgrounds to satisfy the Board's fundamental obligation to ensure that the most suitable candidates are appointed to promote the success of the Company as well as to comply with equal opportunities regulations.

The pace at which we improve diversity on the Board and in senior management positions will depend, to some extent, on the availability of suitable vacancies as well as suitable candidates.

SEGRO has a good record of promoting and appointing women to senior roles, with women holding five out of the 19 positions on its Leadership Team. The Company offers flexible training and mentoring programmes to ensure that all employees achieve their potential, taking account of their individual development needs. SEGRO continues to be an equal opportunities employer and will maintain its merit-based approach to recruitment. The Chairman participates in the FTSE 100 Cross-Company Mentoring Programme.

Details of the gender diversity of the Board and across the Company are set out on page 47 and the Company's diversity policy is available on the website.

Appointment of new Chairman

When Nigel Rich announced in July 2015 that he would be retiring from the Board at the 2016 AGM, I took responsibility as Senior Independent Director for leading the process to identify and appoint his successor. Nigel, as the current Chairman, was not involved in this process.

I chaired the Nomination Committee meetings where this appointment was considered. At our first meeting, we agreed to appoint The Zygos Partnership to lead the search. The Committee had worked with Zygos before, for Martin Moore's appointment, and we felt they understood the Company and its culture.

The Committee's first task was to agree a role specification. We evaluated the skills, experience and knowledge of the existing Board members and then considered the qualities that the successful candidate should demonstrate. In particular, we wanted Nigel's successor to have: a strong track record as a listed company chairman, including familiarity and currency with the investor community; independence upon appointment; well developed and positive chairmanship skills, combined with a good intellect; the ability to fit well with the current Board and Company culture; tenure sufficient to ensure that the successful candidate would be in place for future Board succession; and would have sufficient time to devote to the role.

This profile was shared with Zygos and, in September 2015, I presented to the Committee a list of candidates who had expressed interest in the role. It was agreed that David Sleath and I would conduct separately the first round of interviews and then agree a shortlist with the Committee. The remaining Committee members interviewed these shortlisted candidates who were also invited on a private tour of the Slough Trading Estate.

I felt it was important that, although the Committee was leading the process, the whole Board should be involved in this appointment. Accordingly, I updated the Directors regularly at each stage of the process and received their feedback.

Gerald Corbett emerged as the preferred candidate and, at this stage, he was offered meetings with some of the other Non-Executive Directors. As part of his own due diligence, he also met with the Group Company Secretary, the Group Finance Director and spoke with the Company's audit partner.

The Committee concluded its work by making a recommendation to the Board to appoint Gerald as an independent Non-Executive Director in March 2016 to succeed Nigel Rich as Chairman following the 2016 AGM. I was delighted that the Board accepted this recommendation and look forward to welcoming Gerald to his first meeting in March.

Margaret Ford
Senior Independent Non-Executive Director

Audit Committee Report

"The Audit Committee provides a forum for discussion and debate. Its key role is to gain assurance around the processes that support financial reporting, including the valuation of the property portfolio; risk management; internal control; and legal and regulatory compliance in relation to the work of the Committee, together with the financial reporting itself.

Doug Webb
Chairman of the Audit Committee

Areas of focus

- ensuring the quality and consistency of the financial reporting;
- leading a competitive tender of the external auditor;
- assessing the viability statement process; and
- gaining assurance around the valuation process.

Focus 2016

- monitoring the integrity of the financial statements, and reviewing and challenging them as appropriate;
- embedding PwC as the new external auditor and updating the policy for the use of the external auditor for non-audit services;
- assessing the independence of the valuers and reviewing the adequacy of the valuation process; and
- reviewing evolving legislation and best practice on audit reform.

Attendance of Committee meetings

Doug Webb (Chairman)	4/4
Christopher Fisher	4/4
Margaret Ford	4/4
Martin Moore[1]	3/4
Total	4

1 Martin Moore was unable to attend the February 2015 Audit Committee meeting as he had to attend a funeral.

The Audit Committee performs a key oversight role for the Board and operates within defined Terms of Reference which are available on the Company's website at www.segro.com. Once again, these were refreshed during the year to ensure that they fully reflected relevant changes in legislation and best practice.

I chair the Committee, which had four scheduled meetings and two ad hoc meetings in 2015. As the Chief Financial Officer of Meggitt plc, a member of the Hundred Group of Finance Directors and a Fellow of the Institute of Chartered Accountants in England and Wales, I satisfy the requirement of the 2014 version of the UK Corporate Governance Code ('the Code') to bring recent and relevant financial experience to the Committee. The Board considers that all Committee members are appropriately qualified and have the expertise required, and the relevant competency in the property and financial sectors, as they each hold, or have held, senior office in business and have the knowledge and the experience to properly discharge their duties, understanding the issues under consideration. More information on the Committee members and their experience can be found on pages 76 and 77. In addition, the Committee is supported by members of the senior management of the Company and by the external and internal auditors whose representatives regularly attend meetings.

By invitation, there were a number of additional attendees at each of the Committee's meetings. These regularly included the Chairman of the Company, the Chief Executive, the Group Finance Director, and the internal and external auditors. Presentations were also given by the Chief Investment Officer, the Group Financial Controller, the Head of Business Information Systems and Risk Management, the Head of Treasury and Tax, the Director of Tax and the General Counsel and Group Company Secretary. The Committee has met privately with the internal and external auditors on two occasions each during the year, to satisfy itself that neither has been unduly influenced by management being present at meetings. In January 2016, I also met privately with the

Audit Committee Report continued…

Company's valuers, CBRE and JLL, to ensure that I was comfortable with their independence as valuers and with the overall 2015 year-end valuation process.

During 2015, the Committee has, on behalf of the Board, provided independent scrutiny of the processes in place to monitor the Company's financial and non-financial reporting, and has overseen the adequacy of the risk management process and the systems of internal control of the Group, as well as the performance of both the external and internal audit functions. The Committee has satisfied itself that the controls over the accuracy and consistency of information presented in the Annual Report are robust, and has confirmed to the Board that the processes and controls around the preparation of the Annual Report are appropriate allowing the Board to make the 'fair, balanced and understandable' statement on page 112.

Valuation is a key determinant of the Group's results and employee remuneration. As such, the Committee scrutinises the valuation process of both the full and half year to ensure it is robust and correctly applied. Further information on the Committee's work in this area is set out in Chart 1 on page 89.

The Committee is responsible for overseeing and challenging the Group's risk management process to ensure that all key risks identified were correctly prioritised and resourced.

The Committee led the competitive tender process which led to its recommendation to the Board and subsequently to shareholders, to appoint PricewaterhouseCoopers LLP ('PwC') as external auditor for 2016. Further details on the tender process are set out on pages 91 and 92 of this Report, as well as in the case study on page 93. The Committee is mindful of shareholder views on the ratio and level of audit and non-audit fees received by the external auditor, as well as the provisions of the Code and UK and EU reforms in this respect, and has taken this into account in its recommendation that PwC be appointed as external auditor for the 2016 financial year.

As stated on page 65 of the Principal Risks, the Board has made the viability statement required by the Code. A lot of the focus of the Committee's work during 2015 has been in gaining comfort around the process followed to allow the Directors to make this viability statement. An explanation of how the Committee has supported the Board in this regard is on page 90 of this Report. The Committee has also considered the analysis that was undertaken to support the additional disclosures in the going concern statement and in respect of the assessment and monitoring of risk introduced by the Code.

The regular discussion and challenge that the Committee has with senior employees, the external and internal auditors and the valuers, together with the quality of reports and information, has enabled the Committee to appropriately discharge its duties and responsibilities. I would like to thank Deloitte for the continuing high standard of the audit services they have provided to the Group this year, which is the last financial year for which they will be external auditor.

Doug Webb
Chairman of the Audit Committee

2015 principal activities

- Reviewing the integrity, consistency and key accounting judgements made by management to ensure that the quality of the Company's financial reporting is maintained, including going concern, in the Company's half- and full-year financial statements.
- Ensuring the process followed to support the making of the viability statement was robust and correctly followed.
- Assessing the independence of the valuers of the Group's property portfolio and gaining assurance around the valuation process. This is the largest area of judgement for the Committee in connection with the Company's financial statements, together with accounting for significant transactions, and was a substantial focus of the Committee's work for the year.
- Monitoring the effectiveness of the Group's risk management and internal control systems.
- Following a review of legislation and guidelines, in particular, with respect to audit rotation and the level of non-audit to audit fees, received by the external auditor, conducting a competitive tender of the external auditor.
- Reviewing and checking the independence and effectiveness of the internal and external auditors, and also the level of non-audit fees of the external auditor.
- Overseeing matters relating to tax and any potential impact such matters may have on the integrity of the financial statements.
- Considering emerging best practice in relation to corporate governance and reporting.

Chart 1 below sets out the significant matters considered by the Committee during the year in relation to the financial reporting, and the actions taken. Additional time continues to be spent by Committee members meeting with senior employees to understand the key issues.

Chart 1: 2015 significant matters

Significant matter	The action taken
Valuation of the property portfolio Valuation is central to the business and is a significant area of judgement for the Committee as it is inherently subjective, because the valuers must make assumptions and judgements in reaching their conclusions. This is a recurring risk for the Group as it is key to its IFRS profitability, balance sheet portfolio value, net asset value, total property return, and employee incentives. It also affects investment decisions and the implementation of the Company's disciplined capital allocation policy. It is included on the Risk Register and the process risk map as a potential key business risk. The Committee is responsible for the assurance of the valuation process and for assessing the independence of the valuers.	The Committee ensured that there was a robust process in place to satisfy itself that the valuation of the property portfolio was carried out appropriately and independently. Two valuers, CBRE and JLL, each a leading firm in the UK and Continental European property markets value the Group's portfolio. CBRE is the valuer for all assets held by the Group other than those which make up the APP joint venture, which are valued by JLL. In addition, the external auditor has an experienced real estate specialist team of chartered surveyors, who provided assurance to the Committee that the processes used by the valuers were appropriate, by reviewing and challenging the valuers' approach, assumptions and judgements. Following the internal audit of the valuation process which took place in 2014, the Committee was familiar with the way that management provided information to the valuers, and remained satisfied that the process was well run with appropriate controls in place. The Board, with the Committee members present, met twice with the valuers of both the wholly owned and joint-venture assets to review, debate and consider the valuation process; understand any particular issues encountered in the valuation; and discuss the processes and methodologies used. The Chairman also met separately with CBRE and JLL to discuss such matters. By meeting with the valuers in the absence of management, the Chairman was able to scrutinise the valuation process and ensure the valuers remained independent, objective and effective. A full and frank discussion could take place to ascertain that undue influence had not been placed on the valuation process. The valuers were asked to highlight any significant judgements made, or disagreements with management. There were none. On the basis of the above, the Committee concluded that the valuations had been carried out prudently and appropriately, and in accordance with the professional standards which the valuers must comply with, and were therefore suitable for inclusion in the financial statements. For details of the Group's properties and related accounting policies see Note 15 and Note 1 of the financial statements.

Audit Committee Report continued…

Significant matter	The action taken
Accounting for significant acquisitions, disposals and investments During the year, the Company made a number of acquisitions, disposals and investments, some of which were large and complex. Certain transactions were considered to be significant because of the level of materiality involved and/or any unusual terms or conditions or judgements, and because of the risks inherent in the accounting process, including when a transaction should be recognised, and what the appropriate accounting treatment should be. The accounting treatment of acquisitions, disposals and investments themselves, is a recurring risk for the Group and is considered to be significant as an inappropriate approach could cause a misstatement of the Group's financial position and/or results. The application of the accounting treatment to each particular transaction is generally new and unique to the matter in question.	The Committee, together with the external auditor, considered the accounting treatment of key, complex transactions during 2015, by reviewing management's individual papers on accounting proposals and judgements and discussing them with management, the external auditor and as a Committee. Such transactions included the acquisition of the former Nestlé site at Hayes, Greater London; the disposal of Energy Park, Milan; the acquisition of a 90 per cent interest in Vailog S.r.l.; the dissolution of the Big Box joint venture with M&G and subsequent acquisition of Axis Park, Langley by the Group, and sale of Heathrow Corporate Park, Green Lane, Hounslow and Heathrow Cargo Handling to M&G; the swap of Ventura Park, Radlett for a modern distribution warehouse in Brackmills, Northampton; the swap of Polar Park, Heathrow and Fairway Trading, Heathrow for Allport Cargo Services, Hayes, West London with Hermes; and the disposal of the Bath Road offices portfolio in Slough which completed in January 2016. Following a review of the accounting treatment for the significant transactions, in particular at what point each transaction should be recognised and the goodwill treatment of the Vailog business contribution, the Committee was satisfied that all relevant issues had been fully and adequately addressed and that the approach adopted by management was appropriate in each case, and in accordance with IFRS. The Committee challenged management in respect of the application of policy and internal controls relating to revenue recognition and reviewer reports from the internal auditors, external auditors and management. The Committee also agreed management's treatment for the appropriate cut off for inclusion in the financial statements of a number of transactions. For further details of the accounting treatment applied to such significant transactions, see Note 1 of the financial statements.
Accounting for financing transactions and valuation of complex financial instruments This is considered to be a significant matter for the Committee since the Group's balance sheet holds complex financial instruments including swaps and derivatives with an element of judgement made by management as to their treatment. The amounts in question are also material to the Group. This is a recurring risk. At year-end, derivative financial instruments had a total net fair value of £55.8 million (excluding joint ventures).	The Committee reviewed the interest rate swap restructuring carried out during 2015 (see page 56 of the Financial Review for further detail), and challenged both management and the external auditor on the treatment of it through a review of the papers prepared by management. The Committee also challenged both management and the external auditor on the accounting treatment of other financing transactions which occurred during the year. The Committee was satisfied, based on the above actions that management had appropriately accounted for those transactions and had correctly valued the resulting and existing financial instruments.
Ensuring the appropriateness of the process for preparing the financial statements on a going concern basis A significant potential risk of the Company is its solvency and liquidity, and the appropriateness of preparing the financial statements on a going concern basis. Incorrectly assessing the ability of the Company to continue as a 'going concern' through inappropriate or weak processes could result in a misstatement of the Group's financial position and/or results of the Group, and an inability for the Group to remain in operation.	Going concern is a matter for the whole Board to consider, however the Committee takes responsibility for reviewing the Group's headroom under its covenants and undrawn bank facilities to ensure that the Company can remain a going concern. Management submitted a report to the Committee which, amongst other matters, set out the Group's liquidity position, covenant headroom, cash flow forecasts, and sensitivity analyses. Following review, the Committee regards the current risks associated with going concern as low. The Committee is also satisfied that the processes used for determining the value of the assets and liabilities (a key determinant of covenant headroom) have been appropriately reviewed and are sufficiently robust.

UK Corporate Governance Code

The Financial Reporting Council updated the Code in 2014, and set out new regulations on risk management, internal control and related financial and business reporting. Most of these were adopted in the 2014 Annual Report. The changes apply to the Company's 2015 financial year and are reported on in this Annual Report. During the year, the Committee's Terms of Reference were updated to ensure that they fully reflected all relevant changes introduced by the Code. The Committee is updated on new UK and EU laws, regulations, governance initiatives and best practice to ensure that the Company complies with them as necessary.

A focus of the Committee throughout 2015 was to ensure that the process put in place to allow the Board to make the viability statement, which is on page 65 of the Principal Risks, was robust and had been correctly and properly followed. A working group was established, composed of the Group Finance Director, the Head of Business Information Systems and Risk Management, the Head of Treasury and Tax, the Head of Financial Planning and the Legal Counsel, to consider how to approach the viability statement and assess the work required to be carried out, to give the Board comfort. The Committee received frequent updates on the progress made and regularly confirmed its approval of the process being adopted.

The Committee reviewed and challenged the working group's assumptions on the proposed period for which the viability statement was suggested to be made, and ensured that the Risk Register had been assessed and reviewed in order that the Company's principal risks and uncertainties, where appropriate, were properly captured in the scenarios which would be used to stress test the Company's viability. Suggested scenarios were presented to the Committee and approved. The Committee is comfortable with the process followed to allow the Board to make the viability statement, and has confirmed this to the Board.

Fair, Balanced and Understandable

The Directors are required to confirm that they consider, taken as a whole, that the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Directors' statement on fair, balanced and understandable is on page 112. In order to make this statement, the Board agreed the key overall messages of the Annual Report at an early stage and ensured that the due diligence exercise performed in previous years was again followed. Those individuals with overall responsibility for each section of the Annual Report were briefed on the Code requirements and were given a set of criteria by which to assess whether their respective sections were fair, balanced and understandable. Regular review meetings were also held to ensure consistency of tone and message. Detailed reviews of appropriate draft sections were carried out by the relevant Directors. Additionally, senior employees not directly involved in the drafting of the Annual Report were then asked to assess the document as a whole, against the same criteria given to the authors. Comments were incorporated into the final version of the document which was submitted for approval by the Board on a timely basis to allow sufficient scope for consideration. The Committee has satisfied itself that the controls over the consistency and accuracy of the information presented in the Annual Report are robust and has confirmed to the Board that the process for recommending that the Board include the fair, balanced and understandable statement is appropriate and proper.

Further work undertaken by the Committee

In addition to issues directly affecting the financial statements, the scope of the Committee's work also encompassed many other aspects, including:

- reviewing and considering the process of identifying and managing risk, including plans for managing and mitigating against risks;
- monitoring the work of the Risk Committee, for further details see page 64 of the Principal Risks, and discussing specific risk presentations which were delivered on key business areas to ensure that risk management is promoted throughout the business;
- considering and assessing controls over IT, including in respect of cyber security;
- reviewing and considering internal control systems, including ensuring there is a clear organisational structure with established lines of responsibility and appropriate levels of delegation;
- setting the internal audit programme and reviewing the implementation and progress of recommendations made by the internal audit function, together with the independence, appropriateness and effectiveness of the internal auditor;
- determining the external auditor's fees, its ratio of non-audit to audit fees, its effectiveness and its independence; and
- reviewing the Company's procedures on anti-bribery and corruption, and whistleblowing, and ensuring that they are adequate.

Internal control framework

The Committee is responsible for reviewing the internal control systems on behalf of the Board. This review is consistent with the Code and covers all material areas of the Group, including risk management (see page 64 of Principal Risks) and compliance with controls. The Committee also monitors the effectiveness of the framework through reports from the Group Finance Director and Group Financial Controller and the internal and external auditors on progress with internal control activities. The Committee reviews a schedule which lists all outstanding control points, notes the priority attaching to them and progress against agreed timeframes for resolution. The Committee confirms that it has not been advised of or identified any failings or weaknesses which it regards to be significant.

The Company does not tolerate fraud, impropriety or dishonesty of any kind and the Committee is responsible for overseeing and monitoring the Group's anti-bribery and corruption policies and procedures, which includes its policy on whistleblowing, to safeguard against this. As well as the anti-bribery and corruption report which the Committee receives at each meeting, an internal audit on anti-bribery and corruption was carried out in 2015 which gave the Committee additional comfort that robust policies and procedures were in place. There were no reported matters or causes of concern during 2015.

During the year, the Code of Ethics which incorporates the Company's anti-bribery and corruption policies, was refreshed. It explains how employees are expected to behave to fulfil their responsibility to act in the best interests of the Company and its shareholders, which includes ensuring compliance with relevant laws and regulations relating to anti-bribery and corruption. In operating its anti-bribery and corruption policies and procedures, new employees are required to complete a specific online training module when they join and regular updates are given to all employees in the area. In addition, the Company's suppliers are also required to have equivalent policies and procedures of their own in place. The whistleblowing policy sets out the procedure by which both employees and any third parties can use a confidential service provided by an external company to raise concerns by email or telephone, whether in relation to financial reporting or other matters. A report on whistleblowing matters is made to each meeting and any matters reported are promptly and fully investigated, with external support where necessary.

External auditor competitive tender

The Committee has primary responsibility for leading the process for selecting the external auditor. It is required to make appropriate recommendations on the external auditor through the Board to the shareholders to consider at the 2016 AGM. During 2015, the Committee considered the regulatory changes introduced by the Code, the Competition and Markets Authority and the EU, (i) on audit rotation, which require the Company to tender its auditor every 10 years; and (ii) which impose a cap on the level of non-audit fees that the statutory auditor can receive.

Audit Committee Report continued…

Deloitte was appointed as the external auditor in 2007, and has been reappointed each year since then. The most recent audit partner rotation took place before the 2012 year-end audit. There were no contractual obligations which restricted the Committee's choice of external auditor or which put in place a minimum period for Deloitte's tenure. The Committee has been satisfied with the quality of the audit provided, as well as with the independence of Deloitte as auditor.

In light of increasing focus on auditor rotation, it was considered appropriate to tender the external auditor earlier than was required. The Committee led the external auditor competitive tender process which is set out in more detail in the case study on page 93. As a result of the increasing external regulatory focus on the ratio of non-audit to audit fees, Deloitte was not invited to take part in the tender due to the Company's continued desire to use Deloitte Real Estate for non-audit services.

Following the completion of the competitive tender process, a new external auditor, PwC, was identified for the 2016 financial year, and a recommendation was made by the Committee to the Board. It is intended that following Deloitte's resignation on completion of its 2015 audit work, the Board will appoint PwC to fill the casual vacancy left by Deloitte's resignation, pending the approval of the appointment by shareholders at the 2016 Annual General Meeting.

External audit effectiveness

In accordance with the Code, the Committee assesses the effectiveness of the external audit process on an annual basis. A formal evaluation process, taking into account the views of the Committee and relevant employees, is considered by the Committee. Following a review of the 2015 year-end audit, the Committee considers that it was appropriately planned, scoped and executed. It is satisfied that Deloitte continued to perform effectively as the external auditor and management's role in the audit process operated properly and effectively.

External auditor remuneration and independence

The Committee considers the remuneration and independence of the external auditor at least on a semi-annual basis and approves its remuneration. The Committee keeps under close review the ratio of audit to non-audit fees to ensure that the independence and objectivity of the external auditor are safeguarded. The Committee's policy for the use of the external auditor for non-audit services recognises that there are certain circumstances where, due to Deloitte's expertise and knowledge of the Company or sector in which it operates, it will often be in the best position to perform non-audit services. The Committee monitors the use of Deloitte Real Estate and adherence to this policy, which is available to view at www.segro.com. Under the policy, the use of the external auditor for non-audit services is subject to pre-clearance by the Chief Executive Officer, Group Finance Director, the Committee Chairman or the Committee, should the proposed fee exceed specified thresholds. During the year, Deloitte Real Estate advised the Company on various property related matters. The policy for use of the external auditor for non-audit services will be updated to reflect the change in auditor once it is effective.

In 2015, fees for audit and related assurance services, excluding joint ventures, amounted to £710,000 and the non-audit fees amounted to £220,000. £165,000 of the non-audit fees were attributable to work undertaken by Deloitte Real Estate. Further details of these fees, and fees in respect of the audit of certain of the Group's joint ventures for which Deloitte is the auditor, are provided in Note 6(ii) to the financial statements. The three year average of the non-audit fees as a percentage of the audit fees to the year ended 2015 is 56 per cent. Chart 2 sets out the ratio of audit to non-audit fees for each of the past three years.

The Committee and the Committee Chairman (individually) have had a number of private meetings with the lead audit partner and each are satisfied that Deloitte continued to provide appropriate levels of scepticism and challenge and remained independent. Deloitte has provided written confirmation of its independence to the Committee.

Chart 2: Audit and non-audit fees to Deloitte

	2015	2014	2013
Audit fees including related assurance services (£m)	**0.71**	0.65	0.65
Non-audit fees (£m)	**0.22**	0.28	0.63
Ratio of non-audit fees to audit fees (%)	**31**	43	97

The above table excludes fees paid to Deloitte in respect of joint ventures. If these were included, the 2015 ratio of audit to non-audit fees would have been 30 per cent.

Internal audit

Assurance of the risk management processes, testing of internal controls and setting the internal audit programme continued to be priorities for the Committee in 2015.

In order to determine the internal audit programme for 2015, as in previous years, the Group Finance Director, the Group Financial Controller, the Head of Business Information Systems and Risk Management, and the Director of Finance:

- reviewed the latest Group Risk Register;
- prepared a process risk map setting out key business and process risks from the Group Risk Register;
- selected topics for the internal audit programme, based on the Group Risk Register and process risk map, paying particular attention to key risks which have not been subject to recent internal audit; and
- discussed and agreed the internal audit programme with the internal auditor.

The process for determining the internal audit programme and the programme itself were both approved by the Committee which believes that it is appropriate and effective, particularly since there is scope for the Company to react to events, new information and situations which come to light during the year and include them in the internal audit plan if necessary. Following a review of the 2016 proposed audit plan in 2015, changes were agreed to be made.

During the year, internal audits were carried out on:

- anti-bribery and corruption policies and adherence to them;
- acquisitions and disposals;
- the captive insurance programme;
- the key processes in those offices which are outside of our four largest countries;
- HR procedures;
- risk management processes;
- health and safety practices;
- the payroll function;
- process and procedures in place for determining the service charges invoiced to our customers; and
- treasury policies and procedures.

Each of these audits confirmed that these areas were appropriately controlled, although some enhancements were identified which were entered into the schedule which lists control points which require improvement actions (see internal control framework on page 91).

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 has performed the role throughout the year. Once each internal audit is complete, a questionnaire is issued by KPMG to the process owner for the internal audit in question as well as to the 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 along with detailed findings and recommendations of the internal audits themselves. The internal auditor also attends the relevant Committee meeting to present its report and attends private meetings with the Committee to raise any concerns or issues it has and to discuss any queries of the Committee in the absence of management.

In 2016, the Committee will continue to follow a risk-based approach to internal audit. Items scheduled for future internal audit reviews include: business continuity planning and disaster recovery; insurance captive (which is required to be audited annually); governance of the Company's joint ventures; compliance with the external communications policy and procedures; accounts receivables policies relating to debtors, bad debt policies and payment plans, cash collection and credit control processes; sales and invoicing; developments; leasing; employee expenses procedures; procurement; and a review of the integration of Vailog.

External auditor tender

The Committee is responsible for leading the process for selecting the external auditor. As I explained on pages 91 and 92 of this Report, the Committee, having carefully considered the regulatory changes introduced by the Competition and Markets Authority and the EU, on audit rotation and the level of audit and non-audit fees received by the external auditor, together with shareholder views on such topics, decided to carry out a competitive external auditor tender process in which Deloitte was not invited to take part.

The Committee, working alongside certain senior management who are involved in the annual audit, prepared the scope of the tender process, including which firms would be invited to take part, and agreed a proposed timetable. We considered it important that the proposed new external auditor could be identified in sufficient time to allow it to shadow the work of Deloitte in the 2015 year-end audit, prior to taking on responsibility for the 2016 audit.

Those factors which we considered important to focus on in selecting a new external auditor were discussed and agreed at an early stage. These included an understanding of the Company's business and areas of potential risks; the independence of the proposed external auditor and a lack of conflicts of interest; audit quality, including audit approach and planning and a thorough and robust transition plan; real estate sector credentials across Europe; the proposed team's experience, together with their availability and speed of technical advice; the firm's overseas network; value for money; references; and cultural fit.

We set the firms who were invited to tender an exam-style question to test the quality of their technical advice. They were also invited to a series of meetings both in the UK and Continental Europe, where they had the opportunity to meet employees from across the business, including those responsible for financial reporting, risk management, tax and treasury, and legal and regulatory compliance. Each firm had equal access to employees and Company information. An electronic data room was set up by the Company containing key information to help the firms gain a better understanding of the Company and its business. Finally, each firm attended a meeting with myself, Christopher Fisher, a member of the Audit Committee, the Chief Executive Officer, the Group Finance Director, the Group Financial Controller and the Finance Director, Greater London where they formally presented their credentials and plans. Attendees at these meetings reported back to the Audit Committee with their thoughts on the firms.

Following consideration of the presentations by each firm that tendered, together with their response to the exam-style question, and having taken into account the views of those employees who met with each firm, the Audit Committee identified PwC as the proposed new external auditor and made such a recommendation to the Board. The Board accepted the recommendation and it is proposed that following the resignation of Deloitte after the completion of the 2015 year-end audit and Annual Report, PwC be appointed by the Board as external auditor, pending shareholder approval at the AGM.

Doug Webb
Chairman of the Audit Committee

Remuneration Committee Report

" The payments for performance-related pay demonstrate the alignment of Executive Directors' remuneration with shareholders' interests.

Baroness Ford
Chairman of the Remuneration Committee

Areas of focus

- approval of the Executive Directors' annual salary increases, Bonus payments and LTIP awards;
- reviewing shareholder feedback following the AGM and emerging trends in corporate governance;
- approval of revisions to the shareholding guidelines; and
- approval of malus and clawback provisions (mechanisms to recover cash or shares) in performance-related remuneration.

Focus 2016

- approval of the annual salary increases, Bonus payments and LTIP awards; and
- review of Remuneration Policy.

Attendance of Committee meetings

Margaret Ford (Chairman)	4/4
Christopher Fisher	4/4
Martin Moore	4/4
Mark Robertshaw	4/4
Total	4

The Committee's role is to determine the reward strategy for the Executive Directors and to balance appropriate reward with the success of the business and the creation of long-term shareholder value.

In setting the Remuneration Policy, the Committee has established a structure which is straightforward to understand, where the principles are applied consistently, where reward reflects performance, which is transparent to both executives and shareholders and which is aligned with the long-term success of the business. The Policy is founded upon total property return (TPR) and total shareholder return (TSR), with long- and short-term performance targets being focused on the drivers of these two measures.

The Company aims to deliver sustainable, attractive returns for its shareholders and, in 2015, we delivered a strong year of operating and capital performance. As explained in the Strategic Review, during 2015 the Company made further progress with its strategic priorities and the quality of the Company's portfolio, operating metrics and gearing have all improved. The Board has also recommended an increase in the dividend.

Against the backdrop of these strong results, the Committee has approved (subject to final TPR data being available) the following performance related payments to the Executive Directors this year:

- The Bonus payments will be 85 per cent of their maximum award (see page 96); and
- The 2012 LTIP award will pay out 42.3 per cent, reflecting the Company's out-performance of its TSR benchmark see page 101).

These payments demonstrate the alignment of Executive Directors' remuneration with shareholders' interests.

I was pleased that we received over 98 per cent of votes in favour of the Remuneration Policy when it was approved by shareholders at the 2014 AGM and 99.75 per cent of votes in favour of the Annual Remuneration Report last year. The principles of our Remuneration Policy have not changed and we continued to operate in line with it during the year. An extract of the Remuneration Policy is set out on pages 105 to 109.

The Committee welcomes feedback from shareholders and, after each AGM, it spends time reviewing shareholder comments. In the light of this feedback, the Committee reviewed the Executive Directors' shareholding guidelines. As set out on page 99 these have now been increased, with the Chief Executive being expected to build a shareholding of 250 per cent of base pay and the other Executive Directors 200 per cent of base pay, within five years of appointment. Each of the Executive Directors meet these new guidelines.

During 2015, the Committee considered the recent changes to the Code in respect of malus and clawback provisions in performance-related remuneration schemes and agreed changes to the rules of the Bonus, DSBP and LTIP schemes which would have effect in the event of a material financial re-statement, a calculation error, fraud or gross misconduct by an individual which has caused financial loss to the Company, or if the Committee is not satisfied that the formulaic outcome is a fair reflection of underlying performance.

The Committee is mindful of developments in shareholder thinking around the time horizon of long-term incentive schemes, including the use of compulsory holding periods post vesting. At this time, the Committee is not minded to make changes to the schemes in question but will review this, in conjunction with the Remuneration Policy review, in light of developments in best practice and market practice.

Looking ahead to 2016, the Executive Directors' salaries will be increased in April by 3 per cent (see page 96). The structure of the 2016 Bonus scheme and the LTIP are unchanged.

We announced in January that Gerald Corbett will be joining the Board in March and will become Chairman from the AGM on 22 April 2016. On his appointment as Chairman he will be paid an annual fee of £250,000. He will be required to build a shareholding in SEGRO shares equivalent to 100 per cent of his annual fee.

Our Remuneration Policy was approved by shareholders at the 2014 AGM and it was effective from that date. We believe that the structure of the Policy has served the Company and its shareholders well. The Committee will take the opportunity to review the Policy during the year to ensure that it remains appropriate for our business, prior to submitting it for formal approval from shareholders at the 2017 AGM. Should the Committee conclude that significant changes should be made it will consult with major shareholders in advance.

We value our engagement with shareholders and appreciate their support. As Senior Independent Director and Chairman of the Remuneration Committee, I am committed to ensuring an open dialogue with our shareholders. If you have any questions about remuneration generally, or the contents of this Report, please contact me at baronessford@segro.com

Baroness Ford
Chairman of the Remuneration Committee

2015 Annual Remuneration Report

The following section provides details of how the Company's Remuneration Policy was applied during the financial year ending 31 December 2015 and how it will be applied in 2016.

Directors' remuneration – Executive Directors' single figure (audited)
Chart 1: Executive Directors' single total figure of remuneration for 2015

	Salary		Taxable benefits[1]		Pension benefit[2]		Single year variable – bonus cash including DSBP[3]		Multiple year variable – LTIP[4]		Other[5]		Total	
	2015 £000	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000
David Sleath	**579**	562	**20**	25	**174**	169	**744**	567	**737**	716	**4**	4	**2,258**	2,043
Andy Gulliford	**379**	368	**20**	20	**94**	73	**390**	297	**337**	328	**4**	4	**1,224**	1,090
Justin Read	**379**	368	**20**	20	**76**	74	**390**	297	**482**	468	**4**	4	**1,351**	1,231
Phil Redding	**379**	368	**19**	19	**61**	53	**390**	297	**317**	308	**4**	4	**1,170**	1,049
Total	**1,716**	1,666	**79**	84	**405**	369	**1,914**	1,458	**1,873**	1,820	**16**	16	**6,003**	5,413

1 Taxable benefits include private medical healthcare, plus cash allowance in lieu of a company car. For David Sleath, the taxable benefits figure has reduced as he has elected to take cash in lieu of a Company car.
2 As Andy Gulliford and Phil Redding are members of the defined benefit pension scheme, this sum comprises the pension input value (increase in accrued pension). Further information can be found on page 103. For David Sleath and Justin Read, this sum comprises cash paid in lieu of pension.
3 Includes the cash Bonus payable and monetary value of the shares awarded under the DSBP. In accordance with the Remuneration Policy, 50 per cent of any Bonus earned in 2015 will be deferred into shares under the DSBP.
As the MSCI – IPD Benchmark data was not available at the date of publication of the 2014 Annual Report, the 2014 Bonus payments disclosed last year were based on an estimate of 0 per cent of the TPR element. The TPR element has since been confirmed at 0 per cent and accordingly no adjustment has been made to the 2014 figure.
See page 96 for details of the Bonus payment 2015.
4 In the 2014 Annual Report, the monetary value of the 2012 Transitionary LTIP Award was estimated using a share price of £3.74. This has been updated to reflect that when this award actually vested in May 2015, the share price on the date of release was £4.29. Consequently, the sum disclosed in the multiple year variable LTIP for 2014 is higher than the sum disclosed in the 2014 Annual Report. The 2014 reported figures were: David Sleath £632,000; Andy Gulliford £289,000; Justin Read £413,000; and, Phil Redding £272,000. See page 101 for details about the calculation of the 2012 LTIP Award.
5 Includes SIP, based on the number of shares awarded during the year and the share price at the date of grant, and Sharesave based on the discount represented by the option price, multiplied by the annual savings.

Remuneration Committee Report continued…

Base salary and benefits

With effect from 1 April 2015, the Chief Executive's base salary was £583,495 and the base salaries of the Group Finance Director, Chief Investment Officer and the Chief Operating Officer were each £381,924. With effect from 1 April 2016, each of the Executive Directors will receive an increase to base salary of 3 per cent, which is in line with the average all employee increase.

The Executive Directors currently receive life assurance, private medical insurance, car cash allowance and pension contributions or cash in lieu of pension, as applicable.

Non-Executive Directors' single figure (audited)

The Non-Executive Directors' fees are reviewed by the Board in the absence of the Non-Executive Directors, while the fees paid to the Chairman are reviewed by the Committee. There were no changes to fees paid to the Non-Executive Directors or the Chairman in 2015 (see Chart 2 below).

The Non-Executive Directors' fees were increased by £2,000 with effect from 1 January 2016. Following this change the base Non-Executive Director fee is £55,000 per annum, with additional fees of £10,000 for chairing a Board Committee and a further £12,000 for being a Senior Independent Director.

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. Chart 2 shows the total remuneration received by each of the Non-Executive Directors and the Chairman during the year.

Chart 2: Independent Non-Executive Directors' single total figure of remuneration for 2015

		Total fees	
		2015 £000	2014 £000
Nigel Rich	Chairman	**250**	250
Christopher Fisher		**53**	53
Margaret Ford	Senior Independent Director Chairman of the Remuneration Committee	**75**	75
Martin Moore[1]		**53**	27
Mark Robertshaw		**53**	53
Doug Webb	Chairman of the Audit Committee	**63**	63

1 Martin Moore was appointed a Director on 1 July 2014.

Bonus payment 2015

For the Executive Directors, the 2015 Bonus comprised three equally weighted components: EPRA Profit Before Tax (PBT); rent roll growth (RRG); and relative TPR.

- Profit – EPRA PBT against target
  For this element, a Bonus is earned for EPRA PBT performance against target. 25 per cent is earned on achieving the threshold target (£118.9 million for 2015), rising to 100 per cent for achieving the maximum target (£131.4 million for 2015). 100 per cent of this element was achieved in 2015, with EPRA PBT performance for bonus purposes of £136.4 million achieved, exceeding the target by £5.0 million.
- Rent roll growth (RRG) against target
  For this element, a Bonus is earned if the rent roll growth from the existing standing stock is positive (the threshold). Once the threshold is achieved, the Bonus is determined based on total RRG (existing standing stock plus the impact of development RRG), with a sliding pay-out scale rising from 0 per cent for flat total RRG through to 100 per cent for achieving the maximum increase (£16.1 million in 2015). In 2015, RRG from standing stock was positive, thus ensuring the threshold was achieved. Total RRG including the contribution from developments was £22.9 million for Bonus purposes and, accordingly, 100 per cent of this element was achieved.

- TPR – Relative TPR against the MSCI – IPD Benchmark
  For this element, 25 per cent is earned when the Company's TPR (for the UK and Continental Europe) equals the TPR of a comparable MSCI – IPD Benchmark, as calculated by MSCI Real Estate, rising on a straight-line basis to 100 per cent when the Company's TPR exceeds the MSCI – IPD Benchmark by 1.5 per cent. Only the UK data for this calculation was available at the date of this report: TPR for the Company's UK assets under management (AUM) including 100 per cent of joint venture assets, was 19.0 per cent, compared to the performance of an equivalent MSCI – IPD Benchmark of 18.4 per cent, meaning that 55 per cent of the TPR-related Bonus will be earned in respect of UK assets. However this sum will be adjusted once the 2015 pan-European MSCI – IPD data is available. Note that these figures are different to the figures in the KPIs on page 16 because the MSCI – IPD Benchmark for Bonus payments is a bespoke calculation based on a portfolio of properties in the MSCI – IPD universe constructed to mirror the Company's AUM as closely as possible, unlike the KPI equivalents which are based on the Company's wholly owned assets plus share of joint venture assets and are compared to the MSCI – IPD UK Quarterly All Industrial data. On the basis of the UK portfolio performance above, the Committee has estimated that 55 per cent of the overall TPR element will be achieved for 2015 Bonus purposes.

  Bonus targets for EPRA PBT and RRG are set at the start of the year using the prevailing exchange rate at the time and are adjusted to reflect changes in the business such as acquisitions and disposals. The EPRA PBT and RRG outturns which have been used to compare to the 2015 targets were calculated using a consistent exchange rate to that used when the target was set and also include adjustments for specific items in accordance with the Bonus scheme rules as approved by the Committee.

  The EPRA PBT and RRG element of the 2015 Bonus will be paid in April 2016, less a 50 per cent deduction for the DSBP. Payment of the TPR element will be deferred until summer 2016, when the pan-European MSCI – IPD data becomes available. Accordingly, the actual payment made under the TPR element of the 2015 Bonus, together with the deferral under the DSBP, may differ from the amount disclosed in this Report. The DSBP award will be made once the final Bonus figures can be calculated. The vesting of the 2015 DSBP will be in April 2019, the third anniversary of the payment of the profit and RRG element of the 2015 Bonus. Any payments under the 2016 Bonus and the DSBP will be made in accordance with the Remuneration Policy.

Chart 3: Proportion of Bonus elements achieved

	EPRA PBT percentage of performance target achieved (%)	RRG percentage of performance target achieved (%)	TPR percentage of performance target achieved[1] (%)	Total (%)
David Sleath	33.3/33.3	33.3/33.3	18.3/33.3	85.0/100.0
Andy Gulliford	33.3/33.3	33.3/33.3	18.3/33.3	85.0/100.0
Justin Read	33.3/33.3	33.3/33.3	18.3/33.3	85.0/100.0
Phil Redding	33.3/33.3	33.3/33.3	18.3/33.3	85.0/100.0

1 In respect of 2015, the Committee has estimated that 55 per cent of the TPR element will be achieved. The Committee will determine the TPR element as soon as the measurement can be completed based on actual data. Any difference between the estimated and actual figures will be reconciled in the 2016 Annual Report.

2016 Bonus framework

During the year the Committee reviewed the TPR benchmark used for bonus purposes and for 2016, has decided to align this with the TPR benchmark used for LTIP purposes to aid simplicity and ease of measurement. Going forward the profit element of the Bonus will be based on Adjusted Profit before tax, the Group's preferred measure of underlying profit. There are no other changes to the operation of 2016 annual bonuses.

Bonus payment 2014

Calculation of the TPR element of the Bonus payment is based on comparison with the MSCI – IPD Benchmark, the data for which was not available at the time of publication of the 2014 Annual Report. The Remuneration Committee estimated that 0 per cent of this element would be achieved and this was later confirmed based on actual TPR data. Accordingly, no payment was made under the TPR element of the 2014 Bonus.

Remuneration Committee Report continued…

Chief Executive single figure

Chart 4: Seven-year Chief Executive single total figure of remuneration

Year	Chief Executive	Chief Executive single figure of remuneration £000	Short-term incentive payout against maximum opportunity %	Long-term incentive vesting rates against maximum opportunity %
2015	David Sleath	2,258	85.0	42.3
2014[1]	David Sleath	2,043	66.7	42.9
2013	David Sleath	1,370	75.4	0.0
2012	David Sleath	1,194	56.7	21.6
2011[2]	David Sleath	860	100.0	19.1
	Ian Coull	411	100.0	26.0
2010	Ian Coull	1,896	97.3	26.0
2009	Ian Coull	1,557	75.3	0.0

1 The 2014 Chief Executive single figure of remuneration has been updated to include the actual LTIP share price on vesting. Further information regarding this is disclosed in Note 4 of Chart 1 on page 95.

2 On 28 April 2011, Ian Coull retired as Chief Executive and David Sleath was appointed to this role. The values shown above have been pro-rated accordingly.

Chart 5: Seven-year TSR chart

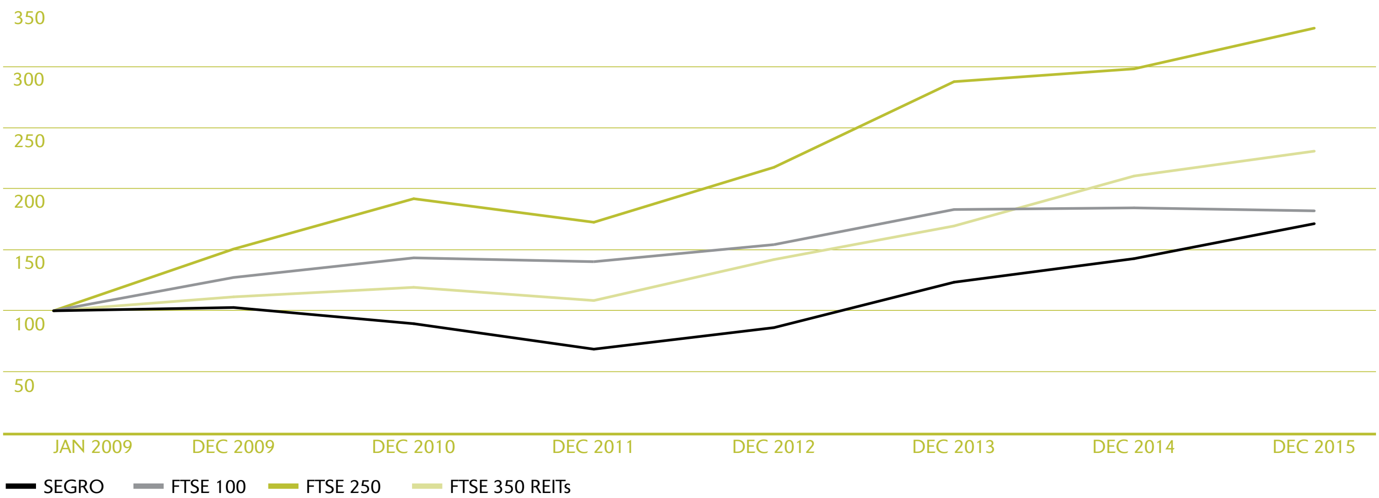

Chart 5 shows TSR for the Company over the last seven financial years compared with the FTSE 350 Real Estate Investment Trusts, FTSE 100 Index and the FTSE 250 Index. The Committee has determined that these indices provide useful comparators as the Company, or its peers, are constituents of them.

Chart 6: Percentage increase in Chief Executive remuneration compared to the average per employee

	Chief Executive			Average per employee[2]		
	2015 £000	2014 £000	Increase %	**2015 £000**	2014 £000	Increase %
Salary received during year	**579**	562	3	**80**	77	4
Taxable benefits received during year	**20**	25	(25)[1]	**5**	5	0
Annual variable pay received during year (Bonus and DSBP)	**744**	567	31	**34**	33	3
Total	**1,343**	1,154	9	**119**	115	7

1 For David Sleath, the taxable benefits figure has reduced as he has elected to take cash in lieu of a Company car.

2 Comparable data based on UK employees which represents approximately 59 per cent of the workforce.

Chart 7: Relative importance of spend on pay

Year	Total dividend paid (£m)	Total employee expenditure (£m)
2015 (2014 final and 2015 interim)	113.1	28.8
2014 (2013 final and 2014 interim)	109.8	27.7

Director shareholdings (audited)

The interests of the Directors and their immediate families in the ordinary shares of the Company at 1 January 2015 and 31 December 2015 were as set out below.

Chart 8: Directors' beneficial interests in shares

	Beneficial interests[1]	
	31.12.2015 Ordinary 10p shares	01.01.2015 Ordinary 10p shares
Nigel Rich[2]	142,559	138,143
Andy Gulliford	138,157	77,622
Christopher Fisher	10,842	10,514
Margaret Ford	18,594	9,594
Martin Moore	14,535	14,535
Justin Read	92,836	27,667
Phil Redding	127,175	75,193
Mark Robertshaw	8,000	8,000
David Sleath	401,044	284,991
Doug Webb	20,380	19,762

1 Beneficial interests in Chart 8 above represent shares beneficially held by each Director. This includes any ordinary shares held on behalf of the Executive Directors by the Trustees of the SIP and shares beneficially owned by spouses. Between 31 December 2015 and 18 February 2016 there were no changes in respect of the Directors' shareholdings. As at 31 December 2015, 1,032,831 shares (2014: 935,963 shares) were held by the Trustees of the 1994 SEGRO plc Employees' Benefit Trust. As at 18 February 2016, 1,032,831 shares were held by this Trust. The Trustees of the SIP held a non-beneficial interest in 462,557 shares as at 1 January 2015 and 494,528 shares as at 31 December 2015. 490,295 shares were held as at 18 February 2016. 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 Chart above, in 8,217 shares as a result of a trusteeship he holds; he has no voting rights over these shares.

Chart 9: Executive Directors' overall interests in shares

	Beneficial interests	Subject to deferral under DSBP	Subject to achievement of performance conditions under LTIP	Options outstanding under Sharesave	Total as at 31.12.15
David Sleath	401,044	188,561	1,278,712	6,621	1,874,938
Andy Gulliford	138,157	93,035	701,826	5,991	939,009
Justin Read	92,836	93,035	836,494	5,991	1,028,356
Phil Redding	127,175	98,429	683,343	5,363	914,310

Policy on shareholding guidelines

During the year, the Committee reviewed the policy on shareholding guidelines for the Executive Directors and increased the shareholding requirements. They are expected to build a shareholding, within five years of being appointed to the Board, equivalent to 200 per cent the value of their base salary, increased from 100 per cent, calculated by reference to the share price as at 31 December. The Chief Executive is expected to hold shares equivalent to 250 per cent his base salary, increased from 150 per cent. The number of shares held which contribute towards the shareholding requirement, includes beneficial interests, DSBP and SIP shares but excludes shares under award in the LTIP and outstanding Sharesave options.

Remuneration Committee Report continued…

Chart 10: Executive Directors' shareholding and shareholding requirements

	Number of shares held as at 31.12.15[1]	Value of shares held as at 31.12.15[2]	Shareholding as a percentage of salary as at 31.12.15 (%)
David Sleath	589,605	£2,531,764	433.9
Andy Gulliford	231,192	£992,738	259.9
Justin Read	185,871	£798,130	209.0
Phil Redding	225,604	£968,744	253.6

1 Comprised beneficial holdings and shares subject to deferral under the DSBP.

2 Value of shares calculated using share price of 429.4p as at 31 December 2015.

Executive Director share scheme holdings (audited)

DSBP

The DSBP was implemented for the 2010 Bonus payment onwards for the Executive Directors and certain other members of the Leadership Team. For the 2010, 2011 and 2012 Bonus, 25 per cent of any payment was deferred into shares. From 2013, the deferral percentage was increased to 50 per cent for Executive Directors. The shares held under the DSBP are shown in Chart 11 below. On vesting, a cash sum equivalent to the value of dividends that would have been paid on shares during the three years they were under award may also be paid to participants.

Chart 11: DSBP

	Date of grant	No. of shares under award 01.01.15	No. of shares granted during the year	Share price of shares on grant (pence)	No. of shares released during the year	Share price on date of release (pence)	No. of shares under award 31.12.15	End of holding period
DAVID SLEATH								
2011 DSBP	02.04.12	66,439		234.8	66,439	417.6	–	–
2012 DSBP	06.08.13	28,369		311.6	–	–	28,369	06.04.16
2013 DSBP	30.06.14	90,768		342.7	–	–	90,768	07.04.17
2014 DSBP	30.06.15	–	69,424	408.0			69,424	28.04.18
TOTAL		**185,576**					**188,561**	
ANDY GULLIFORD								
2011 DSBP	02.04.12	29,177		234.8	29,177	417.6	–	–
2012 DSBP	06.08.13	15,457		311.6	–	–	15,457	06.04.16
2013 DSBP	30.06.14	41,226		342.7	–	–	41,226	07.04.17
2014 DSBP	30.06.15	–	36,352	408.0			36,352	28.04.18
TOTAL		**85,860**					**93,035**	
JUSTIN READ								
2011 DSBP	02.04.12	12,298		234.8	12,298	417.6	–	–
2012 DSBP	06.08.13	15,457		311.6	–	–	15,457	06.04.16
2013 DSBP	30.06.14	41,226		342.7	–	–	41,226	07.04.17
2014 DSBP	30.06.15	–	36,352	408.0			36,352	28.04.18
TOTAL		**68,981**					**93,035**	
PHIL REDDING								
2011 DSBP	02.04.12	18,454		234.8	18,454	417.6	–	–
2012 DSBP	06.08.13	14,548		311.6	–	–	14,548	06.04.16
2013 DSBP	30.06.14	47,529		342.7	–	–	47,529	07.04.17
2014 DSBP	30.06.15	–	36,352	408.0			36,352	28.04.18
TOTAL		**80,531**					**98,429**	

LTIP

In 2012, 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. LTIP awards made after 2011 are subject to TSR and TPR performance conditions, which are equally weighted and measured over a four-year performance period, save for the 2012 Transitionary award which was measured over a three-year performance period.

The performance conditions for the LTIP awards are based on TSR and TPR.

TSR – this benchmark is based on the weighted mean TSR of other FTSE 350 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 5 per cent per year.

TPR – this benchmark is based on the MSCI – IPD Benchmark with UK/European industrials weighted to reflect the geographical mix of the Group's portfolio (75/25 UK Continental Europe for this cycle). 25 per cent of this element vests if the Company's four year TPR is in line with the MSCI – IPD Benchmark, rising on a straight-line basis to 100 per cent if the MSCI – IPD Benchmark is exceeded by at least 1.5 per cent per year.

On vesting, 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.

The 2012 Transitionary award vested on 1 May 2015, subject to the TSR and TPR performance conditions over the three-year performance period to 31 December 2014. The Company's TSR over the period led to a 85.7 per cent vesting of the TSR element and, as estimated in the 2014 Annual Remuneration Report, the TPR element did not vest. Overall, this resulted in a total payout of 42.85 per cent.

The 2012 LTIP award will vest on 1 May 2016, subject to relative TSR and TPR over the four-year performance period to 31 December 2015. The Company's TSR over the performance period was 137.2 per cent and the benchmark TSR was 103.0 per cent. The Company's TSR outperformance of 4.0 per cent per annum compared with the benchmark led to 84.6 per cent of the TSR element vesting. The TPR data will not be available until after the date of this report. For the purposes of the Directors' single figure calculations (Chart 1), the performance for the TPR element has been estimated at 0 per cent. This is based on the Company's annualised TPR between 2012 and 2014 of 9.7 per cent and the MSCI – IPD Benchmark over the same period of 10.5 per cent. In estimating the overall four year performance, the Committee assumed that SEGRO's 2015 relative TPR would be insufficient to overcome the underperformance in the first three years.

Details of the LTIP awards granted to the Executive Directors are set out in Chart 12. Any awards made under the LTIP in 2016 will be made in accordance with the Remuneration Policy.

Remuneration Committee Report continued...

Chart 12: LTIP awards outstanding

	No. of shares under award 01.01.15	No. of shares over which awards granted during the year	Share price of shares on grant (pence)	No. of shares lapsed/not released during the year	No. of shares released during the year	Share price on date of release (pence)	No. of shares under award 31.12.15	End of performance period over which performance conditions have to be met
DAVID SLEATH								
01.05.12 LTIP (3-year Transitional award)[1]	352,781	–	221.1	201,615	151,166	429.0	–	31.12.14
01.05.12 (4-year award)	352,781	–	221.1	–	–	–	352,781	31.12.15
06.08.13	333,761	–	311.6	–	–	–	333,761	31.12.16
09.04.14	324,005	–	339.5	–	–	–	324,005	31.12.17
22.05.15		268,165	422.5	–	–	–	268,165	31.12.18
TOTAL	**1,363,328**						**1,278,712**	
ANDY GULLIFORD								
01.05.12 LTIP (3-year Transitional award)[1]	161,465	–	221.1	92,278	69,187	429.0	–	31.12.14
01.05.12 (4-year award)	161,465	–	221.1	–	–	–	161,465	31.12.15
06.08.13	152,759	–	311.6	–	–	–	152,759	31.12.16
09.04.14	212,076	–	339.5	–	–	–	212,076	31.12.17
22.05.15		175,526	422.5	–	–	–	175,526	31.12.18
TOTAL	**687,765**						**701,826**	
JUSTIN READ								
01.05.12 LTIP (3-year Transitional award)[1]	230,664	–	221.1	131,825	98,839	429.0	–	31.12.14
01.05.12 (4-year award)	230,664	–	221.1	–	–	–	230,664	31.12.15
06.08.13	218,228	–	311.6	–	–	–	218,228	31.12.16
09.04.14	212,076	–	339.5	–	–	–	212,076	31.12.17
22.05.15		175,526	422.5	–	–	–	175,526	31.12.18
TOTAL	**891,632**						**836,494**	
PHIL REDDING								
01.05.12 LTIP (3-year Transitional award)[1]	151,967	–	221.1	86,850	65,117	429.0	–	31.12.14
01.05.12 (4-year award)	151,967	–	221.1	–	–	–	151,967	31.12.15
06.08.13	143,774	–	311.6	–	–	–	143,774	31.12.16
09.04.14	212,076	–	339.5	–	–	–	212,076	31.12.17
22.05.15		175,526	422.5	–	–	–	175,526	31.12.18
TOTAL	**659,784**						**683,343**	

1 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 2012 Transitional Award.

Sharesave
Chart 13: Sharesave options outstanding

	Date of grant	No. of shares under option 01.01.15	Options granted during the year	Option price (pence)	Options exercised during the year	Options lapsed during the year	No. of shares under option at 31.12.15	Period in which options can be exercised
DAVID SLEATH								
2014 Sharesave	02.05.14	6,621	–	271.84	–	–	6,621	01.06.17 – 30.11.17
TOTAL		**6,621**					**6,621**	
ANDY GULLIFORD								
2012 Sharesave	30.04.12	4,781	–	188.24	4,781	–	–	01.06.15 – 30.11.15
2014 Sharesave	02.05.14	3,310	–	271.84	–	–	3,310	01.06.17 – 30.11.17
2015 Sharesave	01.05.15	–	2,681	335.60			2,681	01.06.18 – 30.11.18
TOTAL		**8,091**					**5,991**	
JUSTIN READ								
2012 Sharesave	30.04.12	4,781	–	188.24	4,781	–	–	01.06.15 – 30.11.15
2014 Sharesave	02.05.14	3,310	–	271.84	–	–	3,310	01.06.17 – 30.11.17
2015 Sharesave	01.05.15	–	2,681	335.60	–	–	2,681	01.06.18 – 30.11.18
TOTAL		**8,091**					**5,991**	
PHIL REDDING								
2012 Sharesave	30.04.12	4,781	–	188.24	4,781	–	–	01.06.15 – 30.11.15
2015 Sharesave	01.05.15	–	5,363	335.60	–	–	5,363	01.06.18 – 30.11.18
TOTAL		**4,781**					**5,363**	

1 Between 31 December 2015 and 18 February 2016 there were no changes in these holdings.

SIP
Chart 14: SIP shares held in trust

	No. of shares in trust 01.01.15	Shares awarded during the year	No. of shares in trust 31.12.15
David Sleath	5,381	724	6,105
Andy Gulliford	6,198	724	6,922
Justin Read	3,263	724	3,987
Phil Redding	5,334	724	6,058

Further information about the share schemes can be found in Note 22 to the financial statements on pages 155 to 157.

Executive Directors' pension arrangements and other fees
Chart 15: Defined benefit scheme

	Pension input amount, net of Directors' contributions, in the year ending 31.12.15 £	Defined benefit pension accrued at 31.12.15[3] £
David Sleath[1]	n/a	80
Andy Gulliford	94	42
Justin Read[2]	n/a	n/a
Phil Redding	61	58

1 David Sleath left the SEGRO Pension Scheme with effect from 17 April 2011 and receives a cash payment in lieu of contributions.

2 Justin Read has not been a participant in any SEGRO pension scheme and instead receives a cash payment in lieu of contributions.

3 Defined benefit pensions are payable from normal retirement age, which is 62, and can be taken earlier with appropriate reductions.

Remuneration Committee Report continued...

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 of Bunzl plc and during the year he received a fee of £92,333 for this role.

Exit payments

No exit payments were made to Directors during the year.

Former Directors (audited)

Ex gratia payments totalling £56,470 (2014: £56,470) were made during the year to four former Directors, who retired at least 10 years ago. These payments were made under legacy arrangements which are no longer offered.

Legal fees of €4,349 were paid on behalf of Walter Hens, a former Director. Mr Hens was required to give evidence on behalf of the Company's subsidiaries in prosecutions brought in Belgium and the Netherlands against a third party unconnected with the Group.

Remuneration Committee advisers

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

The Committee is responsible for appointing its external advisers and during the year it received advice from Kepler Associates, a brand of Mercer (Kepler), which is a founding member and signatory to the Code of Conduct for Remuneration Consultants in the UK, in discharging its responsibilities. Kepler was appointed by the Remuneration Committee in 2011 following a competitive tender process.

During the year, Kepler provided advice on Executive Directors' remuneration, market and best practice guidance. Its total fees for advice to the Remuneration Committee in 2015 were £44,868 (2014: 39,369) on the basis of time and materials.

The Committee evaluates the support provided by its advisers periodically and is comfortable that Kepler provides independent remuneration advice to the Committee and does not have any connections with SEGRO which may impair its independence.

To ensure a consistent approach to remuneration across the Group, Kepler also provides advice to the Company in respect of matters relating to the remuneration of all employees. Aon Hewitt Limited provided information to 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 as well as regulatory and pension matters.

Shareholder voting

Chart 16 below shows the results of the advisory vote on the 2014 Remuneration Report, at the Company's AGM on 29 April 2015.

Chart 16: Shareholder voting at the 2015 AGM

	Votes for (including discretionary)	% For	Votes against	% Against	Total votes cast	Votes withheld[1]
To approve the Directors' Remuneration Report for the financial year ended 31 December 2014	538,408,648	99.75	1,359,578	0.25	539,768,226	926,190

1 A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

This report was approved by the Board on 18 February 2016 and signed on its behalf by

Baroness Ford
Chairman of the Remuneration Committee

Remuneration Policy

The Remuneration Policy was approved by shareholders at the Annual General Meeting held on 30 April 2014 and became effective from this date.

The following is an extract from the 2013 SEGRO Annual Report and Accounts. Chart 3 has been updated to reflect current Board membership while Chart 5, which outlined the potential remuneration in 2014, has been removed. The full Remuneration Policy as approved by shareholders is available at www.segro.com.

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. The structure of the remuneration framework is designed to reflect the strategic direction of the business and to align it with the Company's KPIs. In setting the Remuneration Policy, the Committee takes into consideration, amongst 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. 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.

Each year, with the support of external advisers, the Committee undertakes a review of the remuneration of the Executive Directors. It has oversight of the remuneration of the Leadership Team, who are the senior managers immediately below Board level. It considers the responsibilities, experience and performance of the Executive Directors and pay across the Group.

Chart 1: Remuneration Policy table: Executive Directors

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
Salary	To attract and motivate high-calibre leaders in a competitive market and to recognise their skills, experience and contribution to Group performance.	The Committee reviews Executive Directors' base salaries each year in the context of total remuneration, taking into account the Directors' responsibilities, experience and performance, pay across the Group and market competitiveness.	The maximum annual salary increase will not normally exceed the average increase which applies across the wider workforce. However, larger increases may be awarded in certain circumstances including, but not limited to: an increase in scope or responsibilities of the role; salary progression for a newly appointed Director; and where the Director's salary has fallen significantly below the market positioning.	Not applicable.
Pension benefits	To provide a market competitive remuneration package.	Retirement benefits are available to all UK employees and employees in certain Continental European jurisdictions dependent on local market practice and geographical differences.	The Chief Executive receives a cash allowance of 30% of salary in lieu of pension. The Finance Director receives a cash allowance of 20% of salary in lieu of pension. The Chief Investment Officer and the Chief Operating Officer are both members of the defined benefit section of the SEGRO Pension Scheme.	None.
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 and recurring profit.	Bonuses are awarded annually and paid for performance over the financial year. The Bonus is reviewed each financial year to ensure performance measures and targets are appropriate and support the business strategy. Payment is based on the achievement of performance targets. The Committee retains discretion to reduce the amount of the Bonus award in the light of underlying performance during the year.	The maximum Bonus opportunity for the Chief Executive is 150% of salary and for other Executive Directors is 120% of salary.	The Bonus Scheme is based on three, equally weighted elements which the Committee may review from time-to-time, to ensure that they continue to reflect the Company's strategic priorities: EPRA PBT against budget which supports the objective of delivering a sustainable, progressive dividend; relative TPR against an IPD Benchmark which is the best and most important internal driver of TSR; and like-for-like rent roll growth which focuses on driving the future rental income and EPRA PBT of the business.

Remuneration Policy continued…

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
Deferred Share Bonus Plan ('DSBP')	To encourage retention of senior managers and provide a long-term link between the Bonus and share price growth so as to encourage long-term decision making.	50% of any Bonus awarded in the year is deferred into shares in the DSBP for three years before vesting. The award does not carry any entitlement to dividends, however the Committee may, at the time of the release of the shares, pay a cash sum equivalent to the value of the dividends that would have been paid over the three-year holding period.	For Executive Directors, 50% of the Bonus earned in respect of the previous year's performance.	Vesting of shares is dependent on continued employment or good leaver status. The rules of the DSBP contain claw back provisions in the event of misstatement or misconduct.
Long Term Incentive Plan ('LTIP')	To reward the execution of strategy and drive long-term returns for shareholders. The awards are designed to align the most senior managers' goals with the creation of sustainable growth in shareholder value. The awards will also increase retention of these senior managers.	For LTIP awards granted after 2011 dividends will accrue on the LTIP shares which are released on vesting and will be paid in cash or shares. The Committee has 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.	The normal LTIP grant for Executive Directors is 200% of salary in performance shares.	LTIP awards made after 2011 are subject to stretching TSR and TPR performance conditions, which are equally weighted and measured over a four-year performance period.
Sharesave	To provide a market competitive remuneration package and to encourage employee share ownership across the Group.	Sharesave is a 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 which is set at the beginning of the saving period. This price is usually set at a 20% discount to the market price.	Employees may save up to the HMRC limit across all Sharesave grants.	None.
Share Incentive Plan ('SIP') and Global Share Incentive Plan ('GSIP')	To provide a market competitive remuneration package and to encourage employee share ownership across the Group.	SIP is a HMRC approved scheme open to all UK employees, subject to service. Eligible employees are awarded shares annually up to the HMRC limits. GSIP is designed on a similar basis to SIP, but is not HMRC approved and is operated for non-UK employees.	The maximum award is subject to the HMRC limit.	Award is based on achievement of prior year profit before tax against budget and is subject to a three-year holding period.
Other benefits	To provide a market competitive remuneration package.	Other benefits currently include: car allowance; life assurance; disability insurance; private medical insurance; and health screening. The Committee retains the discretion to offer additional benefits as appropriate, for example, assistance with relocation.	–	None.

Additional notes

Remuneration Policy: the policy for the Executive Directors is designed with regard to the policy for employees across the Group. All employees are eligible for an annual Bonus on the same performance measures which are consistent with those of the Executive Directors save that those below Board level have a fourth target based on their individual performance score. The maximum Bonus opportunity is fixed according to seniority banding across the Company. The LTIP performance conditions are the same for all participants and the size of awards are determined by seniority.

Subject to consultation with major shareholders, the Committee retains the ability to adjust and/or to set different LTIP and Bonus performance measures if events occur (such as a change in strategy, a material acquisition and/or divestment of a Group business, or change in prevailing market conditions) which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Payments from existing awards: Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy.

Chart 2: Remuneration Policy Table: Chairman and Non-Executive Directors

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
Fees	To attract high-calibre Non-Executive Directors and provide market appropriate fees.	Fees are reviewed on an annual basis taking into account relevant market data. Additional fees are payable to reflect the time commitments of the Senior Independent Director and also the Chairmen of the Remuneration and Audit Committees. The fee paid to the Chairman is set by the Committee while the fees paid to the Non-Executive Directors are set by the Board. No Director is involved in setting their own remuneration. Non-Executive Directors do not participate in any performance related remuneration and they do not receive any benefits.	Any increases in the fees of the Chairman or the Non-Executive Directors will be based upon changes in roles and responsibilities and market data.	–

Policy on service contracts

Executive Directors

The contracts are on a 12-month rolling basis and do not contain liquidated damages clauses.

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 to the Board any changes to their other significant commitments. 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 3.

Remuneration Policy continued…

Chart 3: Dates of appointment and contractual notice period (updated to reflect changes to the Board during 2015)

Name	Date of appointment	Notice period
Nigel Rich	1 July 2006	6 months
David Sleath[1]	1 January 2006	12 months by the Company 6 months by the Director
Andy Gulliford	1 May 2013	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
Phil Redding	1 May 2013	12 months by the Company 6 months by the Director
Christopher Fisher	1 October 2012	3 months
Margaret Ford	1 January 2013	3 months
Martin Moore	1 July 2014	3 months
Mark Robertshaw	1 June 2010	3 months
Doug Webb	1 May 2010	3 months

1 Appointed as Chief Executive on 28 April 2011.

Policy on recruitment

In determining appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both the Company and its shareholders. The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors, including any performance conditions attached to these awards, the likelihood of those conditions being met, and the proportion of the vesting period remaining, and will seek to do no more than match the fair value of awards foregone. In limited circumstances where employees are awarded benefits for which Executive Directors are not eligible, such as share retention awards, the Committee would consider honouring existing awards should these employees be appointed to the Board.

Chart 4: Recruitment policy

Component	Approach	Maximum opportunity
Base salary	The base salaries of new appointees will be determined taking into account the experience and skills of the individual, pay across the Group, relevant market data and their previous salary	–
Bonus	The structure set out in the Remuneration Policy table will apply to new appointees with the relevant maximum being pro-rated for their first year of employment	150% for the Chief Executive and 120% of salary for Executive Directors
DSBP	The structure set out in the Remuneration Policy table will apply to new appointees	50% of the bonus awarded will be deferred
LTIP	New appointees will be eligible for awards under the LTIP on the same terms as the other Executive Directors	200% of salary (300% in exceptional circumstances)
Pension	New appointees will be offered membership of the SEGRO plc Group Personal Pension Plan or a cash alternative unless already a member of the SEGRO Pension Scheme	–

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.

The Committee reserves the right to make additional exit payments where such payments are made in good faith, for example: in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment. In determining compensation, the Committee will take into account the circumstances of the departure, best practice and the provisions of the Code, and will take legal advice on the Company's liability to pay compensation.

Under the rules of the LTIP and the DSBP, the Committee has discretion to declare a Director leaving the Company to be a 'good leaver' as defined under the respective rules of the schemes. In respect of LTIP, this would normally allow the Directors, who the Committee determines to be good leavers, to receive their shares at the date of vesting subject to the achievement of performance conditions, with any vesting pro-rated in accordance with length of service during the period of grant. In respect of DSBP, this would normally allow the Directors, who the Committee determines to be good leavers, to receive their shares, in full, at the end of the holding period.

Where a Director may be entitled to pursue a claim against the Company in respect of their statutory employment rights or any other claim arising from the employment or its termination, the Company will be entitled to negotiate settlement terms (financial or otherwise) with the Director that the Committee considers to be reasonable in all the circumstances and in the best interests of the Company and to enter into a Settlement Agreement with the Director to effect both the terms agreed under the Service Agreement and any additional statutory or other claims, including bonus and/or share awards, in line with the policies described above.

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.

Non-Executive Directors are not entitled to any compensation on termination of their appointment.

Policy on Executive Directors' external appointments

With the support of the Chairman and Chief Executive, the Executive Directors may normally be 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.

Consideration of conditions elsewhere in the Group

The Remuneration Policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole. The Committee has oversight of the remuneration of the Leadership Team. The Committee is kept updated through the year on general employment conditions and it approves the budget for annual salary increases. The Company did not consult with employees in formulating Executive Remuneration Policy.

Consideration of shareholder views

The Committee remains committed to open dialogue with shareholders on remuneration. When determining remuneration, the Committee takes into account the guidelines of investor bodies and shareholder views. In 2011, it consulted with shareholders on changes to the remuneration structure and, in early 2013, it consulted on an amendment to the Bonus rules.

The Chairman of the Remuneration Committee is available for meetings with shareholders should they have any concerns about remuneration matters which they wish to discuss.

Directors' Report

Share capital

The issued share capital for the year is set out on page 155.

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.

The Company made no purchases of its own shares during the year.

Dividends

Subject to approval by shareholders at the AGM, a final dividend of 10.6 pence per share will be paid (2014: 10.2 pence) bringing the total dividend for 2015 to 15.6 pence (2014: 15.1 pence). The final dividend will be paid as a Property Income Distribution. The Board proposes to offer a scrip dividend option (SCRIP) for the 2015 final dividend.

The ex-dividend date for the final dividend will be 24 March 2016, the record date will be 29 March 2016 and the payment date will be 5 May 2016.

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 amendment 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.

Employees and Directors

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs specifically because of a takeover bid, with the exception of provisions of the Company's share schemes as detailed above.

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 a 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 2006 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.

Substantial interests in the share capital of the Company

At 16 February 2016, the following major interests, amounting to 3 per cent or more of the ordinary issued share capital had been notified to the Company:

Shareholder	Number of shares	Percentage of Issued Share Capital
Blackrock Inc, and its subsidiaries	80,314,508	10.74%
APG Algemene Pensioen Groupe NV and its subsidiaries	42,701,929	5.71%
Artemis Investment Management LLP	38,896,853	5.20%
Legal and General Group plc and its subsidiaries	24,969,665	3.34%

Articles of Association

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

Political donations

No political donations were made by the Company or its subsidiaries during the year.

Directors' indemnities

No Company or subsidiary company Directors were indemnified during the year.

Overseas branches

The Company has a branch in Paris, France.

Directors' Report disclosures

Certain Directors' Report disclosures have been made in the Strategic Report so as to increase their prominence. These disclosures include those relating to: greenhouse gas emissions; financial instruments and certain financial risks; employee involvement; the employment, training and advancement of disabled persons; the review of the Group's business during the year and any future developments.

Auditor of the Company

As described in the Audit Committee Report, the Audit Committee led a competitive tender process in which Deloitte LLP was not invited to take part. The Audit Committee recommended to the Board that PricewaterhouseCoopers LLP be appointed as external auditor for the 2016 financial year. A resolution to appoint PricewaterhouseCoopers LLP as auditor of the Company is to be proposed at the forthcoming AGM.

Disclosure of information to the auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's 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 section 418 of the Companies Act 2006.

The Directors' Report has been approved by the Board and signed on its behalf by

Elizabeth Blease
General Counsel and Group Company Secretary
18 February 2016

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 such 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 European Union. Under company law the Directors must not approve the financial statements 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
2. the Strategic 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; and
3. the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

David Sleath
Chief Executive
18 February 2016

Justin Read
Group Finance Director
18 February 2016

Financial Statements

In this section we present our financial statements for the year, presented in accordance with International Financial Reporting Standards.

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Financial Statements

Independent Auditor's Report to the Members of SEGRO plc

Opinion on financial statements of SEGRO plc

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 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related Notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and 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.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained in Note 1 to the financial statements and the Directors' statement on the longer-term viability of the Group on page 65.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 64 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 66 to 70 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- the Director's explanation on page 61 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our audit approach

Materiality	– Overall Group materiality: £40.0 million which represents 1–2% of total Group net assets – Lower threshold materiality, applying to Adjusted profit before tax: £6.9 million which represents 5% of Adjusted profit before tax
Areas of focus	1. Valuation of the property portfolio 2. Appropriateness of revenue recognition 3. Accounting for financing transactions and valuation of complex financial instruments 4. Accounting for significant transactions

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

The Audit Committee has requested that while not required under International Standards on Auditing (UK and Ireland), we include in our report any significant key observations in respect of these assessed risks of material misstatement.

The description of risks below should be read in conjunction with the significant issues considered by the Audit Committee on page 89.

These matters were addressed in the context of our audit of the financial statements as a whole, in forming our opinion thereon, and we do not express an opinion on these individual matters.

1 Valuation of the property portfolio

Risk description	SEGRO plc owns and manages a portfolio of modern warehousing, light industrial and data centre properties in the UK and Continental Europe. The property portfolio is valued at £5,770.9 million as at 31 December 2015, of which £4,461.6 million is held by subsidiaries and £1,309.3 million by joint ventures at share. The valuation of the portfolio is a significant judgement area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement on the income statement and balance sheet, warrants specific audit focus in this area. The Group uses professionally qualified external valuers to fair value the Group's portfolio at six-monthly intervals. The valuers are engaged by the Directors and performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The valuers used by the Group have considerable experience in the markets in which the Group operates. The portfolio (excluding development properties) is valued by the investment method of valuation with development properties valued by the same methodology with a deduction for all costs necessary to complete the development together with a remaining allowance for risk. Key inputs into the valuation exercise are yields and current market rent, which are influenced by prevailing market forces, comparable transactions and the specific characteristics of each property in the portfolio. Refer to Audit Committee Report on page 89, accounting policy on page 127 and Note 15 to the financial statements.
How the scope of our audit responded to the risk	– We assessed management's process for reviewing and challenging the work of the external valuers. – We assessed the competence, independence and integrity of the external valuers and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work. – We performed audit procedures to assess the integrity and completeness of information provided to the independent valuers relating to rental income and occupancy. – For development properties, we assessed the Group's development appraisal process by assessing the forecast cost to complete and commitments of key developments. – We obtained the external valuation reports for all properties and confirmed that the valuation approach is in accordance with RICS and suitable for use in determining the carrying value in the balance sheet. – We met with the external valuers of the portfolio to discuss the results of their work on a sample of properties. Our sample focused on the largest properties in the portfolio and those where the assumptions used and/or year-on-year capital value movement implied a possible outlier against available market data and the remaining portfolio. – With the assistance of a member of the audit team, who is a chartered surveyor, we discussed and challenged the valuation process, performance of the portfolio and significant assumptions and critical judgement areas, including occupancy rates, yields and development milestones; and – We benchmarked and challenged the key assumptions to external industry data and comparable property transactions, in particular the yield.
Key observations	We are satisfied that the key assumptions applied in calculating the property valuations are within an acceptable range. The testing performed in relation to the final property valuations proved satisfactory.

Financial Statements

Independent Auditor's Report to the Members of SEGRO plc continued…

Our assessment of risks of material misstatement (continued)

2 Appropriateness of revenue recognition

Risk description	Revenue for the Group primarily consists of rental income earned on its investment property portfolio. Total revenue for the year to 31 December 2015 totalled £248.5 million, of which £210.7 million was rental income. Within revenue, there are certain transactions which warrant additional audit focus and have an increased inherent risk of error due to their non-standard nature. Our risk of material misstatement focuses on the accounting treatment for such unusual or more complex items including lease incentives and the cut-off around property transactions. Refer to Audit Committee Report on page 90, accounting policy on page 127 and Note 4 to the financial statements.
How the scope of our audit responded to the risk	– We carried out testing relating to the design and implementation of controls over revenue recognition, the treatment of rents and other property related income to assess the controls to prevent and detect fraud and errors in revenue recognition. – We have assessed the review of new leases by the Group's finance teams, to determine whether lease incentives granted are appropriately accounted for at the beginning of such transactions. – We continued to assess the Group's revenue recognition policies to determine whether these are in line with the applicable reporting framework and industry peers. – Detailed analytical procedures were performed in connection with revenue (including rents, incentives and other property related revenue) to assess whether revenue had been recognised in the appropriate accounting period. – We have tested the accounting treatment of lease incentive calculations, with our sample covering both existing and new leases, by recalculating the relevant income statement and balance sheet amounts. – Property acquisitions and disposals in the period were tested to determine whether the accounting treatment is consistent with revenue recognition policies adopted.
Key observations	The results of our testing were satisfactory and we found no material instances of inappropriate revenue recognition. The Group's accounting policies in relation to revenue recognition were found to be in line with IFRS and industry peers.

3 Accounting for financing transactions and valuation of complex financial instruments

Risk description	The Group had drawn £330.3 million of its committed bank facilities at 31 December 2015, with a total of £217.9 million of undrawn facilities remaining on the balance sheet. On 8 July 2015, the Group had entered into two new revolving credit facilities for £150 million. In September and October 2015, the Group repaid two bonds for £100 million and £108 million respectively. To hedge the Group's exposure to interest rate and foreign currency risks from external debt and foreign operations, the Group holds complex derivative instruments which are held at fair value. The fair value of these derivatives at 31 December 2015 amounted to an asset of £55.8 million. Such instruments give rise to a significant audit risk due to their complexity both in terms of valuation and disclosure. On 31 March 2015, the Group restructured its interest rate swap portfolio which resulted in a close out cost of €34.0 million (£24.8 million) which has been recognised as a finance cost in the current period. Refer to Audit Committee Report on page 90, accounting policy on page 127 and Notes 19 and 20 to the financial statements.
How the scope of our audit responded to the risk	– We have reviewed the Group's treasury policy and determined whether appropriate approval has been obtained for significant financing transactions. – We have assessed management's calculations of derivative valuations and hedge effectiveness documentation to test accuracy of calculations and compliance with accounting standard criteria. – We have substantively tested each significant financing transaction where changes in borrowing facilities have been agreed to relevant executed documentation and resulting cash flows. – We have audited the current year interest rate swap restructuring by substantively agreeing to counterparty termination confirmations and new trade confirmations. The resulting cash cost has been agreed to underlying source data. – We have used our financial instruments specialists to test the valuation and presentation of a sample of complex financial instruments, hedging arrangements and credit risk. – We have tested the accuracy and completeness of the relevant disclosures in the financial statements.
Key observations	The valuation of financial instruments, as tested by our specialist's recalculation, was within the acceptable range. The current year interest rate swap restructuring has been tested with no issues noted. Our procedures on other significant financing transactions were satisfactory.

4 Accounting for significant transactions

Risk description	SEGRO plc has undertaken a number of material acquisitions and disposals in the year, totalling £602.5 million and £268.6 million respectively. There is a risk that transactions may have complexity, including deferred consideration arrangements, rental top-up payments or other contractual obligations which are not appropriately recorded within the financial statements. There is a risk that the estimates and judgements made in the recognition of an acquisition as a business combination may be inappropriate and the valuation of the assets and liabilities acquired may be misstated. Furthermore, there is a risk that property disposals may be recognised before the significant risks and returns of ownership have been transferred to the buyer. Within the acquisitions and disposals in the current year: – the most significant transaction has been the disposal of Energy Park Milan, Italy for €118.7 million, in March 2015; and – the acquisition of 90% interest in Vailog Srl, Italy, in June 2015 for €39.7 million has been treated as a business combination which required measurement of the fair value of the assets and liabilities acquired on the date of the transaction. The consolidated financial statements include disclosures relating to the business combination, as required by IFRS 3 Business Combinations. Refer to Audit Committee Report on page 90, accounting policy on page 127 and Notes 8 and 15 to the financial statements.
How the scope of our audit responded to the risk	– We have assessed management's review of sale and purchase agreements and how these are directing the subsequent accounting treatment. – We substantively audited each significant transaction to determine whether it has been appropriately recognised in line with the Group's accounting policy. – We reviewed the sale-purchase agreements ('SPAs') for these transactions, in particular focusing on the transfer of risks and rewards in determining the timing of recognition of acquisitions and disposals. – We considered the date at which each transaction completed based on the acquisition or disposal agreements to assess whether appropriately recognised in the period based upon the risks and rewards of ownership. – We reviewed the nature of each transaction to assess the ownership and control structures involved, to evaluate the classification of transactions as either corporate or asset acquisitions. – Calculations of any profit or loss on disposal has been recalculated using all key transaction terms. – We tested the accuracy and completeness of the disclosures in the financial statements. – For business combinations, we inspected the purchase agreements and assessed management's determination of the fair value of assets and liabilities acquired. We focused on the fair value of the acquired properties, including the valuation methodology applied and the assumptions within the acquisition date valuation. We considered the reasons for the movements in the valuation between the acquisition date and the closest valuation point, in order to assess whether there was information which came to light which should have impacted on the purchase price fair values. In the current period this was completed for the Vailog Srl acquisition. – We have also considered those transactions which have been exchanged and/or completed subsequent to 31 December 2015 to determine whether they have been recorded in the appropriate period.
Key observations	Our testing of material transactions in the period was completed with no exceptions, with all significant transactions completed in line with the Group's accounting policy and IFRSs. All material transactions have been recorded in the appropriate period.

Independent Auditor's Report to the Members of SEGRO plc continued...

Our assessment of risks of material misstatement (continued)

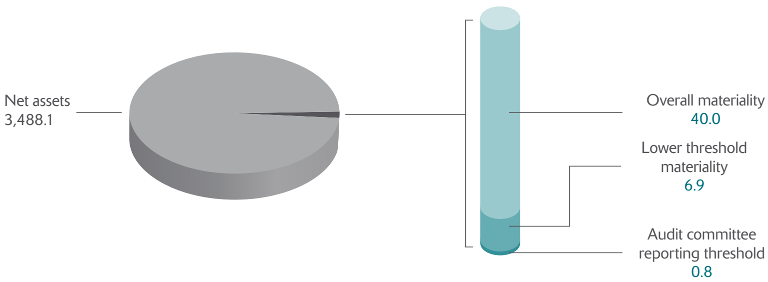
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £40.0 million (2014: £40.0 million) which is 1–2 per cent (2014: between 1–2 per cent) of net assets. In addition to net assets, we consider Adjusted Profit Before Tax to be a critical financial performance measure for the Group and we applied a lower threshold of £6.9 million (2014: £6.5 million) based on 5 per cent (2014: 5 per cent) of that measure for testing of all balances impacting this financial performance measure, primarily revenue.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.8 million (2014: £0.8 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Materiality (£m)



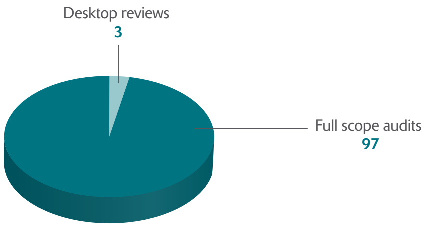
An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

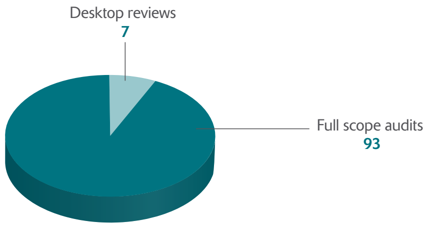
We perform full scope audits on 6 (2014: 6) significant components, including joint ventures, located within each of the SEGRO plc reportable segments.

These components together comprise circa 97 per cent (2014: 96 per cent) of total Group net assets and 93 per cent (2014: 93 per cent) of Adjusted profit before tax. Our audit work at each of these components was executed at levels of materiality applicable to each component, which in all instances was lower than Group materiality.

Group net assets (%)



Adjusted profit before tax (%)



The majority of the work on the key audit risks was performed centrally, including in respect of all valuations, material transactions and financing items. Outside of the UK, where applicable, the Group audit team conducts a programme of planned visits designed so that the Senior Statutory Auditor visits each of the locations where the Group audit scope was focused at least once every three years.

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 Strategic Report and 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	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: – we have not received all the information and explanations we require for our audit; or – 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 are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.
Corporate Governance Statement	Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with the certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.
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). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews. 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.
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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Claire Faulkner (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
18 February 2016

Financial Statements

Group Income Statement

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Revenue	4	**248.5**	290.0
Gross rental income	4	**210.7**	215.1
Property operating expenses	5	**(37.7)**	(40.5)
Net rental income		**173.0**	174.6
Joint venture management fee income	4	**17.0**	11.8
Administration expenses	6	**(28.5)**	(28.3)
Pension settlement costs	2	**(4.8)**	–
Share of profit from joint ventures after tax	7	**156.5**	151.4
Realised and unrealised property gain	8	**461.5**	408.6
Other investment income	9	**6.6**	1.9
Goodwill and other amounts written off on acquisitions	10	**(3.8)**	(0.2)
Operating profit		**777.5**	719.8
Finance income	11	**43.4**	84.3
Finance costs	11	**(134.4)**	(149.7)
Profit before tax		**686.5**	654.4
Tax	12	**(3.7)**	27.6
Profit after tax		**682.8**	682.0
Attributable to equity shareholders		**682.5**	682.0
Attributable to non-controlling interests		**0.3**	–
		682.8	682.0
Earnings per share			
Basic and diluted earnings per share	14	**91.7**	92.0

Group Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 £m	2014 £m
Profit for the year		**682.8**	682.0
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit pension schemes	21	**17.9**	(13.7)
		17.9	(13.7)
Items that may be reclassified subsequently to profit or loss			
Foreign exchange movement arising on translation of international operations		**(22.3)**	(34.2)
Increase/(decrease) in value of available-for-sale investments	16	**0.1**	(0.7)
Fair value movements on derivatives in effective hedge relationships		**17.9**	22.0
		(4.3)	(12.9)
Tax on components of other comprehensive income		**–**	–
Other comprehensive profit/(loss) before transfers		**13.6**	(26.6)
Transfer to income statement on sale of available-for-sale investments	9	**(0.4)**	(2.2)
Total comprehensive profit for the year		**696.0**	653.2
Attributable to equity shareholders		**695.7**	653.2
Attributable to non-controlling interests		**0.3**	–
Total comprehensive profit for the year		**696.0**	653.2

Balance Sheets

As at 31 December 2015

	Notes	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Assets					
Non-current assets					
Goodwill and other intangibles		**2.4**	3.3	**–**	–
Investment properties	15	**4,118.1**	3,477.0	**–**	–
Plant and equipment		**16.4**	6.6	**1.0**	1.2
Investments in subsidiaries	7	**–**	–	**4,041.8**	4,669.1
Investments in joint ventures	7	**867.3**	855.5	**–**	–
Available-for-sale investments	16	**0.9**	5.8	**–**	–
Derivative financial instruments	20	**80.8**	52.0	**80.8**	52.0
Pension assets	21	**20.2**	–	**20.2**	
		5,106.1	4,400.2	**4,143.8**	4,722.3
Current assets					
Trading properties	15	**37.6**	77.8	**–**	–
Trade and other receivables	17	**97.8**	236.0	**2.8**	6.0
Derivative financial instruments	20	**0.7**	75.8	**0.7**	75.8
Cash and cash equivalents	19	**16.4**	23.8	**6.3**	11.0
Assets held for sale	15	**305.9**	–	**–**	–
		458.4	413.4	**9.8**	92.8
Total assets		**5,564.5**	4,813.6	**4,153.6**	4,815.1
Liabilities					
Non-current liabilities					
Borrowings	19	**1,822.9**	1,495.4	**1,825.6**	1,503.4
Deferred tax liabilities	12	**12.6**	10.3	**–**	–
Provisions		**–**	12.3	**–**	12.3
Trade and other payables	18	**3.9**	4.9	**469.7**	949.7
Derivative financial instruments	20	**1.1**	24.9	**1.1**	24.9
		1,840.5	1,547.8	**2,296.4**	2,490.3
Current liabilities					
Borrowings	19	**–**	207.6	**–**	209.0
Trade and other payables	18	**203.6**	166.5	**30.0**	32.9
Derivative financial instruments	20	**24.6**	0.3	**24.6**	0.3
Tax liabilities		**7.7**	2.6	**0.1**	0.1
		235.9	377.0	**54.7**	242.3
Total liabilities		**2,076.4**	1,924.8	**2,351.1**	2,732.6
Net assets		**3,488.1**	2,888.8	**1,802.5**	2,082.5
Equity					
Share capital	22	**74.8**	74.2	**74.8**	74.2
Share premium	23	**1,091.4**	1,070.0	**1,091.4**	1,070.0
Capital redemption reserve		**113.9**	113.9	**113.9**	113.9
Own shares held	24	**(6.3)**	(6.1)	**(6.3)**	(6.1)
Other reserves		**165.8**	169.5	**218.8**	219.3
Retained earnings		**2,050.3**	1,467.3	**309.9**	611.2
Total shareholders' equity		**3,489.9**	2,888.8	**1,802.5**	2,082.5
Non-controlling interests		**(1.8)**	–	**–**	–
Total equity		**3,488.1**	2,888.8	**1,802.5**	2,082.5
Net assets per ordinary share					
Basic and diluted net assets per share	14	**468**	390		

The financial statements of SEGRO plc (registered number 167591) on pages 120 to 169 were approved by the Board of Directors and authorised for issue on 18 February 2016 and signed on its behalf by:

DJR Sleath **JR Read**

Directors

Financial Statements

Statements of Changes in Equity

For the year ended 31 December 2015

GROUP	Balance 1 January 2015 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2015 £m
Ordinary share capital	74.2	–	–	–	0.1	–	0.5	–	74.8
Share premium	1,070.0	–	–	–	0.3	–	21.1	–	1,091.4
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(6.1)	–	–	–	–	(6.7)	–	6.5	(6.3)
Other reserves:									
Share-based payments reserve	7.5	–	–	–	–	3.2	–	(2.2)	8.5
Fair value reserve for AFS[1]	0.4	–	–	0.1	–	(0.4)	–	–	0.1
Translation and other reserves	(7.5)	(22.3)	–	17.9	–	–	–	–	(11.9)
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	169.5	(22.3)	–	18.0	–	2.8	–	(2.2)	165.8
Retained earnings	1,467.3	–	682.5	17.9	–	–	(113.1)	(4.3)	2,050.3
Total equity attributable to equity shareholders	2,888.8	(22.3)	682.5	35.9	0.4	(3.9)	(91.5)	–	3,489.9
Non-controlling interests[2]	–	–	0.3	–	–	(2.1)	–	–	(1.8)
Total equity	2,888.8	(22.3)	682.8	35.9	0.4	(6.0)	(91.5)	–	3,488.1

For the year ended 31 December 2014

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

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

2 Non-controlling interests in 2015 relate to Vailog S.r.l. acquired in the period (see Note 29(iii)) and is shown net of the estimated gross settlement amount of a put option held by the minority shareholder.

Company	Balance 1 January 2015 £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2015 £m
Ordinary share capital	74.2	–	–	0.1	–	0.5	–	74.8
Share premium	1,070.0	–	–	0.3	–	21.1	–	1,091.4
Capital redemption reserve	113.9	–	–	–	–	–	–	113.9
Own shares held	(6.1)	–	–	–	(6.7)	–	6.5	(6.3)
Other reserves:								
Share-based payments reserve	2.8	–	–	–	1.7	–	(2.2)	2.3
Translation and other reserves	47.4	–	–	–	–	–	–	47.4
Merger reserve	169.1	–	–	–	–	–	–	169.1
Total other reserves	219.3	–	–	–	1.7	–	(2.2)	218.8
Retained earnings	611.2	(202.4)	18.5	–	–	(113.1)	(4.3)	309.9
Total equity attributable to equity shareholders	2,082.5	(202.4)	18.5	0.4	(5.0)	(91.5)	–	1,802.5

For the year ended 31 December 2014

Company	Balance 1 January 2014 £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2014 £m
Ordinary share capital	74.2	–	–	–	–	–	–	74.2
Share premium	1,069.9	–	–	0.1	–	–	–	1,070.0
Capital redemption reserve	113.9	–	–	–	–	–	–	113.9
Own shares held	(5.3)	–	–	–	(2.1)	–	1.3	(6.1)
Other reserves:								
Share-based payments reserve	1.6	–	–	–	1.8	–	(0.6)	2.8
Translation and other reserves	47.4	–	–	–	–	–	–	47.4
Merger reserve	169.1	–	–	–	–	–	–	169.1
Total other reserves	218.1	–	–	–	1.8	–	(0.6)	219.3
Retained earnings	521.9	212.0	(12.2)	–	–	(109.8)	(0.7)	611.2
Total equity attributable to equity shareholders	**1,992.7**	**212.0**	**(12.2)**	**0.1**	(0.3)	**(109.8)**	–	**2,082.5**

Financial Statements

Cash Flow Statements

For the year ended 31 December 2015

	Notes	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
Cash flows from operating activities	29	**123.9**	176.1	**(30.6)**	(28.2)
Interest received		**87.0**	83.3	**188.1**	160.1
Dividends received		**20.8**	22.2	**258.6**	25.0
Interest paid		**(152.1)**	(155.8)	**(184.1)**	(102.6)
Early close out of interest rate swaps		**(24.8)**	–	**(24.8)**	–
Tax received/(paid)		**34.5**	(2.8)	**–**	–
Acquisition of Vailog	29	**(1.6)**	–	**–**	–
Net cash received from operating activities		**87.7**	123.0	**207.2**	54.3
Cash flows from investing activities					
Purchase and development of investment properties		**(470.8)**	(247.9)	**–**	–
Sale of investment properties		**226.3**	408.7	**–**	–
Purchase of plant and equipment and intangibles		**(2.1)**	(4.2)	**–**	–
Sale of available-for-sale investments		**11.4**	5.6	**–**	–
Additional net investment in subsidiary undertakings		**–**	–	**(48.2)**	(12.2)
Loan advances repaid by subsidiary undertakings		**–**	–	**(279.5)**	(207.0)
Acquisition of Big Box	7	**2.6**	–	**–**	–
Acquisition of Vailog	29	**(24.8)**	–	**–**	–
Acquisition of LPP		**–**	(95.6)	**–**	–
Sale of SELP portfolio	17	**119.9**	4.8	**–**	–
Investment in joint ventures		**(28.0)**	(201.7)	**–**	–
Net cash used in investing activities		**(165.5)**	(130.3)	**(327.7)**	(219.2)
Cash flows from financing activities					
Dividends paid to ordinary shareholders		**(91.5)**	(109.8)	**(91.5)**	(109.8)
Increase in other borrowings		**320.5**	10.0	**320.8**	10.0
Decrease in other borrowings		**(208.3)**	(158.3)	**(208.3)**	(1.5)
Close out of Vailog debt	29	**(44.8)**	–	**–**	–
Net costs to close out debt		**–**	(1.6)	**–**	–
Net settlement of foreign exchange derivatives		**101.1**	59.2	**101.1**	59.2
Proceeds from issue of ordinary shares		**0.4**	0.1	**0.4**	0.1
Purchase of ordinary shares		**(6.7)**	(2.1)	**(6.7)**	(2.1)
Net cash received from/(used in) financing activities		**70.7**	(202.5)	**115.8**	(44.1)
Net decrease in cash and cash equivalents		**(7.1)**	(209.8)	**(4.7)**	(209.0)
Cash and cash equivalents at the beginning of the year		**23.8**	233.8	**11.0**	220.0
Effect of foreign exchange rate changes		**(0.3)**	(0.2)	**–**	–
Cash and cash equivalents at the end of the year	19	**16.4**	23.8	**6.3**	11.0

Financial Statements

Notes to the financial statements

For the year ended 31 December 2015

1. Significant accounting policies

General information

SEGRO plc (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the inside back cover.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Strategic Report on pages 14 to 15.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

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 61.

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.

In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRIC 21 Levies

The Group has adopted IFRIC 21 Levies for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Annual Improvements to IFRSs: 2010–2012

Makes amendments to the following standards:

- IFRS 2 – Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'
- IFRS 3 – Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 – Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 – Clarify how payments to entities providing management services are to be disclosed

Annual Improvements to IFRSs: 2011–2013

Makes amendments to the following standards:

- IFRS 1 – Clarify which versions of IFRSs can be used on initial adoption
- IFRS 3 – Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 – Clarify the scope of the portfolio exception in paragraph 52
- IAS 40 – Clarify the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

Financial Statements

Notes to the financial statements continued…

For the year ended 31 December 2015

1. Significant accounting policies continued

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 (amendments)	Agriculture: Bearer Plants
IAS 19 (amendments)	Defined Benefit Plans: Employee Contributions
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements to IFRSs: 2012–2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will impact the measurement and disclosures of leases where the Group acts as a lessee. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

Note that IFRS 14 Regulatory Deferral Accounts is not applicable to the Group as the Group is not a first-time adopter of IFRSs.

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.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured as its acquisition-date fair value. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39, as appropriate, with the corresponding gain or loss being recognised in the Group Income Statement.

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.

1. Significant accounting policies continued

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 2015 are:

Balance Sheet: £1 = €1.36 (31 December 2014: £1 = €1.29). Income Statement: £1 = €1.38 (2014: £1 = €1.24)

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 independent 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. An asset will be classified as held for sale within investment properties, in line with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, where there is Board approval at the year-end date and the asset is expected to be disposed of within 12 months of the balance sheet date.

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. Any gains or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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.

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.

Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets (other than investment properties) less their residual values, using the straight-line method, on the following bases:

Plant and equipment	20% per annum
Software	33% per annum
Solar panels	5% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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.

Notes to the financial statements continued…

For the year ended 31 December 2015

1. Significant accounting policies continued

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, and may go to other comprehensive income.

Derivatives with a maturity of less than 12 months or that expect to be settled within 12 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 and subsequently measured at amortised cost using the effective interest method. 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 initially measured at fair value, net of transaction costs and subsequently measured at amortised costs using the effective interest method.

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 21.

Share-based payments

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

The fair value excludes the effect of non-market-based vesting conditions.

At each Balance Sheet Date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.

1. Significant accounting policies continued

Significant areas of estimation uncertainty:

Property valuations

Valuation of property is a central component of the business. In estimating the fair value, the Group engages third party qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of the property portfolio is disclosed in Note 30 property valuation techniques and related quantitative information.

Financial instruments and fair value measurements

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 20 financial instruments and fair values.

Significant areas of judgements in applying the group's accounting policies:

Accounting for significant acquisitions, disposals and investments

Property transactions are complex in nature. Management consider each material transaction separately with an assessment carried out to determine the most appropriate accounting treatment and judgements applied, including whether the transaction represents an asset acquisition or business combination. Examples of such transactions completed in the year include the acquisition of Vailog which has been accounted as a business combination (see Note 29(iii)).

Revenue recognition

In making its judgement over revenue recognition for cut-off for property transactions, management considered the detailed criteria for the recognition of revenue set out in IAS 18 Revenue and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the assets disposed. Management also consider the appropriate accounting treatment of tenant lease incentives.

Other less significant judgements and sources of uncertainty relate to provisioning and the actuarial assumptions used in calculating the Group's retirement benefit obligations.

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Notes to the financial statements continued…

For the year ended 31 December 2015

2. Adjusted profit

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

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

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

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

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

2 Non-EPRA related adjustment referred to in third paragraph above.

3. Segmental analysis

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

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

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

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

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

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

Financial Statements

Notes to the financial statements continued…

For the year ended 31 December 2015

4. Revenue

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

5. Property operating expenses

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

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

2 Costs capitalised relate to internal employee staff costs directly involved in developing the property portfolio.

6. Administration expenses

6(i) – Total administration expenses

	2015 £m	2014 £m
Directors' remuneration	5.0	4.5
Depreciation	3.3	2.2
Other administration expenses	20.2	21.6
Total administration expenses	28.5	28.3

The full 2015 depreciation charge, including amounts charged under other headings, is £3.5 million (2014: £2.3 million), and relates to assets owned by the Group. Other administration expenses include the cost of services of the Group's auditor, as described overleaf.

6. Administration expenses continued

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

	2015 £m	2014 £m
Audit services:		
Parent company	0.4	0.4
Subsidiary undertakings	0.3	0.2
Total audit fees	0.7	0.6
Audit related assurance services	–	–
Audit and audited related assurance services	0.7	0.6
Other fees:		
Taxation – compliance services	–	0.1
Other[1]	0.2	0.2
Total other fees	0.2	0.3
Total fees in relation to audit and other services	0.9	0.9

1 Other services principally relate to those provided by Deloitte Real Estate.

In addition to the above, an audit fee of £48,000 (2014: £47,000), together with other fees totalling £53,000 (2014: £98,000) was due to the Group's auditor in respect of the Airport Property Partnership (APP) joint venture for the year ended 31 December 2015. Also, an audit fee of £26,000 was due to the Group's auditor in respect of the audit of the Heathrow Big Box Industrial and Distribution Fund joint venture for the year ended 31 December 2014. As the Heathrow Big Box Industrial and Distribution Fund is now wholly owned, the audit fee for the year ended 31 December 2015 is included in the above table. Further, an audit fee of £152,000 was due to the Group's auditor in respect of the SEGRO European Logistics Partnership (SELP) for the year ended 31 December 2015 (2014: £165,000) as well as £21,000 other fees (2014: £10,000).

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.

	2015 £m	2014 £m
Wages and salaries	24.7	23.9
Social security costs	4.1	3.8
Pension costs	1.9	1.8
Share scheme costs	2.3	2.0
Termination benefits	0.2	1.9
Total	33.2	33.4
Average number of Group employees	270	253

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 94 to 109 in the Remuneration Report and form part of these financial statements.

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For the year ended 31 December 2015

7. Investments in joint ventures and subsidiaries

7(i) – Profit from joint ventures after tax

The table below presents a summary Income Statement of the Group's largest joint ventures, all of which are accounted for using the equity method as set out in Note 1. Each joint venture operates in the UK apart from SELP which is incorporated in Luxembourg and owns logistics property assets in Continental Europe. The Airport Property Partnership owns aviation-related property assets across sectors near airport hubs. The Heathrow Big Box Industrial and Distribution Fund owned two assets across logistics and industrial sectors. The Logistics Property Partnership, the remaining 50 per cent share of which was acquired in 2014, owned logistics property assets.

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

Trading properties held by joint ventures were externally valued resulting in a write back of the Group's share of prior year's provision for impairment of £1.7 million. In 2014 there was an increase in provision of £0.8 million. Based on the fair value at 31 December 2015, the Group's share of joint ventures' trading property portfolio has an unrecognised surplus of £1.6 million (2014: £nil).

SELP is a SPPICAV in France, and does not pay tax on its French property income or gains on property sales, provided that at least 85 per cent of the French subsidiaries' property income is distributed to their immediate shareholder. In addition, SELP has to meet certain conditions such as ensuring the property rental business of each French subsidiary represents more than 80 per cent of its assets. Any potential or proposed changes to the SPPICAV legislation are monitored.

7. Investments in joint ventures and subsidiaries continued

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

	SEGRO European Logistics Partnership £m	Airport Property Partnership £m	Other £m	At 100% 2015 £m	At 100% 2014 £m	At 50% 2015 £m	At 50% 2014 £m
Investment properties	1,548.4	1,058.6	–	2,607.0	2,461.6	1,303.5	1,230.8
Other assets	0.1	0.2	–	0.3	20.1	0.1	10.1
Total non-current assets	1,548.5	1,058.8	–	2,607.3	2,481.7	1,303.6	1,240.9
Trading properties	–	–	11.6	11.6	26.2	5.8	13.1
Other receivables	29.4	7.5	0.8	37.7	37.8	18.9	18.9
Cash and cash equivalents	58.7	24.1	–	82.8	59.5	41.4	29.8
Total current assets	88.1	31.6	12.4	132.1	123.5	66.1	61.8
Total assets	1,636.6	1,090.4	12.4	2,739.4	2,605.2	1,369.7	1,302.7
Borrowings	(485.9)	–	–	(485.9)	(781.9)	(242.9)	(391.0)
Deferred tax	(55.0)	–	–	(55.0)	(34.3)	(27.5)	(17.2)
Other liabilities	–	(3.9)	–	(3.9)	(0.2)	(2.0)	(0.1)
Total non-current liabilities	(540.9)	(3.9)	–	(544.8)	(816.4)	(272.4)	(408.3)
Borrowings	–	(370.4)	–	(370.4)	–	(185.2)	–
Other liabilities	(55.3)	(30.4)	(1.0)	(86.7)	(71.7)	(43.4)	(35.8)
Derivative financial instruments	–	(3.0)	–	(3.0)	(6.2)	(1.5)	(3.1)
Total current liabilities	(55.3)	(403.8)	(1.0)	(460.1)	(77.9)	(230.0)	(38.9)
Total liabilities	(596.2)	(407.7)	(1.0)	(1,004.9)	(894.3)	(502.4)	(447.2)
Net assets	1,040.4	682.7	11.4	1,734.5	1,710.9	867.3	855.5

The external borrowings of the joint ventures are non-recourse to the Group. At 31 December 2015, the fair value of £856.3 million (2014: £781.9 million) of borrowings was £869.5 million (2014: £804.4 million). This results in a fair value adjustment of £13.2 million (2014: £22.5 million), at share £6.6 million (2014: £11.2 million); see Note 14. Subsequent to the year end, the £370.4 million of current liability borrowings in APP was repaid and refinanced with a new five year £400.0 million facility.

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

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

7(iii) – Investments by the Group

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

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7. Investments in joint ventures and subsidiaries continued

The amount of loans advanced by the Group to joint ventures is £221.2 million (2014: £333.9 million). Dividends received were £20.8 million (2014: £22.2 million), of which £10.0 million (2014: £3.7 million) from SELP, £7.4 million (2014: £10.0 million) from APP, £3.4 million (2014: £5.6 million) from Big Box, and £nil (2014: £2.9 million) from LPP.

7(iv) – Investments by the company

	2015 £m	2014 £m
Cost or valuation of subsidiaries at 1 January	**4,669.1**	4,554.3
Exchange movement	**(33.6)**	(53.6)
Net (disposals)/additions	**(856.0)**	12.2
Net loan movement	**(200.5)**	(13.1)
Decrease in provision for investments and loans in the Income Statement	**462.8**	169.3
Cost or valuation of subsidiaries at 31 December	**4,041.8**	4,669.1

Net (disposals)/additions include £904.2 million reduction in investments in subsidiaries following a share capital reduction exercise completed by one of the Company's subsidiaries. As part of this exercise, the Company released an impairment provision of £614.4 million included within the provisions for investments and loans.

Subsidiary entities are detailed in Note 31.

8. Realised and unrealised property gain

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

9. Other investment income

	2015 £m	2014 £m
Net profit/(loss) on available-for-sale investments	**6.2**	(0.3)
Transfer of fair value surplus realised on sale of available-for-sale investments	**0.4**	2.2
Total other investment income	**6.6**	1.9

10. Goodwill and other amounts written off on acquisitions

	2015 £m	2014 £m
Amortisation of intangibles	**0.2**	0.2
Goodwill and other amounts written off on acquisitions	**3.6**	–
Total goodwill and other amounts written off on acquisitions	**3.8**	0.2

Goodwill and other amounts written off on acquisitions relate to the acquisition of Vailog, detailed further in Note 29(iii).

11. Net finance costs

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

11. Net finance costs continued

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

Net finance costs (including adjustments) in Adjusted profit (Note 2) are £67.3 million (2014: £74.7 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of £23.7 million loss (2014: £10.9 million gain) and the cost of early close out of debt of £nil (2014: £1.6 million). The interest capitalisation rates for 2015 ranged from 2.5 per cent to 6.1 per cent (2014: 2.5 per cent to 6.1 per cent). Interest is capitalised gross of tax relief. Further analysis of exchange differences is given in Note 20 within the foreign exchange and currency swap contracts section.

12. Tax

12(i) – Tax on profit

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

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

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12. Tax continued

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

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

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

REIT and SIIC/SPPICAV regimes and other tax judgements

SEGRO is a Real Estate Investment Trust (REIT) and does not pay tax on its UK property income or gains on property sales, provided that at least 90 per cent of the Group's UK property income is distributed as a dividend to shareholders, which becomes taxable in their hands. In addition, the Group has to meet certain conditions such as ensuring its worldwide property rental business represents more than 75 per cent of total profits and assets. Any potential or proposed changes to the REIT legislation are monitored and discussed with HMRC. It is Management's intention that the Group will continue as a REIT for the foreseeable future.

SEGRO is also a SIIC in France, and does not pay tax on its French property income or gains on property sales, provided that at least 85 per cent of the French subsidiaries' property income is distributed to their immediate shareholder. In addition, the Group has to meet certain conditions such as ensuring the property rental business of each French subsidiary represents more than 80 per cent of its assets. Any potential or proposed changes to the SIIC legislation are monitored. It is Management's intention that the Group will continue as a SIIC for the foreseeable future.

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

12(iii) – Deferred tax liabilities

Movement in deferred tax was as follows:

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

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

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

12. Tax continued

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised deferred taxes on changes in fair value of investment properties for all jurisdictions, with the exception of the UK and France, where the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

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

13. Dividends

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

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

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

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

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

1 Details of adjustments are included in Note 2.

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14. Earnings and net assets per share continued

14(ii) – Net assets per share (NAV)

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

15. Properties

15(i) – Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2014	2,575.0	264.4	2,839.4
Exchange movement	(34.2)	(9.7)	(43.9)
Property acquisitions	427.2	9.9	437.1
Additions to existing investment properties	20.2	122.7	142.9
Disposals	(368.8)	(13.9)	(382.7)
Transfers on completion of development	194.9	(194.9)	–
Transfers from trading properties	8.5	14.8	23.3
Transfers from owner occupied properties	–	3.2	3.2
Revaluation surplus during the year	358.2	27.4	385.6
At 31 December 2014	3,181.0	223.9	3,404.9
Add tenant lease incentives, letting fees and rental guarantees	72.1	–	72.1
Total investment properties	3,253.1	223.9	3,477.0
	Completed £m	**Development £m**	**Total £m**
At 1 January 2015	**3,181.0**	**223.9**	**3,404.9**
Exchange movement	**(20.3)**	**(4.9)**	**(25.2)**
Property acquisitions arising on business combinations (29(iii))	**44.8**	**27.9**	**72.7**
Other property acquisitions	**317.4**	**212.4**	**529.8**
Additions to existing investment properties	**17.7**	**143.6**	**161.3**
Disposals	**(248.3)**	**(20.3)**	**(268.6)**
Transfers on completion of development	**134.9**	**(134.9)**	**–**
Transfers from trading properties	**29.3**	**2.5**	**31.8**
Revaluation surplus during the year	**407.4**	**32.4**	**439.8**
At 31 December 2015	**3,863.9**	**482.6**	**4,346.5**
Add tenant lease incentives, letting fees and rental guarantees	**77.5**	**–**	**77.5**
Total investment properties	**3,941.4**	**482.6**	**4,424.0**
Total investment properties – continuing	**3,655.3**	**462.8**	**4,118.1**
Total investment properties – held for sale	**286.1**	**19.8**	**305.9**

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

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

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

Following the commencement of operating leases and change in strategy, £31.8 million (2014: £23.3 million) of trading properties were transferred to investment properties in line with the accounting policy set out in Note 1.

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

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

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15. Properties continued

15(ii) – Trading properties

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

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

Trading properties were externally valued, as detailed in Note 15(i), resulting in an increase in the provision for impairment of £1.2 million (2014: £1.7 million). Based on the fair value at 31 December 2015, the portfolio has an unrecognised surplus of £0.1 million (2014: £2.3 million). Further information on valuation techniques and related quantitative information is given in Note 30.

15(iii) – Held for sale

The Group has exchanged contracts to sell the Bath Road office investment property portfolio with a total book value of £305.9 million (of which £286.1 million are investment properties and £19.8 million are development properties). This completed on 29 January 2016 as disclosed in Note 32.

These were considered held for sale at 31 December 2015.

16. Available-for-sale investments

	2015 £m	2014 £m
Valuation at 1 January	**5.8**	12.1
Exchange movement	**0.2**	0.3
Fair value movement – other comprehensive income	**0.1**	(0.7)
Disposals and return of capital	**(5.2)**	(5.9)
Valuation at 31 December	**0.9**	5.8

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

17. Trade and other receivables

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Current				
Trade receivables	**21.3**	15.0	**–**	–
Other receivables	**61.6**	210.2	**2.2**	2.4
Prepayments and accrued income	**6.1**	6.5	**0.6**	3.6
Amounts due from related parties	**8.8**	4.3	**–**	–
Total current trade and other receivables	**97.8**	236.0	**2.8**	6.0

Included in Group other receivables in 2014 is £119.9 million in respect of deferred consideration due from PSP Investments in connection with the creation of the SELP joint venture, which was received in October 2015 and £33.6 million in respect of a US tax refund, discussed further in Note 12, which was received in March 2015. Group other receivables also include tax recoverable of £0.1 million (2014: £0.1 million). Group trade receivables are net of provisions for doubtful debts of £4.8 million (2014: £5.9 million).

18. Trade and other payables

	Group		Company	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Due within one year				
Trade payables	**7.9**	2.0	**–**	–
Non-trade payables and accrued expenses	**195.7**	164.5	**30.0**	32.9
Total trade and other payables due within one year	**203.6**	166.5	**30.0**	32.9
Due after one year				
Other payables	**–**	0.6	**–**	–
Loans from subsidiaries[1]	**–**	–	**469.7**	949.7
Amounts due to related parties	**3.9**	4.3	**–**	–
Total other payables due after one year	**3.9**	4.9	**469.7**	949.7

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

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19. Net borrowings

19(i) – Net borrowings by type

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Secured borrowings:				
Euro mortgages (repayable in more than two years but less than five)	3.6	–	–	–
Total secured (on land, buildings and other assets)	3.6	–	–	–
Unsecured borrowings:				
Bonds				
5.25% bonds 2015	–	107.6	–	109.0
6.25% bonds 2015	–	100.0	–	100.0
5.5% bonds 2018	199.4	199.2	199.4	199.2
6.0% bonds 2019	173.6	172.6	179.9	180.6
5.625% bonds 2020	248.5	248.3	248.5	248.3
6.75% bonds 2021	297.7	297.3	297.7	297.3
7.0% bonds 2022	149.3	149.3	149.3	149.3
6.75% bonds 2024	222.2	222.1	222.2	222.1
5.75% bonds 2035	198.3	198.2	198.3	198.2
	1,489.0	1,694.6	1,495.3	1,704.0
Bank loans and overdrafts	330.3	8.4	330.3	8.4
Total unsecured	1,819.3	1,703.0	1,825.6	1,712.4
Total borrowings	1,822.9	1,703.0	1,825.6	1,712.4
Cash and cash equivalents	(16.4)	(23.8)	(6.3)	(11.0)
Net borrowings	1,806.5	1,679.2	1,819.3	1,701.4

The maturity profile of borrowings is as follows:

	Group		Company	
Maturity profile of borrowings	2015 £m	2014 £m	2015 £m	2014 £m
In one year or less	–	207.6	–	209.0
In more than one year but less than two	103.2	–	103.2	–
In more than two years but less than five	852.2	380.2	854.9	388.2
In more than five years but less than ten	669.2	917.0	669.2	917.0
In more than ten years	198.3	198.2	198.3	198.2
In more than one year	1,822.9	1,495.4	1,825.6	1,503.4
Total borrowings	1,822.9	1,703.0	1,825.6	1,712.4
Cash and cash equivalents	(16.4)	(23.8)	(6.3)	(11.0)
Net borrowings	1,806.5	1,679.2	1,819.3	1,701.4

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 60.

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

19. Net borrowings continued

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

Maturity profile of undrawn borrowing facilities	Group 2015 £m	Group 2014 £m	Company 2015 £m	Company 2014 £m
In one year or less	5.0	5.0	–	–
In more than one year but less than two	102.9	–	102.9	–
In more than two years but less than five	110.0	399.9	110.0	399.9
Total available undrawn borrowing facilities	217.9	404.9	212.9	399.9

19(ii) – Net borrowings by interest rates

The weighted average interest rate profile of Group and Company net borrowings after derivative instruments is as follows:

Interest rate profile – Group	31 December 2015 Fixed rate %	Fixed period years	Fixed debt £m	Variable debt £m	Total £m	31 December 2014 Fixed rate %	Fixed period years	Fixed debt £m	Variable debt £m	Total £m
Borrowings	Weighted average after derivative instruments					Weighted average after derivative instruments				
Sterling	6.66	13.0	530.0	170.4	700.4	6.78	14.8	496.6	128.1	624.7
Euros	3.83	6.0	713.2	421.7	1,134.9	4.56	4.4	751.9	326.7	1,078.6
US dollars	–	–	–	(12.4)	(12.4)	–	–	–	(0.3)	(0.3)
Total borrowings	5.03	9.0	1,243.2	579.7	1,822.9	5.44	8.5	1,248.5	454.5	1,703.0
Cash and cash equivalents										
Sterling				(10.0)	(10.0)				(14.8)	(14.8)
Euros				(6.2)	(6.2)				(8.9)	(8.9)
US dollars				(0.2)	(0.2)				(0.1)	(0.1)
Total cash and cash equivalents				(16.4)	(16.4)				(23.8)	(23.8)
Net borrowings			1,243.2	563.3	1,806.5			1,248.5	430.7	1,679.2

Interest rate profile – Company	31 December 2015 Fixed rate %	Fixed period years	Fixed debt £m	Variable debt £m	Total £m	31 December 2014 Fixed rate %	Fixed period years	Fixed debt £m	Variable debt £m	Total £m
Borrowings	Weighted average after derivative instruments					Weighted average after derivative instruments				
Sterling	6.58	12.9	536.3	170.4	706.7	6.66	14.6	506.0	128.1	634.1
Euros	3.83	6.0	713.2	418.1	1,131.3	4.56	4.4	751.9	326.7	1,078.6
US dollars	–	–	–	(12.4)	(12.4)	–	–	–	(0.3)	(0.3)
Total borrowings	5.01	8.9	1,249.5	576.1	1,825.6	5.40	8.5	1,257.9	454.5	1,712.4
Cash and cash equivalents										
Sterling				(6.3)	(6.3)				(11.0)	(11.0)
Total cash and cash equivalents				(6.3)	(6.3)				(11.0)	(11.0)
Net borrowings			1,249.5	569.8	1,819.3			1,257.9	443.5	1,701.4

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For the year ended 31 December 2015

20. Financial instruments and fair values

Derivative assets

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

Derivative liabilities

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

Categories of financial instruments

Financial assets in the Group comprise interest rate swaps and forward foreign exchange contracts which are categorised as derivatives designated as fair value through the Income Statement (non-hedge). Financial assets also include trade and other receivables (excluding prepaid expenses), 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 and unsecured bank loans and unsecured bond issues which are categorised as debt and initially recognised at fair value less costs and subsequently at amortised cost; and trade and other payables (excluding deferred revenue) 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. At 31 December 2015, the fair value of £1,489.0 million of unsecured bonds issued was £1,778.1 million (2014: £1,694.6 million compared with £2,059.9 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 will 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.

20. Financial instruments and fair values continued

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 16, 17 and 18. All of these financial instruments would be classified as level 2 fair value measurements, as defined by IFRS 13, being those derived from inputs other than quoted prices (included within level 1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). There were no transfers between categories in the current or prior year.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern and as such it aims to maintain a prudent mix between debt and equity financing. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued capital, reserves and retained earnings as disclosed in the statement of changes in equity and Notes 22 to 24. Debt primarily comprises long-term debt issues and drawings against medium-term committed revolving credit facilities from banks as disclosed in Note 19.

The Group is not subject to externally imposed capital requirements.

Foreign currency risk management

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

The Group's approach to managing Balance Sheet translation exposure is described in the Foreign Currency Translation Exposure section in the Financial Review on page 61.

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

	2015			2014		
	Euros £m	US Dollars £m	Total £m	Euros £m	US Dollars £m	Total £m
Group						
Gross currency assets	1,350.4	33.2	1,383.6	1,276.3	24.8	1,301.1
Gross currency liabilities	(1,213.3)	(19.5)	(1,232.8)	(1,149.2)	(18.3)	(1,167.5)
Net exposure	137.1	13.7	150.8	127.1	6.5	133.6
Company						
Gross currency assets	705.2	31.9	737.1	784.6	18.6	803.2
Gross currency liabilities	(1,190.4)	(51.4)	(1,241.8)	(1,093.1)	(36.9)	(1,130.0)
Net exposure	(485.2)	(19.5)	(504.7)	(308.5)	(18.3)	(326.8)

2015 gross currency liabilities include EUR659.9 million (£485.2 million) and USD28.6 million (£19.5 million) designated as net investment hedges.

2014 gross currency liabilities include EUR504.2 million (£390.8 million) and USD28.6 million (£18.3 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 £7.2 million (2014: £6.4 million), with a sensitivity of £6.5 million against the euro (2014: £6.1 million) and £0.7million against the US dollar (2014: £0.3 million). The 5 per cent sensitivity rate is used when reporting foreign currency risk internally to management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts the translation of net assets (after taking account of external loans, currency swap contracts and forward foreign exchange contracts) at the period end for a 5 per cent change in the value of sterling against the relevant currencies.

For the Company, the blended sensitivity is £26.6 million (2014: £17.1 million) with a sensitivity of £25.6 million against the euro (2014: £16.2 million) and £1.0 million against the US dollar (2014: £0.9 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 foreign exchange and currency swap contracts are effectively economic cash flow hedges, for example using surplus cash in one currency to provide (typically through intercompany debt funding arrangements with overseas subsidiaries) funds to repay debt, or to fund development expenditure or acquisitions in another currency. These instruments have not been designated as hedges. As a consequence exchange movements in respect of these instruments are taken through the Income Statement. Offsetting these movements are £31.6 million (2014: £53.5 million) of exchange losses arising on intercompany debt funding arrangements discussed above resulting in a gain on exchange differences of £0.5 million (2014: £0.1 million loss) within net finance costs in Note 11.

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20. Financial instruments and fair values continued

The Group's translation exposure risk management policy is that between 50 and 100 per cent of assets denominated in a foreign currency should be hedged by liabilities in the same currency. During the year the foreign currency denominated liabilities of the Group were predominately the currency leg of foreign exchange and currency swap contracts (both those designated as net investment hedges and those which are effectively cash flow hedges) and the application of this policy is the main economic purpose of these instruments. Further details are provided within the Foreign Currency Translation Exposure section of the Finance Review on page 61.

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	
	2015	2014	**2015 m**	2014 m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
Group								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.39**	1.27	**450.7**	906.0	**331.4**	702.3	**(7.2)**	12.7
Buy euros (sell sterling)	**1.35**	1.28	**0.8**	16.8	**0.6**	13.0	**–**	(0.2)
Buy US dollars (sell sterling)	**1.50**	1.56	**46.9**	29.0	**31.9**	18.6	**0.7**	0.1
Net investment hedges								
Sell euros (buy sterling)	**1.41**	1.26	**659.9**	504.2	**485.2**	390.8	**(17.2)**	11.6
Sell US dollars (buy sterling)	**1.49**	1.57	**28.6**	28.6	**19.5**	18.3	**(0.2)**	(0.1)
Total							**(23.9)**	24.1
Company								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.40**	1.26	**1,110.6**	1,410.2	**816.6**	1,093.2	**(24.4)**	24.3
Buy euros (sell sterling)	**1.35**	1.28	**0.8**	16.8	**0.6**	13.0	**–**	(0.2)
Buy US dollars (sell sterling)	**1.50**	1.56	**46.9**	29.0	**31.9**	18.6	**0.7**	0.1
Sell US dollars (buy sterling)	**1.49**	1.57	**28.6**	28.6	**19.5**	18.3	**(0.2)**	(0.1)
Total							**(23.9)**	24.1

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 Finance 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 2015 would decrease/increase by £4.9 million (2014: decrease/increase by £5.1 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.

20. Financial instruments and fair values continued

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:

	Average contract – fixed interest rate		Notional principal amount		Fair value	
	2015 %	2014 %	2015 £m	2014 £m	2015 £m	2014 £m
Pay fixed, receive floating contracts:						
Group						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	0.19	0.92	198.5	658.9	(0.9)	(21.3)
In more than five years	0.29	0.95	514.7	93.0	(0.2)	(3.6)
Total			713.2	751.9	(1.1)	(24.9)
Company						
In one year or less	–	–	–	–	–	–
In more than one year but less than two	–	–	–	–	–	–
In more than two years but less than five	0.19	0.92	198.5	658.9	(0.9)	(21.3)
In more than five years	0.29	0.95	514.7	93.0	(0.2)	(3.6)
Total			713.2	751.9	(1.1)	(24.9)
Receive fixed, pay floating contracts:						
Group						
In one year or less	–	5.72	–	648.0	–	51.4
In more than one year but less than two	5.95	–	350.0	–	17.1	–
In more than two years but less than five	6.02	6.19	559.0	500.0	57.1	44.1
In more than five years	6.75	6.75	50.0	50.0	6.6	7.9
Total			959.0	1,198.0	80.8	103.4
Company						
In one year or less	–	5.72	–	648.0	–	51.4
In more than one year but less than two	5.95	–	350.0	–	17.1	–
In more than two years but less than five	6.02	6.19	559.0	500.0	57.1	44.1
In more than five years	6.75	6.75	50.0	50.0	6.6	7.9
Total			959.0	1,198.0	80.8	103.4

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.

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20. Financial instruments and fair values continued

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 were less than 1 per cent of total assets at 31 December 2015 and at 31 December 2014. 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:

	2015 £m	2014 £m
0–30 days	**3.5**	3.4
30–60 days	**0.6**	0.1
60–90 days	**0.1**	0.3
90–180 days	**0.6**	0.6
180 days	**1.3**	0.8
Past due but not impaired	**6.1**	5.2
Not due	**15.2**	9.8
Total trade receivables	**21.3**	15.0

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.

Included within Group other receivables per Note 17 is a £16.5 million deposit, relating to the sale of the Bath Road office portfolio, held with HSBC Bank plc, an approved counterparty bank. In 2014 Group other receivables included £119.9 due from PSP Investments, an entity with a AAA credit rating. As detailed in Note 17, this amount was received in full in 2015.

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 requiring that adequate cash and committed bank facilities are available to cover and match all debt maturities, development spend, trade related and corporate cash flows 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 Financial Position and Funding section in the Financial Review on page 60.

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.

20. Financial instruments and fair values continued

	2015						2014					
	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		132.8	–	3.9	–	136.7		98.5	0.6	4.3	–	103.4
Variable rate debt instruments	1.0	4.0	106.6	234.9	–	345.5	2.4	0.2	0.2	10.6	–	11.0
Fixed rate debt instruments	6.2	93.1	93.1	874.1	1,136.7	2,197.0	6.1	313.4	93.1	645.7	1,458.2	2,510.4
Derivative financial instruments:												
Net settled interest rate swaps		1.9	1.8	(1.5)	(0.9)	1.3		6.5	6.5	11.6	0.1	24.7
Gross settled foreign exchange – Forward contracts												
– Inflowing		(805.9)	–	–	–	(805.9)		(31.2)	–	–	–	(31.2)
– Outflowing		832.8	–	–	–	832.8		31.4	–	–	–	31.4
Total		258.7	201.5	1,111.4	1,135.8	2,707.4		418.8	100.4	672.2	1,458.3	2,649.7

	2015						2014					
	Weighted average interest rate %	Under 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m	Weighted average interest rate %	Under 1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Company												
Non-derivative financial liabilities:												
Trade and other payables		3.7	469.7	–	–	473.4		3.8	949.7	–	–	953.5
Variable rate debt instruments	1.0	3.9	106.5	231.0	–	341.4	2.4	0.2	0.2	10.6	–	11.0
Fixed rate debt instruments	6.2	93.1	93.1	874.1	1,136.7	2,197.0	6.1	313.4	93.1	645.7	1,458.2	2,510.4
Derivative financial instruments:												
Net settled interest rate swaps		1.9	1.8	(1.5)	(0.9)	1.3		6.5	6.5	11.6	0.1	24.7
Gross settled foreign exchange – Forward contracts												
– Inflowing		(805.9)	–	–	–	(805.9)		(31.2)	–	–	–	(31.2)
– Outflowing		832.8	–	–	–	832.8		31.4	–	–	–	31.4
Total		129.5	671.1	1,103.6	1,135.8	3,040.0		324.1	1,049.5	667.9	1,458.3	3,499.8

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21. Retirement benefit schemes

Background

With effect from 1 October 2015 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'), merged with the SEGRO Pension Scheme (the 'SEGRO scheme'). The assets of the schemes are held by Trustees separately from the assets of the employer. SEGRO plc will continue to sponsor the SEGRO scheme. There will be no change to member benefits as a result of the merger.

During 2015, and after discussion with SEGRO plc, the Trustees of the Bilton Group Pension Scheme (the 'Bilton scheme') committed to a process to buy out the Bilton Scheme. The Trustees decided to insure members' benefits with a third party specialist insurance company; the terms and conditions of the buy-out were agreed on 30 April 2015 subject to true-up following a data cleanse exercise due to be completed in the early part of 2016. The transaction, which has been predominantly funded from the assets of the scheme, will de-risk this mature scheme and reduce the administrative burden of managing it. In 2015 SEGRO incurred a pension settlement costs charge of £4.8 million (2014: £nil) in rationalising the pension schemes, as detailed in Note 2, primarily the buying out of the Bilton Group Pension Scheme.

Defined benefit pension provision is through trust-based schemes. These arrangements are now closed to new entrants and, with the exception of the SEGRO scheme, future accrual of benefits. In these arrangements, the assets of the schemes are invested separately from those of the Group and the schemes are run by independent Trustee boards. The Trustee board of each pension scheme is required by law to act in the best interests of the fund and its members and also takes into consideration the interests of the employers. There is a requirement for the Trustee board to have member representation, with the other Trustees being company appointed.

Each Trustee board is responsible for the investment policy in respect of the assets of the relevant fund, although, in respect of the SEGRO scheme, the Company must be consulted on this and typically has some input into the investment decisions.

Schemes are valued at least triennially, when the funding position is established. The Company and Trustee boards are required to agree on assumptions for the valuation and to agree the contributions that result from this. The contributions may need to incorporate deficit recovery contributions if a deficit position is determined through the valuation. In agreeing contribution rates, reference must be made to the affordability of contributions by the employer.

In general, any surplus after benefits have been paid/secured, can be repaid to the employer.

As part of the merger agreement the Company paid a one-off lump sum of £10 million to the SEGRO scheme and agreed to pay the deficit contributions on the same terms as applied under the schedule of contributions or recovery plans in place, for each of the SEGRO, Brixton and the JSG schemes, immediately prior to the merger. These deficit contributions amount to £7.2 million p.a. of which £5.9 million related to the SEGRO scheme. The company considers that, were a pension asset to be realised in respect of this scheme, this would be fully recoverable in line with the rules of the scheme.

Valuation of the schemes has been based on the most recent actuarial valuations: 31 March 2013 for the SEGRO scheme, 31 December 2011 for the Brixton scheme and 30 June 2013 for the JSG scheme and updated by the independent actuaries in order to assess the liabilities of the schemes at 31 December 2015. Other than market and demographic risks, which are common to all retirement benefit schemes, there are no specific risks in the relevant benefit schemes which the Group considers to be significant or unusual.

Over 70 per cent of the schemes' assets are held in a matching portfolio of Pooled Liability Driven Investment (LDI) Funds and Corporate Bonds which are a broad hedge for the schemes' liabilities including some which are index-linked. It is the intention for the SEGRO scheme to move to less risky assets as the scheme matures to match the liabilities of the scheme.

The major assumptions used were as follows:	**2015 %**	2014 %
Discount rate for scheme liabilities	**3.8**	3.4
Rate of inflation (RPI/CPI)	**3.2/2.1**	3.3/2.3
Rate of increase to pensions in payment in excess of GMP:		
Before April 2003 (SEGRO/Bilton)	**4.2/3.0**	4.2/3.0
From April 2003 to October 2005	**3.0**	3.1
After October 2005	**2.1**	2.1
Rate of general long-term increase in salaries	**3.2**	3.3

21. Retirement benefit schemes continued

Composition of schemes' assets	Analysis of assets 2015 £m	Analysis of assets 2014 £m
EQUITIES		
UK	**3.7**	10.6
US	**29.2**	23.2
Europe	**8.1**	8.3
Japan	**4.7**	4.5
Other	**5.1**	5.0
GILTS		
UK	**98.7**	111.5
Other	**–**	–
BONDS		
Corporate	**53.9**	62.7
OTHER ASSETS		
Diversified Growth Funds	**23.1**	13.5
Cash	**3.3**	1.0
Insured Pensions	**25.2**	1.9
Total, of which		
SEGRO scheme	**230.9**	171.4
Bilton scheme	**24.1**	28.2
Brixton and JSG scheme	**–**	42.6
TOTAL	**255.0**	242.2

Virtually all equity and debt instruments have quoted prices in active markets. The Bilton scheme assets included in other assets above at 31 December 2015 comprise £23.6 million insured pensions and £0.5 million cash. The Brixton and JSG schemes were merged into the SEGRO scheme during 2015.

The life expectancies at age 65 are as follows:

	Male	Female
Current pensioners	**24.5**	**25.8**
Future pensioners	**26.3**	**27.8**

Both life expectancy estimates use the standard S1PA base tables with a scaling factor of 80 per cent for males and 90 per cent for females (2014: 80 per cent and 90 per cent respectively). Future improvements to the life expectancy are in line with CMI 2012 projections with an assumed long-term rate of improvement of one and a quarter per cent p.a. (2014: one and a quarter per cent p.a.).

Charges on the basis of the assumptions were:		2015 £m	2014 £m
Charge to Group Income Statement			
Operating profit:	Current service cost	**(0.6)**	(0.5)
	Pension settlement cost	**(4.8)**	–
Net finance costs:	Net interest expense	**(0.2)**	(0.1)
Net charge to the Group Income Statement		**(5.6)**	(0.6)
Credit/(charge) to Group Statement of Comprehensive Income		**17.9**	(13.7)

All actuarial gains and losses are recognised immediately and relate to continuing operations. The cumulative recognised actuarial losses are £29.1 million (2014: £47.0 million).

The £4.8 million pension settlement cost comprise £3.5 million of buyout of the Bilton Pension Scheme and £1.3 million of costs associated with the merger of the Brixton and JSG Schemes.

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For the year ended 31 December 2015

21. Retirement benefit schemes continued

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:

		2015 £m	2014 £m
Movement in assets			
1 January		**242.2**	205.8
Interest on scheme assets		**8.2**	9.2
Actuarial (losses)/gains		**(2.9)**	24.3
Employer cash contributions		**18.3**	10.4
Member cash contributions		**0.1**	0.1
Benefits paid		**(7.4)**	(7.6)
Settlement of scheme		**(3.5)**	–
31 December		**255.0**	242.2
Movement in liabilities			
1 January		**253.7**	213.5
Service cost		**0.6**	0.5
Interest cost		**8.4**	9.3
Actuarial (gains)/losses	– changes in demographic assumptions	**(1.0)**	(0.3)
	– changes in financial assumptions	**(19.8)**	38.3
Benefits paid		**(7.4)**	(7.6)
Other		**0.3**	–
31 December		**234.8**	253.7
Analysis of net liabilities:			
Market value of schemes' assets		**255.0**	242.2
Present value of funded schemes' liabilities		**234.8**	(253.7)
Retirement benefit obligation recognised in other provisions in the Balance Sheet		**20.2**	(11.5)

The actual return on the scheme assets in the period was a gain of £5.3 million (2014: £33.5 million).

The average duration of the benefit obligations at the end of the reporting period is 20 years (2014: 20.5 years) for the combined SEGRO scheme. 7 per cent (2014: 7 per cent) of the liabilities related to active members, 35 per cent (2014: 36 per cent) to deferred and 58 per cent (2014: 57 per cent) to retired members.

The expected employer's contributions to be paid in the year ending 31 December 2016 is £7.9 million (2015: £9.6 million).

The Group also has a number of defined contribution schemes for which £1.3 million has been recognised as an expense (2014: £1.3 million).

Sensitivities

The sensitivities regarding the principal assumptions used to measure the Scheme liabilities are set out below. These were calculated using approximate methods taking into account the duration of the Scheme's liabilities.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Decrease/increase by 1.8% or £3.8m
Rate of mortality	Increase by 1 year	Increase by 2.6% or £5.5m
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 6.3% or £13.3m

22. Share capital and share-based payments

Share capital

GROUP AND COMPANY

Issued and fully paid	Number of shares million	Par value of shares £m
Ordinary shares of 10p each at 1 January 2015	742.2	74.2
Issue of shares – scrip dividend	5.1	0.5
Issue of shares – other	0.4	0.1
Ordinary shares of 10p each at 31 December 2015	747.7	74.8

Share-based payments

The Group operates the following share-based payments:

22(i) – Deferred Share Bonus Plan (DSBP)

The DSBP is for Executive Directors and other senior employees. A percentage of any payment made under the Bonus Scheme is deferred to shares and held in trust for three years. The percentage subject to deferral for Executive Directors is 50 per cent of the Bonus payment. The scheme is detailed in the Remuneration Report on pages 94 to 109.

	2015 number	2014 number
At 1 January	760,454	719,302
Shares granted DSBP	261,959	320,760
Shares vested	(306,573)	(265,886)
Shares expired/lapsed	(2,074)	(13,722)
At 31 December	713,766	760,454

The 2014 DSBP grant was made on 30 June 2015, based on a 29 June 2015 closing mid-market share price of 408.0 pence.

22(ii) – Long Term Incentive Plan (LTIP)

The LTIP is a discretionary employee share scheme for Executive Directors and senior managers. 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 94 to 109. 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.

	2015 number	2014 number
At 1 January	8,445,794	8,134,429
Shares granted LTIP	1,803,017	2,333,172
Shares vested	(958,324)	–
Shares expired/lapsed	(1,787,540)	(2,021,807)
At 31 December	7,502,947	8,445,794

The 2015 LTIP award was made on 22 May 2015. The calculation of the award was based on a share price of 422.5p, the closing mid-market share price on 21 May 2015. No consideration was paid for the grant of any award.

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22. Share capital and share-based payments continued

22(ii) – Long Term Incentive Plan (LTIP) continued

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

Date of grant	29-Mar-11	1 May-12	6 Aug-13	9 Apr-14	**22 May-15**
Market price used for award	331.3p	221.1p	311.6p	339.5p	**422.5p**
Risk-free interest rate	1.8%	1.8%	1.1%	1.3%	**1.0%**
Dividend yield	4.5%	6.6%	4.7%	4.4%	**3.6%**
Volatility	54.0%	54.0%	26.0%	24.0%	**20.0%**
Term	3 years	3 years/4 years	4 years	4 years	**4 years**
Fair value per share	289.0p	183.0p/171.0p	257.6p	285.1p	**366.1p**

22(iii) – Share Incentive Plan (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 PBT performance. In 2015, as the PBT performance target was achieved in full participating employees were each awarded shares to the value of £3,000. If a participant ceases to be employed by the Group within three years from the 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.

	2015 number	2014 number
At 1 January	**442,868**	407,667
Shares granted	**97,740**	98,766
Shares released	**(41,991)**	(43,876)
Shares forfeited	**(16,415)**	(19,689)
At 31 December	**482,202**	442,868

As at 31 December 2015, 494,528 shares (2014: 462,557) are held in the SIP trust.

22(iv) – Global Share Incentive Plan (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 during 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.

	2015 number	2014 number
At 1 January	**181,558**	196,724
Shares granted	**60,092**	56,641
Shares released	**(81,218)**	(59,326)
Shares forfeited	**(13,809)**	(12,481)
At 31 December	**146,623**	181,558

22(v) – Sharesave

The Group operates an HMRC approved all-employee savings related share option plan for UK-based employees. For 2015, 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 then 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 2015, the movements in Sharesave options were as follows:

	2015		2014	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
At 1 January	**380,462**	**230.1p**	315,410	199.8p
Options granted	**124,933**	**335.6p**	164,911	271.8p
Options exercised	**(157,179)**	**191.3p**	(69,978)	196.9p
Options expired/lapsed	**(22,061)**	**296.1p**	(29,881)	219.0p
At 31 December	**326,155**	**284.8p**	380,462	230.1p

22. Share capital and share-based payments continued

The consideration received by the Company from options exercised during the year was £367,658 (2014: £137,768). The grants 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	Fair value per share Three years	Fair value per share Five years
28 April 2011	6,591	321.7p	257.4p	1.8%	4.5%	57.0%	2014–2016	119p	128p
1 May 2013	51,718	254.0p	203.2p	1.1%	5.2%	24.0%	2016	40p	N/A
2 May 2014	144,521	339.8p	271.8p	1.3%	4.4%	24.0%	2017	67p	N/A
1 May 2015	123,325	419.5p	335.6p	1.0%	3.6%	20.0%	2018	78p	N/A
Total	**326,155**								

A total of 326,155 (2014: 444,865) options exist at 31 December 2015 in relation to the Sharesave with a weighted average remaining contractual life of 2.12 years (2014: 1.7 years).

22(vi) – Executive Share Option Plan (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. The last grant under ESOP was made in 2005 and the Company has no current intention of making further grants under this scheme.

	2015		2014	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
At 1 January	**64,403**	**689.2**	73,832	689.2
Options expired/lapsed	**64,403**	**689.2**	(9,429)	689.2
At 31 December	–	–	64,403	689.2

23. Share premium account

GROUP AND COMPANY	**2015 £m**	2014 £m
Balance at 1 January	**1,070.0**	1,069.9
Premium arising on the issue of shares – scrip dividend	**21.1**	–
Premium arising on the issue of shares – other	**0.3**	0.1
Balance at 31 December	**1,091.4**	1,070.0

24. Own shares held

	Group		**Company**	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Balance at 1 January	**6.1**	5.3	**6.1**	5.3
Shares purchased	**6.7**	2.1	**6.7**	2.1
Disposed of on exercise of options	**(6.5)**	(1.3)	**(6.5)**	(1.3)
Balance at 31 December	**6.3**	6.1	**6.3**	6.1

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

25. Commitments

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

GROUP	**2015 £m**	2014 £m
Properties	**118.4**	169.0

In addition, commitments in the Group's joint ventures at 31 December 2015 (at share) amounted to £24.2 million (2014: £40.3 million).

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26. Contingent liabilities

The Group has given performance guarantees to third parties amounting to £15.1 million (2014: £14.5 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 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. Adequate amounts have been accrued for 31 December 2015 in relation to the representations and warranties provided.

27. Operating leases

The Group as lessor

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

	Group £m	Joint ventures at share £m	2015 £m	2014 £m
Not later than one year	195.1	63.5	258.6	248.2
Later than one year but not later than five years	571.3	166.5	737.8	674.5
Later than five years	565.1	232.1	797.2	762.2
Balance at 31 December	1,331.5	462.1	1,793.6	1,684.9

There are no significant levels of contingent rent in the current or prior year.

The Group as lessee

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

	2015 £m	2014 £m
Not later than one year	1.6	1.1
Later than one year but not later than five years	4.0	2.5
After five years	0.9	0.1
Total	6.5	3.7

The expense in respect of lessee charges was £1.8 million (2014: £1.9 million).

28. Related party transactions

Group

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

	2015 £m	2014 £m
New loans during the year	70.8	222.4
Loans repaid during the year	64.5	75.7
Loans outstanding at the year end	221.2	333.9
Dividends received	20.8	22.2
Management fee income	17.0	11.8

Transactions between the Company and its subsidiaries eliminate on consolidation and are not disclosed in this note.

Company

Amounts due from subsidiaries are disclosed in Note 17 and amounts due to subsidiaries are disclosed in Note 18.

None of the above Group or Company balances are secured.

28. Related party transactions continued

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 78 to 84. Key management personnel compensation is shown in the table below:

	2015 £m	2014 £m
Salaries and short-term benefits	**4.9**	4.2
Post-employment benefits	**0.1**	0.2
Share-based payments	**0.9**	0.9
Total remuneration	**5.9**	5.3

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 Remuneration Report on pages 94 to 109.

29. Notes to the cash flow statements

29(i) – Reconciliation of cash generated from operations

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Operating profit/(loss)	**777.5**	719.8	**(201.1)**	175.2
Adjustments for:				
Depreciation of property, plant and equipment	**3.5**	2.3	**0.2**	0.1
Share of profit from joint ventures after tax	**(156.5)**	(151.4)	**–**	–
Profit on sale of investment properties	**(23.0)**	(25.0)	**–**	–
Goodwill and other amounts written off on acquisitions	**3.8**	0.2	**–**	–
Revaluation surplus on investment and owner occupied properties	**(439.8)**	(385.6)	**–**	–
Profit on sale of available-for-sale investments	**(6.6)**	(1.9)	**–**	–
Other income reallocated	**–**	–	**(258.6)**	(25.0)
Pension settlement costs	**4.8**	–	**–**	–
Pensions and other provisions	**(16.0)**	(8.4)	**425.1**	(178.2)
	147.7	150.0	**(34.4)**	(27.9)
Changes in working capital:				
Decrease in trading properties	**3.5**	29.6	**–**	–
(Increase)/decrease in debtors and tenant incentives	**(21.6)**	7.1	**3.2**	–
(Increase)/decrease in creditors	**(5.7)**	(10.6)	**0.6**	(0.3)
Net cash inflow/(outflow) generated from operations	**123.9**	176.1	**(30.6)**	(28.2)

29(ii) – Deposits

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

29(iii) – Vailog acquisition

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

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

Notes to the financial statements continued…

For the year ended 31 December 2015

29. Notes to the cash flow statements continued

29(iii) – Vailog acquisition continued

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

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

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

29. Notes to the cash flow statements continued

Consideration is made up as follows:

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

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

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

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

29(iv) – Analysis of net debt

	At 1 January 2015 £m	Exchange movement £m	Acquired[1] £m	Cash flow[2] £m	Non-cash Adjustments[3] £m	**At 31 December 2015 £m**
Group						
Bank loans and loan capital	1,720.6	–	48.7	67.7	–	**1,837.0**
Capitalised finance costs	(17.6)	–	–	(0.3)	3.8	**(14.1)**
Total borrowings	1,703.0	–	48.7	67.4	3.8	**1,822.9**
Cash in hand and at bank	(23.8)	0.3	(3.2)	10.3	–	**(16.4)**
Net debt	1,679.2	0.3	45.5	77.7	3.8	**1,806.5**
Company						
Bank loans and loan capital	1,720.6	–	–	112.8	–	**1,833.4**
Capitalised finance costs	(8.2)	–	–	(0.3)	0.7	**(7.8)**
Total borrowings	1,712.4	–	–	112.5	0.7	**1,825.6**
Cash in hand and at bank	(11.0)	–	–	4.7	–	**(6.3)**
Net debt	1,701.4	–	–	117.2	0.7	**1,819.3**

1 Acquired represents cash and debt from the Vailog acquisition as detailed in Note 29(iii).

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

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

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Notes to the financial statements continued…

For the year ended 31 December 2015

30. Property valuation techniques and related quantitative information

All of the Group's properties are level 3, as defined by IFRS 13, in the fair value hierarchy as at 31 December 2015 and there were no transfers between levels during the year. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to level 1 (inputs from quoted prices) and level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

Based on a multi-criteria approach, the following valuation techniques can be used for the same class of assets:

The yield methodology valuation technique is used when valuing the Group's assets which uses market rental values capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the initial yields and the fair market values per square metre derived from actual market transactions.

For properties under construction and land held for development, properties are valued using a residual method valuation. Under this methodology, the valuer assesses the investment value (using the above mentioned methodology for completed buildings). Deductions are then made for the total estimated costs to complete, including notional finance costs and developer's profit, to take into account the hypothetical purchaser's management of the remaining development process and their perception of risk with regard to construction and the property market (e.g. as regards potential cost overruns and letting risk). Land values are cross-checked against the rate per hectare derived from actual market transactions.

An increase/decrease to ERV will increase/decrease valuations, while an increase/decrease to yield decreases/increases valuations.

There are interrelationships between all these inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the input on the valuation. The impact on the valuation will be mitigated by the interrelationship of two inputs in opposite directions, e.g. an increase in rent may be offset by an increase in yield.

	Valuation			Inputs			
2015 By asset type	**Completed £m**	**Land & development[1] £m**	**Combined property portfolio £m**	**Erv £ per sq m[2]**	**Erv range £ per sq m[2]**	**Net true equivalent yield[3] %**	**Net true equivalent yield range %**
Logistics warehouses > 10,000 sq m	1,948.8		1,948.8	48.3	15.9–199.0	6.0	4.8–12.3
Smaller warehouses and light industrial buildings	2,318.2		2,318.2	95.2	15.9–258.3	6.0	4.4–11.0
Warehouses used as data centres	308.7		308.7	172.6	91.5–219.3	5.7	5.5–6.4
Offices	306.7		306.7	195.0	53.8–290.6	6.7	5.5–10.7
Other business space	298.3		298.3	123.8	17.7–288.6	5.6	4.4–10.3
	5,180.7	592.0	5,772.7	73.0	15.9–290.6	6.0	4.4–12.3
By ownership							
Wholly owned	3,959.4	502.4	4,461.8	84.8	15.9–290.6	6.1	4.8–12.3
Joint ventures	1,221.3	89.6	1,310.9	51.5	26.5–258.3	6.5	4.4–9.5
Group Total	5,180.7	592.0	5,772.7	73.0	15.9–290.6	6.0	4.4–12.3

1 Land and development valuations by asset type are not available as land sites are not categorised by asset type. Combined property portfolio column will not cast down but row does cast across.

2 On a fully occupied basis.

3 In relation to the completed properties only.

30. Property valuation techniques and related quantitative information continued

2015 By geography	Valuation Completed £m	Valuation Land & development[1] £m	Valuation Combined property portfolio £m	Inputs Erv £ per sq m[2]	Inputs Erv range £ per sq m[2]	Inputs Net true equivalent yield[3] %	Inputs Net true equivalent yield range %
Greater London	1,983.1	227.1	2,210.2	120.8	34.6–258.3	5.5	4.4–8.6
Thames Valley and National Logistics	1,881.8	136.2	2,018.0	105.2	29.6–290.6	5.8	4.7–6.7
Northern Europe							
Germany	428.2	64.1	492.3	40.1	15.9–123.5	6.3	5.5–12.3
Belgium/Netherlands/Austria	124.0	32.2	156.2	41.1	29.6–75.6	6.8	5.6–10.5
Southern Europe							
France	379.3	42.9	422.2	44.9	25.3–95.6	7.1	5.8–9.2
Italy/Spain	60.8	37.7	98.5	29.5	23.1–58.8	6.8	6.4–10.4
Central Europe							
Poland	289.5	31.2	320.7	34.9	26.5–105.9	6.9	6.2–8.0
Czech Republic/Hungary	34.0	20.6	54.6	39.1	33.8–70.6	7.1	6.8–7.2
Group Total	5,180.7	592.0	5,772.7	73.0	15.9–290.6	6.0	4.4–12.3

Less trader uplift – Group (Note 15(ii))	(0.1)
Less trader uplift – Joint Ventures (Note 7(i))	(1.6)
Less other adjustments	(0.1)
	5,770.9
Investment properties – Group (Note 15(i))	4,424.0
Investment properties – Joint ventures (Note 7(ii))	1,303.5
Trading properties – Group (Note 15(ii))	37.6
Trading properties – Joint ventures (Note 7(ii))	5.8
	5,770.9

1 Land and development valuations by asset type are not available as land sites are not categorised by asset type.
2 On a fully occupied basis.
3 In relation to the completed properties only.

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Notes to the financial statements continued…

For the year ended 31 December 2015

30. Property valuation techniques and related quantitative information continued

2014 By asset type	Valuation Completed £m	Valuation Land & development[1] £m	Valuation Combined property portfolio £m	Inputs ERV £ per sq m²	Inputs ERV range £ per sq m²	Inputs Net true equivalent yield[3] %	Inputs Net true equivalent yield range %
Logistics warehouses > 10,000 sq m	1,547.0		1,547.0	50.2	16.7–194.9	6.7	5.1–12.7
Smaller warehouses and light industrial buildings	1,943.8		1,943.8	90.7	16.8–253.0	6.6	4.8–10.7
Warehouses used as data centres	337.7		337.7	159.7	82.1–209.4	6.0	5.3–6.2
Offices	352.3		352.3	166.6	53.8–290.6	7.7	5.7–12.5
Other business space	307.2		307.2	98.7	18.6–289.3	6.0	4.6–10.1
	4,488.0	313.4	4,801.4[2]	74.7	16.7–290.6	6.7	4.6–12.7
By ownership							
Wholly owned	3,306.6	251.0	3,557.6	85.3	16.7–290.6	6.6	5.0–12.7
Joint ventures	1,181.4	62.4	1,243.8	56.0	26.1–253.0	6.9	4.6–9.7
Group Total	4,488.0	313.4	4,801.4	74.7	16.7–290.6	6.7	4.6–12.7

1 Land and development valuations by asset type are not available as land sites are not categorised by asset type. Combined property portfolio column will not cast down but row does cast across.

2 On a fully occupied basis.

3 In relation to the completed properties only.

2014 By geography	Valuation Completed £m	Valuation Land & development[1] £m	Valuation Combined property portfolio £m	Inputs ERV £ per sq m²	Inputs ERV range £ per sq m²	Inputs Net true equivalent yield[3] %	Inputs Net true equivalent yield range %
Greater London	1,752.0	67.2	1,819.2	110.0	34.6–253.0	6.1	4.6–9.7
Thames Valley and National Logistics	1,601.1	64.8	1,665.9	105.8	26.9–290.6	6.5	5.0–7.2
Northern Europe							
Germany	314.4	67.8	382.2	42.3	16.7–112.6	7.2	6.1–10.1
Belgium/Netherlands	69.4	19.0	88.4	41.3	23.7–83.8	8.3	6.8–11.6
Southern Europe							
France	357.3	11.6	368.9	44.7	26.7–96.9	7.9	5.9–12.7
Italy	101.2	0.8	102.0	72.8	25.6–162.8	9.0	8.2–12.5
Central Europe							
Poland	262.4	60.8	323.2	37.8	29.8–111.6	7.9	7.3–8.4
Czech Republic/Hungary	30.2	21.4	51.6	41.4	37.0–74.4	7.8	7.7–7.8
Group Total	4,488.0	313.4	4,801.4	74.7	16.7–290.6	6.7	4.6–12.7

Less trader uplift (Note 15(ii))	(2.3)
Add other adjustments	(0.4)
	4,798.7
Investment properties – Group (Note 15(i))	3,477.0
Investment properties – Joint ventures (Note 7(ii))	1,230.8
Trading properties – Group (Note 15(ii))	77.8
Trading properties – Joint ventures (Note 7(ii))	13.1
	4,798.7

1 Land and development valuations by asset type are not available as land sites are not categorised by asset type. Combined property portfolio column will not cast down but row does cast across.

2 On a fully occupied basis.

3 In relation to the completed properties only.

31. Subsidiary listing

A list of the Group's subsidiary undertakings as at 31 December 2015 is detailed below. Except where the Group's percentage effective holding is disclosed below, the entire share capital of the subsidiary undertaking is held by the Group. Unless otherwise stated, the Group's holding in the subsidiary undertaking comprises ordinary shares. Where subsidiaries have different classes of shares, the percentage effective holding shown represents both the Group's voting rights and equity holding. All subsidiaries are consolidated in the Group's financial statements.

Company Name	Country	% effective holding if not 100%	Direct/ Indirect
Air 6 Park a.s.	Czech Republic		Indirect
Airport Property GP (No. 2) Limited[1]	England & Wales	50	Indirect
Airport Property H1 Limited[1]	England & Wales	50	Indirect
Airport Property Partnership	England & Wales		Indirect
Allnatt London Properties PLC[2]	England & Wales		Direct
Alpha Tulipan Park, s.r.o.	Czech Republic	50	Indirect
Amdale Holdings Limited NV	Belgium		Indirect
ASIOS Beteiligungsverwaltungs GmbH	Austria		Indirect
Aspen Investments Sp. z.o.o.	Poland	50	Indirect
Beira Investments Sp. z.o.o.	Poland		Indirect
Beta Tulipan Park, s.r.o.	Czech Republic	50	Indirect
Big Box GP Limited[3]	England & Wales		Indirect
Bilton Homes Limited	England & Wales		Indirect
Bilton p.l.c.	England & Wales		Direct
Bonsol S.R.L.	Italy	90	Indirect
Branford Investments Sp. z.o.o	Poland	50	Indirect
Brixton (26 Europa Way, Trafford Park) Limited	England & Wales		Indirect
Brixton (9 Wharfside Way, Trafford Park) Limited	England & Wales		Indirect
Brixton (Acton, Westway Estate) 1 Limited	England & Wales		Indirect
Brixton (Axis Park) Limited	England & Wales		Indirect
Brixton (Bush Trading Estate) Limited	England & Wales		Indirect
Brixton (Equiton) 1 Limited	England & Wales		Indirect
Brixton (Equiton) 2 Limited	England & Wales		Indirect
Brixton (Equiton) 3 Limited	England & Wales		Indirect
Brixton (Equiton) 4 Limited	England & Wales		Indirect
Brixton (Equiton) 5 Limited	England & Wales		Indirect
Brixton (Equiton) 6 Limited	England & Wales		Indirect
Brixton (Europa Triangle, Trafford Park) Limited	England & Wales		Indirect
Brixton (Fairway Units 7–11) 1 Limited	England & Wales		Indirect
Brixton (Feltham Corporate Centre) 1 Limited	England & Wales		Indirect
Brixton (Gatwick Gate Industrial Estate) 1 Limited	England & Wales		Indirect
Brixton (Great Western, Southall) Limited	England & Wales		Indirect
Brixton (Hatton Cross) 1 Limited	England & Wales		Indirect
Brixton (Heathrow Big Box) 1 Limited	England & Wales		Indirect
Brixton (Heathrow Big Box) 2 Limited	England & Wales		Indirect
Brixton (Heathrow Big Box) 3 Limited	England & Wales		Indirect
Brixton (Heathrow Big Box) 4 Limited	England & Wales		Indirect
Brixton (Heathrow Big Box) 5 Limited	England & Wales		Indirect

Company Name	Country	% effective holding if not 100%	Direct/ Indirect
Brixton (Heathrow Big Box) 6 Limited	England & Wales		Indirect
Brixton (Heathrow Big Box) 7 Limited	England & Wales		Indirect
Brixton (Heathrow Big Box) 8 Limited	England & Wales		Indirect
Brixton (Heathrow Estate) Limited	England & Wales		Indirect
Brixton (Jersey) Limited	Jersey		Indirect
Brixton (JSG Scheme) Pension Trustees Limited	England & Wales		Indirect
Brixton (Metropolitan Park) 1 Limited	England & Wales		Indirect
Brixton (Old Brighton Road) 1 Limited	England & Wales		Indirect
Brixton (Origin) Limited	England & Wales		Indirect
Brixton (Tenax, Trafford Park) Limited	England & Wales		Indirect
Brixton (Trafford Point, Trafford Park) Limited	England & Wales		Indirect
Brixton (Victoria Industrial Estate) 1 Limited	England & Wales		Indirect
Brixton (Westway Estate) 1 Limited	England & Wales		Indirect
Brixton Asset Management UK Limited	England & Wales		Indirect
Brixton Equiton Limited	England & Wales		Indirect
Brixton Greenford Park Limited	England & Wales		Indirect
Brixton Greenford Park Property Limited	England & Wales		Indirect
Brixton Guarantee 1 Limited	England & Wales		Indirect
Brixton Investments (Hemel Hempstead) Limited	England & Wales		Indirect
Brixton Limited	England & Wales		Direct
Brixton Nominee 8 (Jersey) Limited	Jersey		Indirect
Brixton Nominee 9 (Jersey) Limited	Jersey		Indirect
Brixton Nominee 26 (Jersey) Limited	Jersey		Indirect
Brixton Nominee 27 (Jersey) Limited	Jersey		Indirect
Brixton Nominee 38 (Jersey) Limited	Jersey		Indirect
Brixton Nominee 39 (Jersey) Limited	Jersey		Indirect
Brixton Nominee 40 (Jersey) Limited	Jersey		Indirect
Brixton Nominee 41 (Jersey) Limited	Jersey		Indirect
Brixton Nominee Axis Park 1 Limited	Jersey		Indirect
Brixton Nominee Axis Park 2 Limited	Jersey		Indirect
Brixton Nominee Bracknell 1 Limited	Jersey		Indirect
Brixton Nominee Bracknell 2 Limited	Jersey		Indirect
Brixton Nominee Heathrow Corporate Park 1 Limited	Jersey		Indirect
Brixton Nominee Heathrow Corporate Park 2 Limited	Jersey		Indirect
Brixton Nominee Polar Park 1 Limited	Jersey		Indirect
Brixton Nominee Polar Park 2 Limited	Jersey		Indirect
Brixton Nominee Premier Park 1 Limited	Jersey		Indirect
Brixton Nominee Premier Park 2 Limited	Jersey		Indirect

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Company Name	Country	% effective holding if not 100%	Direct/ Indirect
Brixton Nominee West Cross, Brentford 1 Limited	Jersey		Indirect
Brixton Nominee West Cross, Brentford 2 Limited	Jersey		Indirect
Brixton Northfields (Wembley 1) Limited	England & Wales		Indirect
Brixton Northfields (Wembley) Holdings Limited	England & Wales		Indirect
Brixton Northfields (Wembley) Limited	England & Wales		Indirect
Brixton Northfields 1 Limited	England & Wales		Indirect
Brixton Northfields 2 Limited	England & Wales		Indirect
Brixton Northfields 3 Limited	England & Wales		Indirect
Brixton Northfields 4 Limited	England & Wales		Indirect
Brixton Northfields 5 Limited	England & Wales		Indirect
Brixton Northfields 6 Limited	England & Wales		Indirect
Brixton Pension Trustees Limited	England & Wales		Indirect
Brixton Premier Park Limited	England & Wales		Indirect
Brixton Premier Park Property Limited	England & Wales		Indirect
Brixton Properties Limited	England & Wales		Indirect
Brixton Sub-Holdings Limited	England & Wales		Indirect
Brixton Woodside Limited	England & Wales		Indirect
B-Serv Limited	England & Wales		Indirect
Cambrilis Investments Sp. z.o.o.	Poland	50	Indirect
Centennial Park Phase 400 Limited	England & Wales		Indirect
Centennial Park Management Company Limited	England & Wales	11	Indirect
CHR Holdings II LLC	Delaware, USA		Indirect
CHR Holdings LLC	Delaware, USA		Indirect
Collbert Investments Sp. z.o.o	Poland		Indirect
Comete Developpement (Holding) SARL	France	50	Indirect
Comete Developpement SARL	France	50	Indirect
Corin Investments Sp. z.o.o.	Poland		Indirect
Dani Estates s.r.o.	Czech Republic	50	Indirect
De Hoek-Noord S-Park B.V.	Netherlands		Indirect
Dearing Investments Sp. z.o.o.	Poland		Indirect
Delta Tulipan Park, s.r.o.	Czech Republic	50	Indirect
Devon Nominees (No. 1) Limited	England & Wales	50	Indirect
Devon Nominees (No. 2) Limited	England & Wales	50	Indirect
Devon Nominees (No. 3) Limited	England & Wales	50	Indirect
Eduardo Investments Sp. z.o.o.	Poland	50	Indirect
Equiton GP Limited	England & Wales	33.33	Indirect
Equiton Nominee Limited	England & Wales	33.33	Indirect
Equiton Industrial Partnership	England & Wales	33.33	Indirect
Equiton Nominee Hook 1 Limited	Jersey		Indirect
Equiton Nominee Hook 2 Limited	Jersey		Indirect
EUROPA MAGNESIUM S.R.L.	Italy		Indirect
Extendfollow Limited	England & Wales		Indirect
FBH France I SARL	France	90	Indirect

Company Name	Country	% effective holding if not 100%	Direct/ Indirect
Florette Investments Sp. z.o.o.	Poland	50	Indirect
Followcastle Limited	England & Wales		Indirect
Galtic Investments Sp. z.o.o.	Poland	50	Indirect
Gamma Tulipan Park, s.r.o.	Czech Republic	50	Indirect
Granby Investment Sp. z.o.o.	Poland		Indirect
Gateway Rugby Management Company Limited	England & Wales	50	Indirect
GRONT ČR s.r.o.	Czech Republic	50	Indirect
GrontInfra s.r.o	Czech Republic		Indirect
GrontOne s.r.o	Czech Republic		Indirect
GrontTwo s.r.o	Czech Republic		Indirect
GrontThree s.r.o	Czech Republic		Indirect
GrontFour s.r.o.	Czech Republic		Indirect
GrontFive s.r.o.	Czech Republic	50	Indirect
Helios Northern Limited[1]	England & Wales		Indirect
HelioSlough Limited	England & Wales		Indirect
HEREF Distribution Limited	Jersey		Indirect
Holbury Investments Sp. z.o.o.	Poland		Indirect
IFR S.R.L.	Italy	90	Indirect
IMPIANTI FTV S.R.L.	Italy	90	Indirect
Invest Sun NV	Belgium		Indirect
Ipopema 124 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	Poland	50	Indirect
Ipopema 125 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych	Poland	50	Indirect
Jolie Investments Sp. z.o.o.	Poland	50	Indirect
Karafiat House Sp. z.o.o.	Poland	50	Indirect
Karnal Investments Sp. z.o.o.	Poland		Indirect
Keila Investments Sp. z.o.o.	Poland	50	Indirect
Kingswood Ascot Property Investments Limited	England & Wales		Indirect
Kwacker Limited	England & Wales		Direct & Indirect
LIACOM-A Ingatlanforgalmazó Korlátolt Felelősségű Társaság	Hungary		Indirect
Link S.à r.l.[1]	Luxembourg	50	Indirect
Losette Investments Sp. z.o.o.	Poland	50	Indirect
LPV France SPPICAV	France	50	Indirect
Lumina Investments Sp. z.o.o.	Poland	50	Indirect
Lynford Investments Sp. z.o.o.	Poland		Indirect
M0M4 Üzleti Park Ingatlanfejlesztő Korlátolt Felelősségű Társaság	Hungary		Indirect
Nadarzyn Industrial Park Sp. z.o.o.	Poland	50	Indirect
Nivindus NV	Belgium	50	Indirect
Novara Logistics Park SARL	Italy	90	Indirect
Oriolus Investments Sp. z.o.o.	Poland	50	Indirect
Ottoline Investments Sp. z o.o.	Poland	50	Indirect
Ozarow Biznes Park Sp.z.o.o	Poland		Indirect

Company Name	Country	% effective holding if not 100%	Direct/ Indirect
Pakobo NV	Belgium	50	Indirect
Pambrook International s.r.o.	Czech Republic		Indirect
Panton Kortenberg Vastgoed NV	Belgium	50	Indirect
Pegatec NV	Belgium		Indirect
Pointbid Limited	England & Wales		Indirect
Premier Greenford GP Limited[1]	England & Wales		Indirect
Pruszków Industrial Park Sp. z o.o.	Poland	50	Indirect
Quendis Polska I Sp. z.o.o.	Poland	50	Indirect
Roadstamp Limited	England & Wales		Indirect
Roxhill–SEGRO (Rugby Gateway) LLP	England & Wales	50	Indirect
Rumst Logistics II NV	Belgium	50	Indirect
Rumst Logistics III NV	Belgium	50	Indirect
Rumst Logistics NV	Belgium	50	Indirect
SC Union Business SRL	Romania	90	Indirect
SCI Boussard A	France	50	Indirect
SCI Boussard C	France	50	Indirect
SCI SELP Clesud	France	50	Indirect
SCI SELP Mitry	France	50	Indirect
Secor Estates, s.r.o.	Czech Republic	50	Indirect
SEGRO (Aulnay) SCI	France	50	Indirect
SEGRO (Barking) Limited	England & Wales		Indirect
SEGRO (Blanc Mesnil) SARL	France		Indirect
SEGRO (Brackmills) Limited	England & Wales		Indirect
SEGRO (Burton upon Trent) Limited	England & Wales		Indirect
SEGRO (CRP) Limited	England & Wales		Indirect
SEGRO (Den Bosch) B.V.	Netherlands		Indirect
SEGRO (Hayes) Limited	England & Wales		Indirect
SEGRO (Hayes Road) Limited	England & Wales		Indirect
SEGRO (Hoofddorp) B.V.	Netherlands	50	Indirect
SEGRO (Loop) Limited	England & Wales		Indirect
SEGRO (Lutterworth) Limited	England & Wales		Indirect
SEGRO (Mitchell Way) Limited	England & Wales		Indirect
SEGRO (Motor Park) Limited	England & Wales		Indirect
SEGRO (Nechells 1) Limited	England & Wales		Indirect
SEGRO (Parc des Damiers) SAS	France		Indirect
SEGRO (Portsmouth) Limited	England & Wales		Indirect
SEGRO (Pucklechurch) Limited	England & Wales		Indirect
SEGRO (Purfleet) Limited	England & Wales		Indirect
SEGRO (Rugby Gateway 1) Limited	England & Wales		Indirect
SEGRO (Rugby Gateway 2) Limited	England & Wales		Indirect
SEGRO (Rugby Gateway 3) Limited	England & Wales		Indirect
SEGRO (Runcorn) Limited	England & Wales		Indirect
SEGRO (Southampton) Limited	England & Wales		Indirect
SEGRO (Tilburg I) B.V.	Netherlands		Indirect
SEGRO (Tilburg II) B.V.	Netherlands		Indirect

Company Name	Country	% effective holding if not 100%	Direct/ Indirect
SEGRO (Trilogy) Management Company Limited	England & Wales		Indirect
SEGRO (UK Logistics) Limited	England & Wales		Indirect
SEGRO (Watchmoor) Limited	England & Wales		Indirect
SEGRO (Wessex Fields) Limited[4]	Scotland		Indirect
SEGRO (West Zaan) B.V.	Netherlands		Indirect
SEGRO Achte Grundbesitz GmbH	Germany		Indirect
SEGRO Achtzehnte Grundbesitz GmbH	Germany		Indirect
SEGRO Administration Limited	England & Wales		Direct
SEGRO APP 1 Limited	England & Wales		Indirect
SEGRO APP 2 Limited	England & Wales		Indirect
SEGRO APP 3 Limited	England & Wales		Indirect
SEGRO APP 4 Limited	England & Wales		Indirect
SEGRO APP Management Limited	England & Wales		Indirect
SEGRO Asset Management Limited	England & Wales		Indirect
SEGRO B.V.	Netherlands		Indirect
SEGRO Belgium NV	Belgium		Indirect
SEGRO Benelux B.V.[5]	Netherlands		Indirect
SEGRO CHUSA Limited	England & Wales		Indirect
SEGRO Communities Limited	England & Wales		Indirect
SEGRO Czech Republic s.r.o.	Czech Republic		Indirect
SEGRO De Hoek B.V.	Netherlands		Indirect
SEGRO Dreiundzwanzigste Grundbesitz GmbH	Germany		Indirect
SEGRO Dreizehnte Grundbesitz GmbH	Germany	94	Indirect
SEGRO Dritte Grundbesitz GmbH	Germany		Indirect
SEGRO Einundzwanzigste Grundbesitz GmbH	Germany		Indirect
SEGRO Elfte Grundbesitz GmbH	Germany		Indirect
SEGRO Erste Grundbesitz Grundbesitz GmbH	Germany		Indirect
SEGRO Europe Limited	England & Wales		Indirect
SEGRO European Logistics Partnership S.à r.l.	Luxembourg	50	Indirect
SEGRO Finance plc	England & Wales		Direct
SEGRO France SA	France		Indirect
SEGRO Fünfte Grundbesitz GmbH	Germany		Indirect
SEGRO Fünfundzwanzigste Grundbesitz GmbH	Germany		Indirect
SEGRO Fünfzehnte Grundbesitz GmbH	Germany		Indirect
SEGRO Germany GmbH	Germany		Indirect
SEGRO Glinde B.V.	Netherlands		Indirect
SEGRO Holdings France SAS	France		Indirect
SEGRO Industrial Estates Limited	England & Wales		Indirect
SEGRO Industrial Nederland B.V.	Netherlands		Indirect
SEGRO Insurance Limited	Isle Of Man		Direct
SEGRO Investments Limited	England & Wales		Indirect
SEGRO Investments Spain, SL	Spain		Indirect

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Notes to the financial statements continued…

For the year ended 31 December 2015

Company Name	Country	% effective holding if not 100%	Direct/ Indirect
SEGRO ITALY S.R.L.	Italy		Indirect
SEGRO Kontich NV	Belgium		Indirect
SEGRO Logistics Park Aulnay SCI	France		Indirect
SEGRO Logistics SAS	France	50	Indirect
SEGRO Luge S.à r.l.	Luxembourg		Indirect
SEGRO Luxembourg S.à r.l.	Luxembourg		Indirect
SEGRO Lyon 1 SCI	France		Indirect
SEGRO Lyon 2 SCI	France		Indirect
SEGRO Lyon 6 SCI	France		Indirect
SEGRO Lyon 7 SCI	France		Indirect
SEGRO Lyon 8 SCI	France		Indirect
SEGRO Lyon Holding SAS	France		Indirect
SEGRO Management Limited	England & Wales		Indirect
SEGRO Management NV	Belgium	99.99	Indirect
SEGRO Netherlands B.V.	Netherlands		Indirect
SEGRO Netherlands H1 B.V.	Netherlands		Indirect
SEGRO Netherlands Holding B.V.	Netherlands		Indirect
SEGRO Neunzehnte Grundbesitz GmbH	Germany		Indirect
SEGRO Overseas Holdings Limited	England & Wales		Direct
SEGRO Pension Scheme Trustees Limited	England & Wales		Indirect
SEGRO Poland Sp. z.o.o.	Poland		Indirect
SEGRO Properties Limited	England & Wales		Direct
SEGRO PROPERTIES SPAIN SL	Spain		Indirect
SEGRO Reisholz GmbH	Germany		Indirect
SEGRO Sechste Grundbesitz GmbH	Germany		Indirect
SEGRO Sechzehnte Grundbesitz GmbH	Germany		Indirect
SEGRO Siebte Grundbesitz GmbH	Germany		Indirect
SEGRO Siebzehnte Grundbesitz GmbH	Germany		Indirect
SEGRO Spain Management, S.L.	Spain		Indirect
SEGRO Trading (France) SNC	France		Indirect
SEGRO Vierte Grundbesitz GmbH	Germany		Indirect
SEGRO Vierundzwanzigste Grundbesitz GmbH	Germany		Indirect
SEGRO Vierzehnte Grundbesitz GmbH	Germany		Indirect
SEGRO Zehnte Grundbesitz GmbH	Germany		Indirect
SEGRO Zwanzigste Grundbesitz GmbH	Germany		Indirect
SEGRO Zweite Grundbesitz GmbH	Germany		Indirect
SEGRO Zweiundzwanzigste Grundbesitz GmbH	Germany		Indirect
SEGRO Zwölfte Grundbesitz GmbH	Germany		Indirect
SELL INVEST ITALY S.R.L.	Italy		Indirect
SELP (Alpha Germany) S.à r.l.	Luxembourg	50	Indirect
SELP (Alpha Holdings) S.à r.l.	Luxembourg	50	Indirect
SELP (Alpha JV) S.à r.l.	Luxembourg	50	Indirect
SELP (Alpha Poland) S.à r.l.	Luxembourg	50	Indirect
SELP (Alzenau) S.à r.l.	Luxembourg	50	Indirect

Company Name	Country	% effective holding if not 100%	Direct/ Indirect
SELP (Belgium) S.à r.l.	Luxembourg	50	Indirect
SELP (Bischofsheim I) S.à r.l.	Luxembourg	50	Indirect
SELP (Bischofsheim II) S.à r.l.	Luxembourg	50	Indirect
SELP (Bravo Germany) S.à r.l.	Luxembourg	50	Indirect
SELP (Bravo Spare 2) S.à r.l.	Luxembourg	50	Indirect
SELP (Charlie Germany) S.à r.l.	Luxembourg	50	Indirect
SELP (Charlie Spare 2) S.à r.l.	Luxembourg	50	Indirect
SELP (Coslada 1), S.L.	Spain	50	Indirect
SELP (CR) S.à r.l.	Luxembourg	50	Indirect
SELP (Delta Poland) SCSp	Luxembourg	50	Indirect
SELP (Delta Spare 1) S.à r.l.	Luxembourg	50	Indirect
SELP (Delta Spare 2) S.à r.l.	Luxembourg	50	Indirect
SELP (Delta Spare 4) S.à r.l.	Luxembourg	50	Indirect
SELP (Delta Spare 5) S.à r.l.	Luxembourg	50	Indirect
SELP (Delta Spare 6) S.à r.l.	Luxembourg	50	Indirect
SELP (France) S.à r.l.	Luxembourg	50	Indirect
SELP (Germany and Benelux) S.à r.l.	Luxembourg	50	Indirect
SELP (Hamburg Pinkertweg) S.à r.l.	Luxembourg	50	Indirect
SELP (Hamburg Winsen) S.à r.l.	Luxembourg	50	Indirect
SELP (Italy) S.à r.l.	Luxembourg	50	Indirect
SELP (Kapellen) S.à r.l.	Luxembourg	50	Indirect
SELP (Krefeld II) S.à r.l.	Luxembourg	50	Indirect
SELP (Krefeld) S.à r.l.	Luxembourg	50	Indirect
SELP (MG Logistik) S.à r.l.	Luxembourg	50	Indirect
SELP (Neuss) S.à r.l.	Luxembourg	50	Indirect
SELP (Oberhausen) S.à r.l.	Luxembourg	50	Indirect
SELP (Poland and Czech Republic) S.à r.l.	Luxembourg	50	Indirect
SELP (Spain) S.à r.l.	Luxembourg	50	Indirect
SELP Administration S.à r.l.	Luxembourg	50	Indirect
SELP Berlin GP S.à r.l.	Luxembourg	50	Indirect
SELP Berlin S.à r.l.	Luxembourg	50	Indirect
SELP Cake SCSp	Luxembourg	50	Indirect
SELP Delta Sp. z.o.o.	Poland	50	Indirect
SELP Hamburg S.à r.l.	Luxembourg	50	Indirect
SELP Herbrechtingen B.V.	Netherlands	50	Indirect
SELP Herford 1 B.V.	Netherlands	50	Indirect
SELP Herford 2 B.V.	Netherlands	50	Indirect
SELP Herford 3 B.V.	Netherlands	50	Indirect
SELP Herford 4 B.V.	Netherlands	50	Indirect
SELP Herford 5 B.V.	Netherlands	50	Indirect
SELP Herford 6 B.V.	Netherlands	50	Indirect
SELP Ingolstadt GP S.à r.l.	Luxembourg	50	Indirect
SELP Ingolstadt S.à r.l.	Luxembourg	50	Indirect
SELP Investments S.à r.l.	Luxembourg	50	Indirect
SELP Leipzig 1 B.V.	Netherlands	50	Indirect
SELP Leipzig 2 B.V.	Netherlands	50	Indirect

Company Name	Country	% effective holding if not 100%	Direct/ Indirect
SELP Leipzig GP S.à r.l.	Luxembourg	50	Indirect
SELP Leipzig Logistik I GmbH	Germany	50	Indirect
SELP Leipzig S.à r.l.	Luxembourg	50	Indirect
SELP Malsfeld 1 B.V.	Netherlands	50	Indirect
SELP Malsfeld 2 B.V.	Netherlands	50	Indirect
SELP Management Limited	England & Wales		Indirect
SELP Marinière SAS	France	50	Indirect
SELP Marly SAS	France	50	Indirect
SELP Med SCSp	Luxembourg	50	Indirect
SELP Med Sp. z.o.o.	Poland	50	Indirect
SELP Neuenstadt 1 B.V.	Netherlands	50	Indirect
SELP Neuenstadt 2 B.V.	Netherlands	50	Indirect
SELP Neuenstadt 3 B.V.	Netherlands	50	Indirect
SELP Saarwellingen 1 B.V.	Netherlands	50	Indirect
SELP Saarwellingen 2 B.V.	Netherlands	50	Indirect
SELP Saarwellingen 3 B.V.	Netherlands	50	Indirect
SELP Saint-Ouen SAS	France	50	Indirect
SELP Spain Spare 1, S.L.	Spain	50	Indirect
SELP Spain Spare 2, S.L.	Spain	50	Indirect
SELP Spain Spare 3, S.L.	Spain	50	Indirect
SELP Spain Spare 4, S.L.	Spain	50	Indirect
SELP Spain Spare 5, S.L.	Spain	50	Indirect
SELP Überherrn S.à r.l.	Luxembourg	50	Indirect
Severnside Distribution Park (Bristol) Management Limited	England & Wales	13.33	Indirect
Slough Trading Estate Limited	England & Wales		Direct
Tala Investments Sp. z o.o.	Poland	50	Indirect
TENEDOR S.R.L.	Italy		Indirect
The Heathrow Big Box Industrial and Distribution Fund	England & Wales		Indirect
The UK Logistics (Nominee 1) Limited	England & Wales		Indirect
The UK Logistics (Nominee 2) Limited	England & Wales		Indirect
The UK Logistics General Partner (Jersey) Limited	Jersey		Indirect
The UK Logistics General Partner Limited	England & Wales		Indirect
The UK Logistics Limited Partnership	England & Wales		Indirect

Company Name	Country	% effective holding if not 100%	Direct/ Indirect
Trafford Park 1 Limited	Guernsey		Indirect
Trafford Park 2 Limited	Guernsey		Indirect
Trafford Park Estates Limited	England & Wales		Indirect
UK Logistics (Jersey) General Partner Limited[1]	Jersey		Indirect
UK Logistics (Jersey) Limited Partnership	Jersey		Indirect
UK Logistics Fund Unit Trust	Jersey		Indirect
UK Logistics Properties No. 1 Unit Trust	Jersey		Indirect
UK Logistics Properties No. 2 Unit Trust	Jersey		Indirect
Unitair General Partner Limited	England & Wales	50	Indirect
Unitair Limited Partnership	England & Wales	50	Indirect
Vailog Bonneuil SARL	France	90	Indirect
Vailog Energy 1 S.R.L.	Italy	90	Indirect
Vailog Energy 2 S.R.L.	Italy	90	Indirect
Vailog Energy 3 S.R.L.	Italy	90	Indirect
Vailog Holding France SARL	France	90	Indirect
Vailog S.R.L.	Italy	90	Indirect
Vailpar B.V.	Netherlands	90	Indirect
Vocalspruce Limited	England & Wales		Indirect
Voyager Park South Management Company Limited[4]	England & Wales	88.49	Indirect
Warth Park (No. 1) Limited	England & Wales		Indirect
Woodside GP Limited	England & Wales	33.33	Indirect
Wroclaw Industrial Park Sp. z.o.o	Poland	50	Indirect
ZINC ONE S.R.L.	Italy		Indirect
ZINC TWO S.R.L.	Italy		Indirect
ZINC THREE S.R.L.	Italy		Indirect
ZINC FOUR S.R.L.	Italy		Indirect
ZINC FIVE S.R.L.	Italy		Indirect
ZINC SIX S.R.L.	Italy		Indirect
ZINC SEVEN S.R.L.	Italy		Indirect

Notes
1 Ownership held in class of A shares and B shares.
2 Ownership held in class of ordinary shares and deferred shares.
3 Ownership held in class of A shares, B shares and C shares.
4 Ownership held in class of A shares.
5 Ownership held in class of G shares, K shares, S shares and preference shares.

32. Subsequent events

Since the year end the Group has completed the disposal of the Bath Road office portfolio as detailed in Note 15(iii) for gross proceeds of £325.0 million (including rent top ups and other costs).

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

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Notes to the financial statements continued…

For the year ended 31 December 2015

Supplementary notes not part of audited financial statements

Table 1: EPRA performance measures summary

	Notes	2015 £m	2015 Pence per share	2014 £m	2014 Pence per share
EPRA profit after tax	Table 2	137.3	18.4	127.8	17.2
EPRA NAV	Table 3	3,453.4	463	2,844.7	384
EPRA NNNAV	14	3,195.9	428	2,514.6	339
EPRA net initial yield	Table 4		5.0%		5.4%
EPRA 'topped-up' net initial yield	Table 4		5.5%		6.0%
EPRA vacancy rate	Table 5		4.8%		6.3%
EPRA cost ratio (including vacant property costs)	Table 6		22.5%		23.7%
EPRA cost ratio (excluding vacant property costs)	Table 6		20.8%		20.1%

Table 2: EPRA Income Statement, proportional consolidation

	Notes	2015 Group £m	2015 Joint ventures £m	2015 Total £m	2014 Group £m	2014 Joint ventures £m	2014 Total £m
Gross rental income	2,7	210.7	73.2	283.9	215.1	74.6	289.7
Property operating expenses	2,7	(37.7)	(13.5)	(51.2)	(40.5)	(11.2)	(51.7)
Net rental income		173.0	59.7	232.7	174.6	63.4	238.0
Joint venture management fee income	2	17.0	–	17.0	11.8	–	11.8
Administration expenses	2,7	(28.5)	(1.1)	(29.6)	(28.3)	(0.7)	(29.0)
Pension settlement costs	2	(4.8)	–	(4.8)	–	–	–
EPRA operating profit before interest and tax		156.7	58.6	215.3	158.1	62.7	220.8
Net finance costs (including adjustments)	2,7	(67.3)	(13.3)	(80.6)	(74.7)	(15.8)	(90.5)
EPRA profit before tax		89.4	45.3	134.7	83.4	46.9	130.3
Tax on EPRA profit	2,7	(1.3)	(0.9)	(2.2)	(1.9)	(0.6)	(2.5)
EPRA profit after tax		88.1	44.4	132.5	81.5	46.3	127.8
Number of shares, million	14			744.4			741.2
EPRA EPS, pence per share	14			17.8			17.2
Company adjustment:							
Exclude pension settlement costs	2	4.8	–	4.8	–	–	–
Adjusted profit after tax		92.9	44.4	137.3	81.5	46.3	127.8
Number of shares, million	14			744.4			741.2
Adjusted EPS, pence per share				18.4			17.2

Supplementary notes not part of audited financial statements continued

Table 3: Balance Sheet, proportional consolidation

	Notes	2015 Group £m	2015 Joint ventures £m	2015 Total £m	2014 Group £m	2014 Joint ventures £m	2014 Total £m
Investment properties	15,7	4,424.0	1,303.5	5,727.5	3,477.0	1,230.8	4,707.8
Trading properties	15,7	37.6	5.8	43.4	77.8	13.1	90.9
Total properties		4,461.6	1,309.3	5,770.9	3,554.8	1,243.9	4,798.7
Investment in joint ventures	7	867.3	(867.3)	–	855.5	(855.5)	–
Other net assets/(liabilities)		(32.5)	(55.3)	(87.8)	157.7	(27.2)	130.5
Net debt	19,7	(1,806.5)	(386.7)	(2,193.2)	(1,679.2)	(361.2)	(2,040.4)
Total shareholders' equity[1]		3,489.9	–	3,489.9	2,888.8	–	2,888.8
EPRA adjustments	14			(36.5)			(44.1)
EPRA net asset value	14			3,453.4			2,844.7
Number of shares, million	14			746.3			741.1
EPRA NAV, pence per share	14			463			384

1 After minority interests.

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

Combined property portfolio – 2015	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	4,226.6	1,544.3	5,770.9
Add valuation surplus not recognised on trading properties[1]		1.6	0.1	1.7
Other items		–	0.1	0.1
Combined property portfolio per external valuers' reports		4,228.2	1,544.5	5,772.7
Less development properties (investment, trading and joint ventures)		(363.3)	(228.7)	(592.0)
Net valuation of completed properties		3,864.9	1,315.8	5,180.7
Add notional purchasers' costs		216.9	65.2	282.1
Gross valuation of completed properties including notional purchasers' costs	A	4,081.8	1,381.0	5,462.8

		£m	£m	£m
Income				
Gross passing rent[2]		190.6	86.6	277.2
Less irrecoverable property costs		(1.2)	(2.3)	(3.5)
Net passing rent	B	189.4	84.3	273.7
Adjustment for notional rent in respect of rent frees		14.8	10.1	24.9
Topped up net rent	C	204.2	94.4	298.6
Including fixed/minimum uplifts[3]		6.5	0.3	6.8
Total topped up net rent		210.7	94.7	305.4

Yields – 2015		UK %	Continental Europe %	Total %
EPRA net initial yield	B/A	4.6	6.1	5.0
EPRA topped-up net initial yield	C/A	5.0	6.8	5.5
Net true equivalent yield		5.8	6.8	6.0

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

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Notes to the financial statements continued…

For the year ended 31 December 2015

Supplementary notes not part of audited financial statements continued

Table 5: EPRA vacancy rate

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

Table 6: EPRA cost ratio

EPRA cost ratio	Notes	2015 £m	2014 £m
Costs			
Property operating expenses[1]	5	37.7	40.5
Administration expenses	6	28.5	28.3
Pension settlement costs		4.8	–
Share of joint venture property operating and administration expenses[2]	7	11.4	12.2
Less:			
Joint venture property management fee income	4	(13.8)	(12.2)
Total costs (A)		68.6	68.8
Group vacant property costs	5	(3.4)	(7.5)
Share of joint venture vacant property costs	7	(1.3)	(3.1)
Total costs excluding vacant property costs (B)		63.9	58.2
Gross rental income			
Gross rental income	4	210.7	215.1
Share of joint venture property gross rental income	7	73.2	74.6
Total gross rental income (C)		283.9	289.7
Total EPRA cost ratio (including vacant property costs) (A)/(C)		24.2%	23.7%
Total EPRA cost ratio (excluding vacant property costs) (B)/(C)		22.5%	20.1%
Total costs (A)		68.6	68.8
Pension settlement costs	2	(4.8)	–
Total costs after non-EPRA adjustments (D)		63.8	68.8
Group vacant property costs	5	(3.4)	(7.5)
Share of joint venture vacant property costs	7	(1.3)	(3.1)
Total costs excluding vacant property costs (E)		59.1	58.2
Total gross rental income (C)		283.9	289.7
Total cost ratio[3] (including vacant property costs) (D)/(C)		22.5%	23.7%
Total cost ratio[3] (excluding vacant property costs) (E)/(C)		20.8%	20.1%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £2.7 million (FY14: £2.5 million) (see Note 5 for further detail on the nature of costs capitalised).

2 Share of joint venture property operating and administration expenses after deducting costs related to performance and other fees.

3 Adjusted for pension settlement costs.

Financial Statements

Five-year Financial Results

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Group Income Statement					
Net rental income	**173.0**	174.6	223.4	254.8	271.2
Joint venture management fee income	**17.0**	11.8	7.1	7.4	5.9
Administration expenses	**(28.5)**	(28.3)	(26.1)	(27.9)	(32.1)
Share of joint ventures' Adjusted profit after tax	**44.4**	46.3	26.3	20.2	16.6
Net finance costs (including adjustments)	**(67.3)**	(74.7)	(96.6)	(109.6)	(123.1)
Adjusted profit before tax[1]	**138.6**	129.7	134.1	144.9	138.5
Adjustments to the share of profit/(loss) from joint ventures after tax	**112.1**	105.1	44.3	(17.5)	10.0
Profit/(loss) on sale of investment properties	**23.0**	25.0	13.0	(28.9)	5.2
Valuation surplus/(deficit) on investment and owner occupied properties	**439.8**	385.6	93.8	(284.4)	(272.7)
(Loss)/profit on sale of trading properties	**(0.1)**	(0.3)	6.1	(1.8)	5.2
Increase in provision for impairment of trading properties	**(1.2)**	(1.7)	(15.2)	(24.9)	(9.1)
Gain on sale of investment in joint ventures	**–**	–	–	0.2	–
Other investment income/(loss)	**6.6**	1.9	(0.4)	2.4	2.4
Goodwill and other amounts written off on acquisitions	**(3.8)**	(0.2)	(0.2)	(0.6)	(0.2)
Net fair value (loss)/gain on interest rate swaps and other derivatives	**(23.7)**	10.9	(63.4)	22.9	67.1
Net loss on early close out of debt	**–**	(1.6)	–	(14.5)	–
Pension settlement costs	**(4.8)**	–	–	–	–
Profit/(loss) before tax	**686.5**	654.4	212.1	(202.2)	(53.6)
Group Balance Sheet					
Investment properties (including assets held for sale)	**4,424.0**	3,477.0	2,910.0	3,795.7	4,316.6
Owner occupied properties	**–**	–	4.1	4.3	6.5
Trading properties	**37.6**	77.8	138.7	193.3	261.4
Total directly owned properties	**4,461.1**	3,554.8	3,052.8	3,993.3	4,584.5
Plant and equipment	**16.4**	6.6	4.7	2.9	5.8
Investments in joint ventures	**867.3**	855.5	635.7	342.6	298.8
Other assets	**202.8**	372.9	324.5	292.0	283.4
Cash and cash equivalents	**16.4**	23.8	233.8	16.6	21.2
Total assets	**5,564.5**	4,813.6	4,251.5	4,647.4	5,193.7
Borrowings	**(1,822.9)**	(1,703.0)	(1,692.9)	(2,106.9)	(2,324.6)
Deferred tax provision	**(12.6)**	(10.3)	(11.4)	(23.3)	(25.2)
Other liabilities and non-controlling interests	**(239.1)**	(211.5)	(202.5)	(282.2)	(288.4)
Total shareholders' equity	**3,489.9**	2,888.8	2,344.7	2,235.0	2,555.5
Total movement in shareholders' equity					
Profit/(loss) attributable to equity shareholders	**682.5**	682.0	210.6	(197.3)	(30.4)
Other equity movements	**(81.4)**	(137.9)	(100.9)	(123.2)	(124.4)
	601.1	544.1	109.7	(320.5)	(154.8)
Data per ordinary share (pence)					
Earnings per share					
Basic earnings/(loss) per share	**91.7**	92.0	28.4	(26.6)	(4.1)
Adjusted earnings per share	**18.4**	17.2	17.7	19.3	18.4
Net assets per share basic					
Basic net assets per share	**468**	390	316	302	345
EPRA net assets per share	**463**	384	312	294	340
Dividend per share	**15.6**	15.1	14.8	14.8	14.8

1 There are no differences between the Adjusted profit before tax and the previously reported EPRA profit before tax for the years between 2011 and 2014.

Further Information

Financial Information

Financial calendar and shareholder information

FEBRUARY 2016		
Announcement of year end results:		19 February
Payment:	6¾ per cent bonds 2024 interest	23 February
MARCH 2016		
Payment:	7 per cent bonds 2022 interest	14 March
Ex-dividend date for final dividend:	Property Income Distribution	24 March
Record date:	Property Income Distribution	29 March
Payment:	6 per cent bonds 2019 interest	30 March
APRIL 2016		
Final date for SCRIP election:	Property Income Distribution	13 April
Annual General Meeting:		22 April
MAY 2016		
Payment:	Property Income Distribution	5 May
Payment:	6¾ per cent 2021 interest	23 May
JUNE 2016		
Payment:	5½ per cent bonds 2018 interest	20 June
Payment:	5¾ per cent bonds 2035 interest	20 June
JULY 2016		
Announcement of half year results:		26 July
AUGUST 2016		
Payment:	6¾ per cent bonds 2024 interest	23 August
SEPTEMBER 2016		
Payment:	7 per cent bonds 2022 interest	14 September
Payment:	6 per cent bonds 2019 interest	30 September
OCTOBER 2016		
Payment:	Property Income Distribution &/or Dividend	October
NOVEMBER 2016		
Payment:	6¾ per cent bonds 2021 interest	23 November
DECEMBER 2016		
Payment:	5⅝ per cent bonds 2020 interest	7 December

Analysis of shareholders – 31 December 2015

Shareholder analysis

Range	Holders	% of holders	Shares	% of shares
1–1,000	4,946	58.55	1,236,771	0.17
1,001–10,000	2,609	30.88	8,337,150	1.11
10,001–100,000	544	6.44	19,231,086	2.57
100,001–1,000,000	244	2.89	90,407,185	12.09
1,000,001+	105	1.24	628,497,406	84.06
Totals	8,448	100	747,709,598	100

Category analysis

Category	Holders	% of holders	Shares	% of shares
Individual (certificated)	5,899	69.83	9,643,947	1.29
Individual (uncertificated)	122	1.44	857,493	0.11
Nominee and Institutional Investors	2,427	28.73	737,208,158	98.60
Totals	8,448	100	747,709,598	100

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 plc, 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 10 pence each and, 0.10484 open offer shares of 10 pence each were offered to every shareholder of SEGRO plc who, on 13 July 2009, held 10 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 10 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 our Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, telephone +44 (0)371 384 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 have the opportunity to elect to receive shareholder communications electronically, e.g. Annual 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 2016 AGM will be held on 22 April 2016 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 on to a wide range of UK charities. ShareGift can also help with larger donations of shares. Further details about ShareGift can be obtained from its 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 its 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 its overseas operations.

SCRIP Dividend

Shareholders approved the re-introduction of a scrip dividend option (SCRIP) in respect of cash dividends (including those treated as Property Income Distributions) at the 2015 AGM. Subject to the Board deciding to offer a SCRIP, the SCRIP runs for three years ending on the earlier of 28 April 2018 and the beginning of the third AGM of the Company following 29 April 2015. It allows shareholders who elect to receive the SCRIP, to take their final and interim dividends in shares rather than cash. Details of the SCRIP together with information on how shareholders can elect to receive it, are available on the Company's website www.segro.com. The Dividend Reinvestment Plan (DRIP) has been suspended.

Withholding tax – PIDs

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 of withholding tax (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

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

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

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

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

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

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

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

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

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

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

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

Loan to value (LTV): Net borrowings divided by the carrying value of total property assets (investment, owner occupied, trading properties and at 31 December 2015 includes the Bath Road office portfolio categorised as Assets held for sale in the balance sheet). This is measured either on a 'look-through' basis (including joint ventures at share) or wholly owned (which excludes joint ventures).

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

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

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

Pre-let: A lease signed with an occupier prior to completion of a development.

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

Rent roll: See Passing Rent.

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

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

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

Square metres (sq m): The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is one square metre = 10.7639 square feet.

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

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

Total property return (TPR): A measure of the ungeared return for the portfolio and is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned, as calculated by MSCI Real Estate and excluding land.

Total shareholder return (TSR): A measure of return based upon share price movement over the period and assuming reinvestment of dividends.

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

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

The printer and paper mill are both accredited with ISO14001 Environmental Management System and are both Forest Stewardship Council® certified.
CPI Colour is a Carbon Neutral printing company.

Designed and produced by www.ry.com

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www.fsc.org
MIX
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FSC® C016486

Registered office
SEGRO plc
Cunard House
15 Regent Street
London SW1Y 4LR

Registered in
England and Wales
Registered number 167591

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 2015 Property Analysis Report. Simply visit www.segro.com for this document and further information on Sustainability.

Forward-looking statements

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

SEGRO plc

Cunard House
15 Regent Street
London SW1Y 4LR

T +44(0)20 7451 9100
F +44(0)20 7451 9150
www.SEGRO.com/investors