SEGRO

SEGRO PLC

ANNUAL REPORT & ACCOUNTS 2018

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SEGRO is a UK Real Estate Investment Trust (REIT), and a leading owner, asset manager and developer of modern warehousing and industrial property.

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FOR MORE INFORMATION ON SEGRO'S ACTIVITIES AND PERFORMANCE, PLEASE VISIT OUR WEBSITE: **WWW.SEGRO.COM/INVESTORS**

FOR MORE INFORMATION WITHIN THIS REPORT

The Directors present the Annual Report for the year ended 31 December 2018 which includes the Strategic Report, 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 02 to 58 inclusive, comprise the Strategic Report, pages 106 to 107 inclusive comprise the Directors' Report and pages 84 to 99 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.

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A STRONG PERFORMANCE

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"In 2018, SEGRO has delivered another strong set of operating metrics, completed a record volume of developments and continued to strengthen its capital structure."

DAVID SLEATH
CHIEF EXECUTIVE

ADJUSTED PROFIT BEFORE TAX[1]
+24.4%

£241.5m

2017: £194.2m

IFRS PROFIT BEFORE TAX
+12.6%

£1,099.1m

2017: £976.3m

ADJUSTED EARNINGS PER SHARE[1]
+17.6%

23.4p

2017: 19.9p

IFRS EARNINGS PER SHARE
+7.0%

105.4p

2017: 98.5p

EPRA NAV PER SHARE[1]
+16.9%

650p

2017: 556p

IFRS NAV PER SHARE
+16.2%

644p

2017: 554p

PORTFOLIO VALUE[2]

£9.4bn

2017: £8.0bn

TOTAL DIVIDEND PER SHARE
+13.3%

18.8p

2017: 16.6p

Important Explanatory Notes about Alternative Performance Metrics used in this Report

1 EPRA and Adjusted metrics: The Financial Statements are prepared under IFRS. SEGRO management monitors a number of adjusted performance indicators in assessing and managing the performance of the business which they believe reflect the underlying recurring performance of the property rental business which is the Group's core operating activity. These include those defined by EPRA as part of their mission to establish consistency of calculation across the European listed real estate sector. Pages 128-129 contain more information about the adjustments and the reconciliation of these to IFRS equivalents.

2 Proportionally consolidated figures and metrics: SEGRO owns assets both wholly itself and through stakes in 50-50 joint ventures. In the Financial Statements, the profit from joint ventures is stated as a single figure in the Income Statement and the net asset value of joint ventures is stated as a single equity figure on the Balance Sheet; Note 7 to the Financial Statements provides the component parts of these figures. In operational terms, SEGRO does not distinguish between assets held in joint ventures from those assets which are wholly-owned. Therefore, unless specifically stated, in the Strategic Report, performance metrics and financial figures are stated reflecting SEGRO's wholly-owned assets and its share of joint venture assets (known commonly as a "proportionally consolidated" basis). Where the Strategic Report refers to the area of a property, it is stated at 100 per cent of the space, irrespective of whether the property is wholly-owned or held in a joint venture.

OVERVIEW

WHAT WE DO

We own, develop and manage warehouse and industrial properties for our customers in the UK and Continental Europe.

OUR PURPOSE:

WE CREATE THE SPACE THAT ENABLES EXTRAORDINARY THINGS TO HAPPEN

POSITIONED TO SATISFY CHANGES IN CONSUMER AND BUSINESS BEHAVIOUR:

Warehouses have a vital role to play as part of national and international infrastructure. They provide the space to store, sort, create and distribute products and are important sources of employment. We create the environments that enable our customers to run their unique operations and achieve their goals.

OUR VALUES:

Our core beliefs about how we do business which guide our decision making, large and small. They are the way in which we work together to make things happen.

- SAY IT LIKE IT IS
- STAND SIDE BY SIDE
- KEEP ONE EYE ON THE HORIZON
- IF THE DOOR IS CLOSED...
- DOES IT MAKE THE BOAT GO FASTER?

FOR MORE INFORMATION
SEE PAGE 42

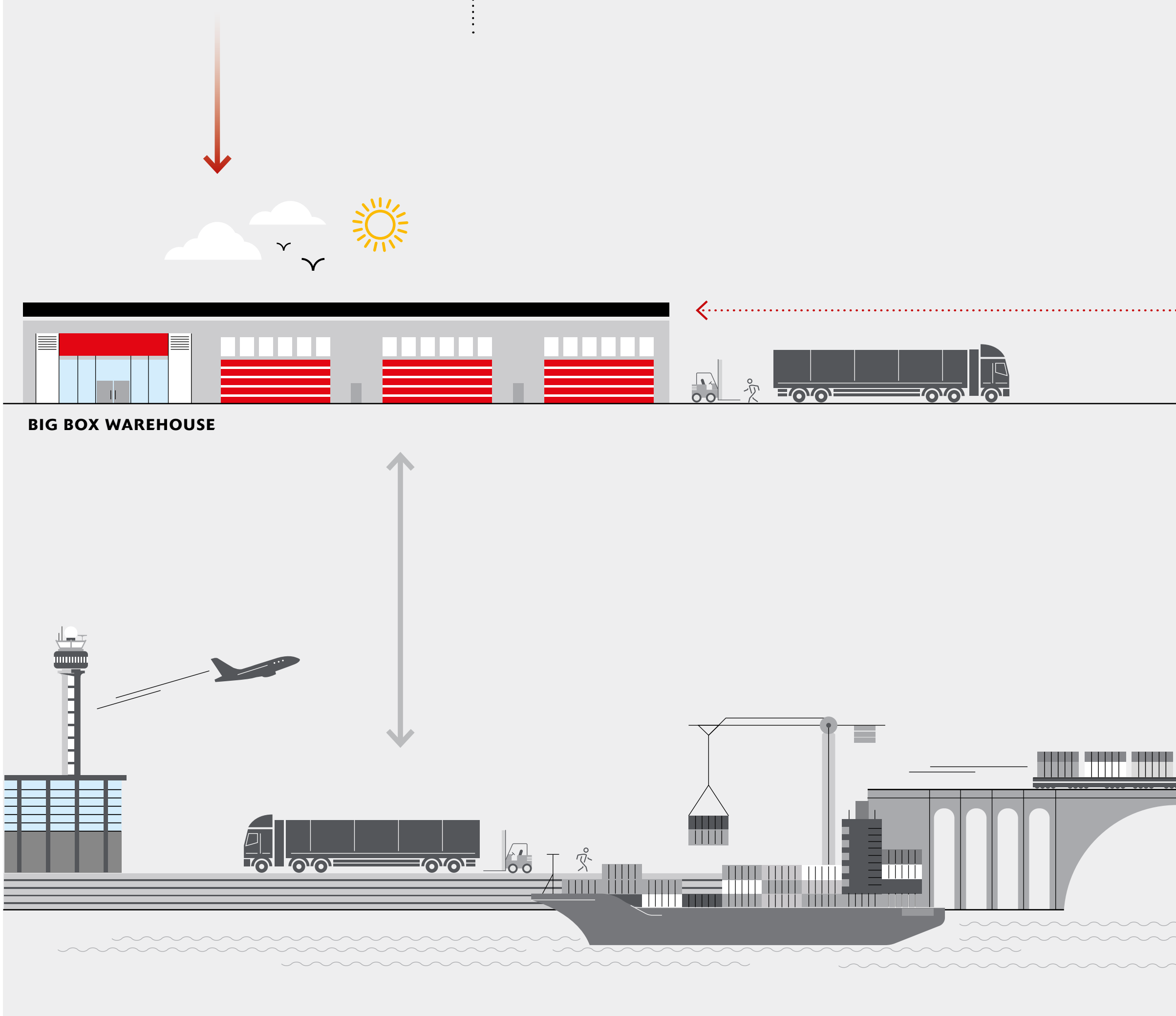
BIG BOX WAREHOUSES

LOCATED IN NATIONAL/REGIONAL DISTRIBUTION HUBS

Big box warehouses are typically used for storage and processing of goods for regional, national and international distribution by larger trucks. The requirement for large land plots means that they tend to be located some distance from the ultimate customer but on major transport routes (mainly motorways, but also ports, rail freight terminals and airports) to allow rapid transit.

EXAMPLES OF USERS OF OUR BIG BOX SPACE:

- Retailers (online and traditional)
- Third party logistics and transport companies
- Manufacturers
- Distributors and wholesalers



EMPLOYEES	CUSTOMERS	TOTAL SPACE	TOTAL AUM
315	1,155	7m sq m	£11bn

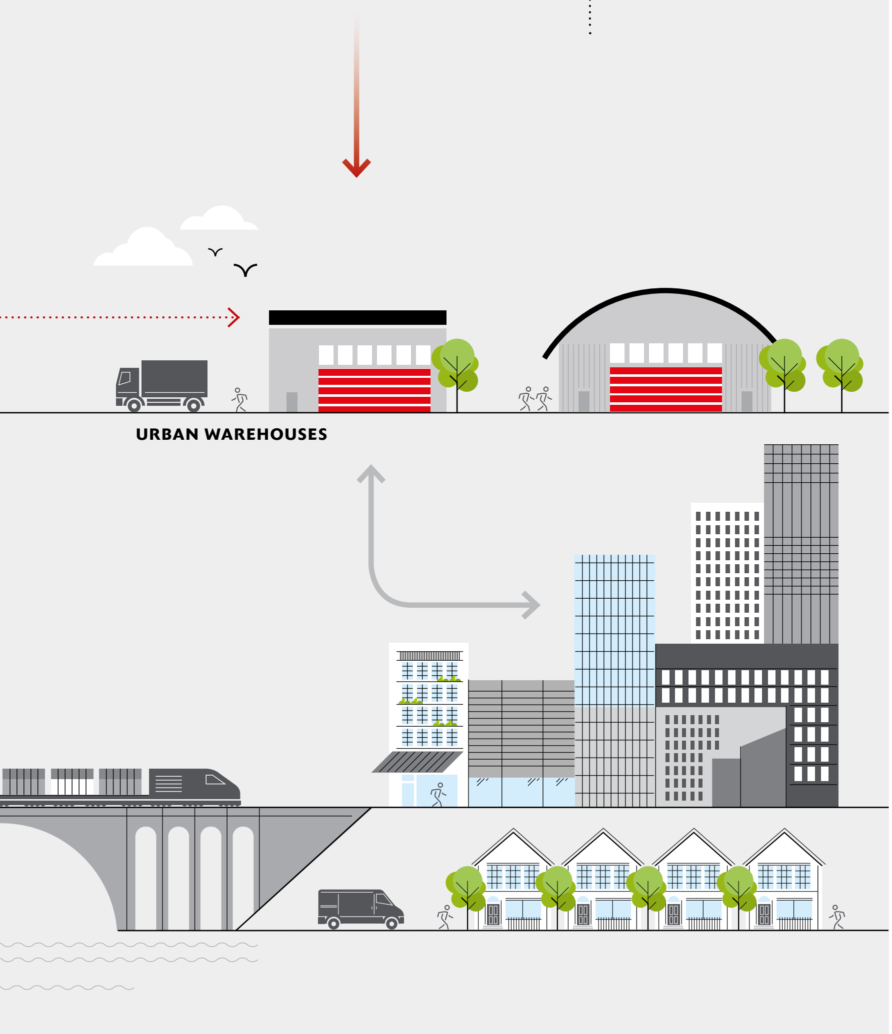
URBAN WAREHOUSES

LOCATED IN OR CLOSE TO MAJOR CITIES

Urban warehouses are located within easy reach of population centres and business districts. They are used by a wide variety of customers who need rapid access to their own customers and to labour and are therefore close to main roads and public transport. Land supply in and around urban areas tends to be less available so urban warehouses tend to be smaller. They are often clustered in estates which can comprise multi-let terraces of smaller units (typically <3,500 sq m), larger detached single-let warehouses (typically larger than 3,500 sq m) or a mixture of the two.

EXAMPLES OF USERS OF OUR URBAN SPACE:

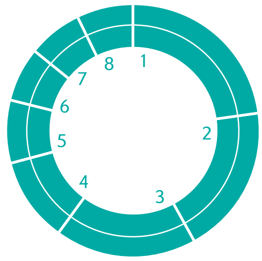
- Retailers and supermarkets
- Parcel delivery and third party logistics companies
- Food preparation companies
- Data centre operators
- Air cargo handling companies
- Wholesalers



OUR TOP 20 CUSTOMERS:

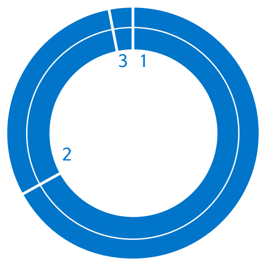
Our top 20 customers represent headline rent of £119 million in aggregate, 31% of the Group's total headline rent at 31 December 2018

1. Deutsche Post DHL
2. FedEx
3. Worldwide Flight Services
4. Amazon
5. Royal Mail
6. British Airways
7. Equinix
8. Sainsbury's
9. La Poste (DPD)
10. Tesco
11. DSV
12. Virtus
13. Mars
14. Leroy Merlin
15. IKEA
16. ID Logistics
17. Geodis
18. Hermes
19. Yoox Net-a-Porter
20. Marks & Spencer



CUSTOMER TYPE BY HEADLINE RENT
(SEGRO SHARE)

1. Transport and logistics	23%
2. Retail (physical and online)	19%
3. Food and general manufacturing	18%
4. Post and parcel delivery	11%
5. Technology, media and telecoms	8%
6. Wholesale and retail distribution	7%
7. Services and utilities	7%
8. Other	7%



ASSET TYPE BY VALUE
(SEGRO SHARE)

1. Urban warehousing	67%
2. Big box warehousing	31%
3. Other uses	2%

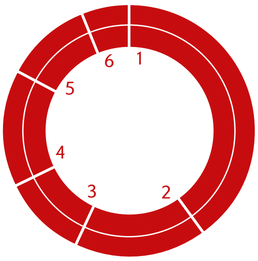
READ MORE ABOUT OUR PORTFOLIO IN OPERATIONAL REVIEW ON **PAGES 28-30**

OVERVIEW

WHERE WE DO IT

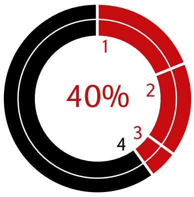
Our portfolio is concentrated in areas expected to benefit from strong occupier demand with limited supply of competing product. Our buildings are located in, or close to, major urban conurbations and around key transport hubs.

REGIONAL PORTFOLIO BY VALUE:



GEOGRAPHICAL SPLIT BY VALUE (SEGRO SHARE)

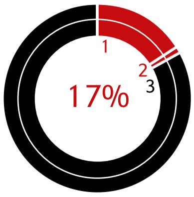
1. Greater London	**40%**
2. Thames Valley	**17%**
3. National Logistics	**11%**
4. Southern Europe	**15%**
– France	9%
– Italy/Spain	6%
5. Northern Europe	**11%**
– Germany/Austria	10%
– Netherlands	1%
6. Central Europe	**6%**
– Poland	5%
– Czech Republic	1%



1. GREATER LONDON

Providing modern space in a supply-constrained market.

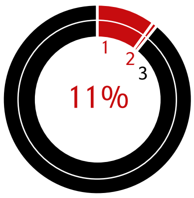
1. London Airports	19%
2. Park Royal	16%
3. Rest of London	5%
4. Rest of SEGRO	60%



2. THAMES VALLEY

Providing modern space for growing businesses.

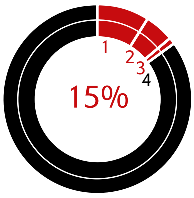
1. Slough Trading Estate	16%
2. Rest of Thames Valley	1%
3. Rest of SEGRO	83%



3. NATIONAL LOGISTICS

Facilitating efficient supply chains and parcel delivery.

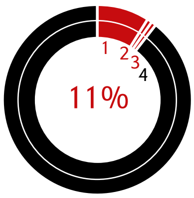
1. Midlands	10%
2. South East	1%
3. Rest of SEGRO	89%



4. SOUTHERN EUROPE

Increasing development in France; building scale in Italy and Spain.

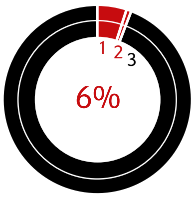
1. France	9%
2. Italy	5%
3. Spain	1%
4. Rest of SEGRO	85%



5. NORTHERN EUROPE

Delivering quality big box and urban warehouses in major cities.

1. Germany	9%
2. Netherlands	1%
3. Austria	1%
4. Rest of SEGRO	89%



6. CENTRAL EUROPE

Making strong progress in a competitive market.

1. Poland	5%
2. Czech Republic	1%
3. Rest of SEGRO	94%

READ MORE ABOUT OUR PORTFOLIO IN OPERATIONAL REVIEW ON **PAGES 28-30**

OUR MAIN LOCATIONS:

BIG BOX WAREHOUSES

Demand for large warehouses for inventory storage and regional, national and international distribution is growing, particularly amongst retailers.

URBAN WAREHOUSES

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 ('last mile delivery').

OTHER USES

The location of our urban warehouse estates and land holdings, close to major population centres, makes them ideal for other, higher value uses, such as car showrooms, self storage facilities and trade counters which need to be easily accessible by employees and customers.


MIDLANDS
LONDON &
THAMES VALLEY
AMSTERDAM
HAMBURG
BERLIN
POZNAŃ
WARSAW
ŁÓDŹ
DÜSSELDORF
COLOGNE
FRANKFURT
PRAGUE
KATOWICE
PARIS
MUNICH
LYON
MILAN
BOLOGNA
MARSEILLE
BARCELONA
MADRID

CHIEF EXECUTIVE'S STATEMENT

ANOTHER YEAR OF DELIVERY

David Sleath reports on SEGRO's performance during the past year and looks to the future.

SEGRO has delivered another set of strong operating metrics, completed a record volume of developments and continued to strengthen its capital structure."

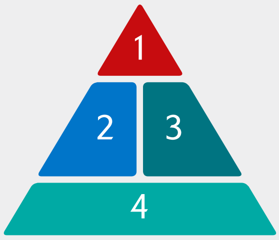
DAVID SLEATH
CHIEF EXECUTIVE

In 2018, SEGRO has delivered another set of strong financial and operating metrics, completed a record volume of developments and continued to strengthen its capital structure. We have stayed true to our strategy, committing to Operational Excellence and Disciplined Capital Allocation, and as a result our business is in robust health and well positioned for the future.

The main highlights of 2018 include:

- A strong performance in contracting new rent. £66.4 million was signed in the period, including £11.7 million of rent for over 200,000 sq m of development at our flagship SEGRO Logistics Park East Midlands Gateway.
- Continued asset recycling to take advantage of investor demand for warehousing, while also reducing our exposure to assets with limited future growth potential and to non-core markets.
- Another record year of development, completing 673,400 sq m of space, of which 83 per cent is already let, generating over £40 million of new income. This includes our first multi-level warehouse in Paris.
- Celebrating a successful five years of partnership with PSP Investments through our SELP joint venture. The portfolio has grown significantly over the period, now totalling €3.5 billion of big box warehouses, and has delivered a return well ahead of target, triggering the payment of a performance fee to SEGRO as venture manager.
- Acquiring the management platform of Roxhill, having entered a partnership with them in 2016 which gave SEGRO phased access to a portfolio of big box warehouse development sites in the Midlands and South-East regions of the UK. We welcomed the Roxhill team into SEGRO in the fourth quarter and look forward to working together on an exceptional pipeline of development sites.
- Completing a US Private Placement of €300 million, using the proceeds in part to repay our remaining 2019 bonds and to provide further capacity to fund investment opportunities, particularly in our development pipeline.

WE APPLY OUR STRATEGY TO MAXIMISE PERFORMANCE:



1. OUR GOAL

2. DISCIPLINED CAPITAL ALLOCATION

3. OPERATIONAL EXCELLENCE

4. EFFICIENT CAPITAL AND CORPORATE STRUCTURE

READ MORE ABOUT HOW WE ARE DELIVERING ON OUR STRATEGY:

OUR BUSINESS MODEL
PAGES 12-13

OUR STRATEGY
PAGES 21-30

PRINCIPAL RISKS
PAGES 52-58

KPI's
PAGES 38-39

OUR RESPONSIBLE SEGRO FRAMEWORK HELPS GUIDE OUR BUSINESS DECISIONS:

READ MORE ABOUT HOW WE ARE COMMITTED TO SUSTAINABILITY ON
PAGES 40-51

This activity has been reflected in a strong set of results: adjusted profit before tax is up 24.4 per cent to £241.5 million (IFRS: £1,099.1 million, up 12.6 per cent) and adjusted earnings per share are up 17.6 per cent to 23.4 pence (IFRS: 105.4 pence, up 7 per cent). Our 2018 earnings include a non-recurring performance fee from our SELP joint venture of £13.1 million which has an impact of 1.2 pence on adjusted earnings per share. Our EPRA NAV per share is up 16.9 per cent to 650 pence (IFRS: 644 pence, up 16.2 per cent) driven substantially by a 10.7 per cent increase in our portfolio value, which now totals £9.4 billion (reflecting our share of £11.0 billion of assets under management).

Our balance sheet is also in good shape. Our average cost of debt remains low at 1.9 per cent (31 December 2017: 2.1 per cent) with an average duration of 10.2 years (31 December 2017: 10.8 years). SEGRO remains conservatively funded with a loan-to-value ratio of 29 per cent (31 December 2017: 30 per cent) and we have over £1.2 billion of cash and available facilities at our disposal, providing significant financing flexibility.

The combination of a strong set of financial results in 2018 and our optimistic outlook for 2019 and beyond means that we are recommending a 16.7 per cent increase in final dividend to 13.3 pence per share, making a total distribution of 18.8 pence for 2018 as a whole (2017: 16.6 pence).

MARKET ENVIRONMENT CONTINUES TO BE SUPPORTIVE

Our business continues to thrive as e-commerce and convenience retailing, as well as urbanisation, continue to drive the re-engineering of supply chains and the associated increasing demand for both big box and urban warehouses. These powerful structural drivers are proving to be more significant influences on occupier and investor demand for warehouses than the rather sedate pace of economic growth.

As a result, we continue to see healthy occupier demand across all our markets and our portfolio of well-located, modern space is highly desirable for a wide range of occupiers, in particular online retailers, third party logistics operators and parcel delivery companies. The supply response continues to be controlled and although there has been a modest increase in speculative development in the UK big box market, it is generally well supported by levels of occupational demand. We continue to take a low risk approach to development and have already pre-let 73 per cent of our current pipeline, all of which is expected to complete in 2019.

FINANCIAL HIGHLIGHTS

ADJUSTED PROFIT BEFORE TAX

£241.5m

2017: £194.2m

IFRS PROFIT BEFORE TAX

£1,099.1m

2017: £976.3m

ADJUSTED EARNINGS PER SHARE

23.4p

2017: 19.9p

IFRS EARNINGS PER SHARE

105.4p

2017: 98.5p

EPRA NAV PER SHARE

650p

2017: 556p

IFRS NAV PER SHARE

644p

2017: 554p

PORTFOLIO VALUE

£9.4bn

2017: £8.0bn

TOTAL DIVIDEND PER SHARE

18.8p

2017: 16.6p

In our urban markets, industrial land continues to be converted into other higher value uses (primarily residential) and this makes urban warehousing ever more scarce. As a result rental values have continued to increase, particularly in urban warehouses in the UK, and there are increasing pockets of growth in France, Germany and Poland. It also means that developers are looking at ways to intensify land use and in 2018 we completed our first multi-level warehouse on the outskirts of Paris, which is already fully let.

Industrial asset values have improved even further, due to continued demand from investors who seek exposure to the favourable market dynamics, and yields are now around 10 to 20 basis points lower than a year ago.

A PORTFOLIO WELL PLACED TO MEET OUR CUSTOMERS' REQUIREMENTS

The portfolio reshaping that we have carried out in the early-mid part of the decade has left us well positioned to benefit from the structural drivers at play in our major markets. Our portfolio is well occupied on long leases as customers invest more in automation and fit-out and seek to secure space close to their end customers for the longer term.

The majority of our acquisitions in 2018 have been focused on urban warehousing in Continental Europe, and we have continued to invest in land to provide future development opportunities.

Our development team has delivered 673,400 sq m of new space for a diverse range of occupiers across our markets and we continue to focus on sustainability in all of our developments, helping us to meet our SEGRO 2020 environmental targets.

Our development pipeline is an important source of growth and we have over 800,000 sq m of new space under construction, capable of generating £46 million of new rent, of which almost three-quarters has been secured through pre-lets.

CHIEF EXECUTIVE'S STATEMENT

PEOPLE AT THE CORE OF OUR SUCCESS

Attracting and retaining talented people is key to our success. We have a strong company culture and continue to be guided by our Purpose and Values in every part of our business.

Over 300 people now work in our 14 offices across Europe and our cross-border working groups ensure that ideas and best practices are shared amongst the wider business. Our social media style intranet also enables more informal communication.

We want everyone to be able to maximise their potential at SEGRO and continue to develop in our 'Space to Grow' programme that offers a broad range of training. We have invested in technology that allows our employees to work more flexibly and encourage diversity and inclusion throughout the workplace.

We held our third SEGRO-wide Day of Giving during the year and over 200 employees across Europe spent a day out of the office participating in a wide variety of charitable activities.

Every two years, we conduct an independent survey of all our employees, to ensure that we maintain our position as an employer of choice. The survey was carried out in December 2018 and the early results indicate a very high level of employee engagement and satisfaction, placing SEGRO at the upper end of the top quartile of companies surveyed by our external provider, and showing further progress from our 2016 survey.

Our successes are a testament to the skills and dedication of our people and I am grateful to them for all of their efforts throughout 2018.

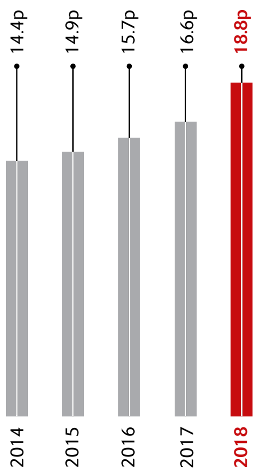
OPTIMISTIC OUTLOOK DESPITE WIDER POLITICAL AND ECONOMIC UNCERTAINTY

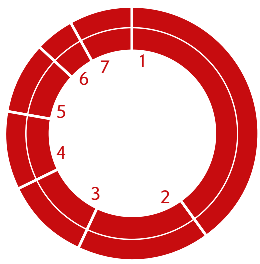
We own a portfolio of prime warehouses located in Europe's most important cities and logistics hubs.

- Our urban warehouses, making up almost two-thirds of our assets, are concentrated in and around Europe's largest cities, where land supply is tight and occupier demand is strong. These are well placed to capture further growth in both rental income and rental values.
- Our big box warehouses, located along Europe's main transport corridors and in its major logistics hubs, are increasingly core parts of countries' national infrastructure, as companies seek to improve the efficiency and speed of their supply chains. These form an important part of our development activity: the total returns are attractive, and the development risk is mitigated by securing pre-let agreements on most of our projects.

DELIVERING INCREASING DIVIDENDS

18.8 pence





HIGH QUALITY EUROPEAN PORTFOLIO BY VALUE (SEGRO SHARE)

1. London	40%
2. Thames Valley	17%
3. National Logistics	11%
4. Germany	10%
5. France	9%
6. Poland	5%
7. Rest of Europe	8%
Total	**100%**

FOR MORE INFORMATION ON OUR PEOPLE SEE **PAGES 42-43**

Our balance sheet is in good shape too, with conservative leverage and over £1 billion of cash and available lending facilities. These give us the capacity to take advantage of investment opportunities that arise, while also providing a healthy buffer against broader macro-economic challenges that the future may bring.

We believe that the structural drivers of demand in our sector (particularly e-commerce and urbanisation) will continue regardless of short term economic and political volatility and this should underpin occupier demand for the foreseeable future, helping to minimise the impact on our business.

As a result, we continue to see potential for further rental growth across the portfolio, particularly from the continued imbalance of limited supply and strong occupier demand in our urban warehouse markets, realisation of reversionary potential in our UK portfolio and from our significant pipeline of developments currently under construction. Investor demand for prime warehouses also remains healthy and, whilst it is difficult to assess the outlook for capital values, our portfolio is well let to a diverse range of customers and customer sectors on long leases.

Whilst we remain alert to market risks, we are optimistic about our prospects for the coming year and beyond. We will continue to focus on active asset management to ensure we are maximising returns from our existing portfolio while also developing new warehouses where we see strong occupier demand. Our customers come from a wide range of industries and sectors and whilst they continue to grow and adapt their business models, we will respond by creating the space that enables extraordinary things to happen.

MARKET OVERVIEW

A LOOK AT OUR 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 ahead of occupier demand, overall lease terms, including rent, will become cheaper.

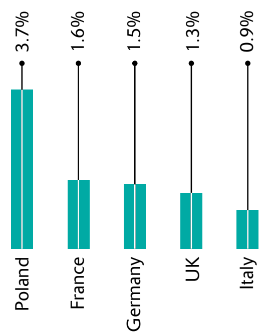
It is for this reason that the property market is considered cyclical: as investor or occupier demand increases, the returns from real estate improve and the supply of assets or space tends to increase to meet that demand. If supply increases too much, or demand starts to fall, supply can exceed demand 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 main market factors which influence the performance of our portfolio.

For definitions of terms used in this Report, please refer to the Glossary on page 184.

STABLE ECONOMIC OUTLOOK

GDP GROWTH FORECAST FOR OUR MAJOR MARKETS (% P.A., 2019–2020)



COMMENTARY:

Economic growth is an important driver of demand for space by occupiers, and our customer base spans most business sectors. A supportive economic environment encourages businesses to grow and require additional space in which to operate.

We expect the economies of all our markets to grow, albeit at a slightly slower pace than in previous years.

The UK's future relationship with the European Union continues to be a source of uncertainty and in the event of a 'no deal' this could have a significant impact on UK GDP growth.

WHAT IT MEANS FOR SEGRO:

- A supportive economic environment is crucial for our customers and likely to increase demand for additional warehouse space.
- Healthy occupier demand for newly developed pre-let and speculative space.
- Lack of clarity around the UK's future relationship with the EU could impact occupier demand both for existing space and for our risk appetite for speculative development (see page 52 for more details about Brexit-related risks).

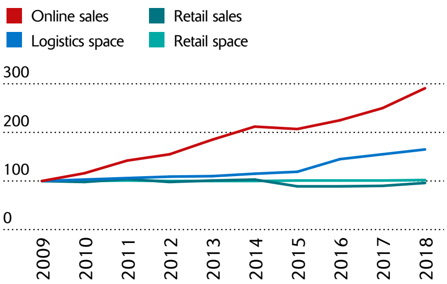
Source: OCED (data correct as at 19 February 2019), SEGRO

MARKET OVERVIEW

OUR MARKET DRIVERS
CONTINUED

STRUCTURAL CHANGES IN CONSUMER BEHAVIOUR

THE IMPACT OF ONLINE SALES ON EUROPEAN RETAIL AND LOGISTICS
(2009 = 100)



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 reassess 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 are increasingly focused on extracting efficiencies from their supply chain, using modern premises in key transport corridors, logistics hubs or locations close to major conurbations.

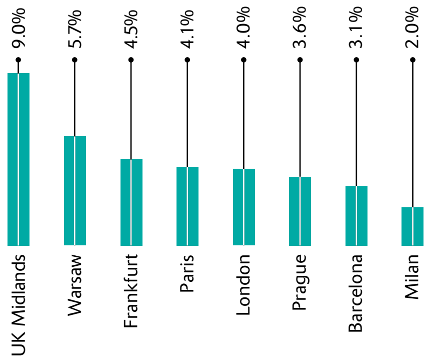
WHAT IT MEANS FOR SEGRO:

- Strong occupier demand for our urban warehouses located on the edge of major European cities to cater for 'last mile delivery' to multiple destinations, often houses and offices.
- More than 60 per cent of lettings in 2018 were from retailers, parcel delivery and third party logistics companies.
- See also factors under 'Stable economic outlook'.

Source: CBRE and Euromonitor

LIMITED SUPPLY OF MODERN WAREHOUSING

BIG BOX WAREHOUSE VACANCY RATES
(31 December 2018)



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, particularly in urban areas, tight planning laws and competing uses are restricting the availability of land. Therefore, although warehouse development is increasing, it is consistent with levels of occupier demand and many buildings under construction are already committed (pre-let) to occupiers.

As a result, vacancy rates remain low in both absolute terms and compared to historic levels. There has been a moderate increase in speculative development in the UK Midlands big box market which is manifested in a higher vacancy rate, but much of this is outside our core markets and is consistent with the level of occupier demand for modern warehouses.

WHAT IT MEANS FOR SEGRO:

- The shortage of quality urban warehouses and healthy occupier demand has caused rental values to rise.
- Continued investment into development on a substantially pre-let basis, utilising our well-located land bank to satisfy our customers' need for modern warehouse space in key European cities and transport corridors.

Source: JLL

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. As a result, the potential supply response is restricted and, since demand remains strong, overall leasing terms are improving.

WHAT IT MEANS FOR SEGRO:

- In the UK, rental values for our London assets increased by 6.2 per cent reflecting the shortage of new supply relative to levels of demand and we expect continued rental growth in 2019.
- The shortage of land supply in urban areas is leading property developers to consider ways to use land more intensively, including multi-level warehouses. We built our first multi-level warehouse in Paris during the year and will continue to consider this where appropriate.

NEED FOR EFFICIENT, SUSTAINABLE BUILDINGS

COMMENTARY:

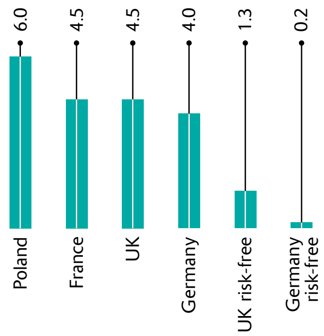
With greater awareness of the impact of buildings on the environment and finite natural resources, occupiers demand high levels of environmental sustainability to minimise their environmental footprint and to reduce overall occupancy costs, particularly from heating and other utilities. It is important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

WHAT IT MEANS FOR SEGRO:

- All of our developments are designed to meet the environmental targets set out in our SEGRO 2020 strategy (see page 47 for more details). We achieved all of these targets in 2018 and have now set our SEGRO 2025 targets, which we will be working towards over the coming years.
- 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 the very few existing properties which fall short of environmental standards.
- We estimate that 98 per cent of our UK properties by ERV are E-rated or above for the purposes of Minimum Energy Efficiency Standards and we now have over 1.8 million sq m of sustainably certified (for example BREEAM, DGNB, HQE) assets in our portfolio.

ATTRACTIVE YIELD PROFILE IN A LOW INTEREST RATE ENVIRONMENT

PRIME YIELDS IN ALL OUR MARKETS ARE COMFORTABLY ABOVE RISK-FREE RATES (%)



COMMENTARY:

Monetary policy across Europe – and globally – means that we are operating in a very low interest rate environment: 10 year UK gilts at 31 December 2018 yielded 1.3 per cent and German bunds yielded 0.2 per cent. Prime industrial real estate yields in the UK and Continental Europe are between 3 and 6 percentage points higher than their respective risk-free benchmarks, making industrial real estate attractive on a relative basis.

WHAT IT MEANS FOR SEGRO:

- The attractive relative yield profile of warehouse properties is enhanced by our experience and expectations of improving rental values. Our portfolio increased in value by 10.7 per cent in 2018, reflecting continued yield compression across our markets and improving rental values, particularly in urban warehousing.
- Greater competition for standing assets from investors has increased their prices meaning that the returns available to us from developing our own assets are usually higher than from acquiring existing assets.

Source: CBRE, Bloomberg (at 31 December 2018)

HOW ARE WE RESPONDING?

1.

STRONG CUSTOMER FOCUS AND ACTIVE ASSET MANAGEMENT

Maximising customer retention, portfolio occupancy, rental growth and asset sustainability through strong customer service and asset maintenance and refurbishment.

2.

SUBSTANTIAL DEVELOPMENT PROGRAMME

To take advantage of growing occupier demand and limited supply of modern, sustainable warehousing, particularly in urban locations.

3.

LAND ACQUISITIONS

Have mainly been focused on sites for immediate development with a limited number of strategic sites, which can be developed on a phased basis over a maximum of three to five years. Longer-term sites secured through option agreements.

4.

ASSET RECYCLING

Taking advantage of strong investor demand to improve our portfolio quality: selling assets to release funds for investment in our development programme, reducing debt and selective asset acquisitions.

5.

STRENGTHENED AND IMPROVED CAPITAL STRUCTURE

During the year, we continued to improve our financial position. As part of the process, we completed a US Private Placement of €300 million 10 and 15 year notes, using the proceeds in part to repay the remaining 2019 bonds. As a result our average cost of debt reduced to 1.9 per cent and the long average duration was retained at 10.2 years.

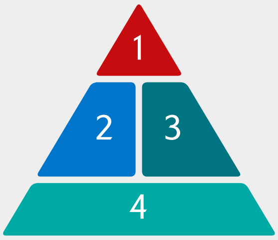
FOR MORE INFORMATION SEE **PAGES 21-37**

OUR BUSINESS MODEL

HOW WE CREATE VALUE

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.

WE APPLY OUR STRATEGY TO MAXIMISE PERFORMANCE:



1. OUR GOAL
2. DISCIPLINED CAPITAL ALLOCATION
3. OPERATIONAL EXCELLENCE
4. EFFICIENT CAPITAL AND CORPORATE STRUCTURE

READ MORE ABOUT HOW WE ARE DELIVERING ON OUR STRATEGY:

OUR STRATEGY **PAGES 21-30**

KPI's **PAGES 38-39**

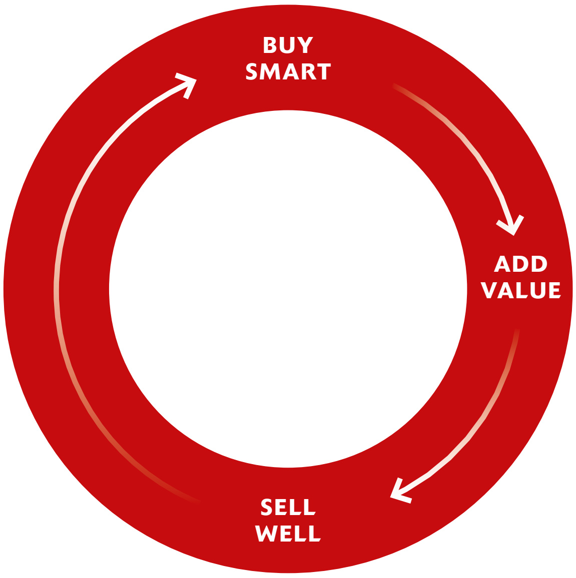
PRINCIPAL RISKS **PAGES 52-58**

THE RESOURCES WE NEED

LAND	ASSETS	PEOPLE	PARTNERS	CAPITAL
We buy sufficient land to fuel our development pipeline	We buy and build warehouse properties located on the edge of major cities, key transport corridors and hubs	We employ 315 people with expert skills across all aspects of real estate	We joint venture with other organisations whose attributes complement our own	We forge strong relationships with our shareholders as well as our banks and bondholders who provide equity funding and debt
SEE **PAGES 26-27**	SEE **PAGES 22-23**	SEE **PAGES 42-43**	SEE **PAGES 50-51**	SEE **PAGES 31-37**

WHAT WE DO

We will buy assets and land where we believe our skills can add value



We actively manage our portfolio through leasing space and servicing our customers and through development

We sell assets where we believe the returns are less attractive than can be achieved from other uses

THE VALUE WE CREATE

FINANCIAL				NON-FINANCIAL		
RENT ROLL GROWTH £54m	ADJUSTED PROFIT BEFORE TAX £242m	TOTAL PROPERTY RETURN 15.4%	EPRA NAV GROWTH 16.9%	QUALITY SUSTAINABLE BUILDINGS	CREATING BETTER COMMUNITIES	A COMPANY WHERE PEOPLE WANT TO WORK OR DO BUSINESS

SEE FULL KPI'S **PAGES 38-39**

SEE **PAGES 40-51**

WHAT WE DO IN MORE DETAIL

BUY SMART

PEOPLE

Investment teams in each Business Unit source and negotiate attractive acquisition opportunities

LAND

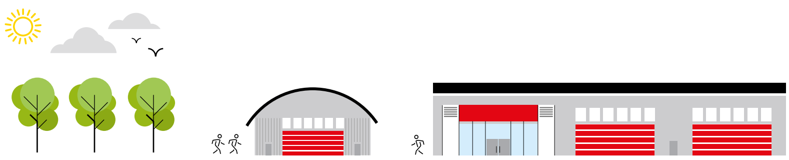
We invested £140 million in development land during the year. We utilised £188 million of land in new development projects and sold £70 million to third parties

ASSETS

We acquired a small number of urban warehouses assets in Paris and Warsaw

CAPITAL

We will usually utilise debt facilities to fund acquisitions



ADD VALUE

PEOPLE

Operations teams in each Business Unit manage the relationships with existing customers, seek new customers and plan and execute our development programme

DEVELOPMENT

Development is a significant means of adding value to our business. In 2018, we completed 673,400 sq m of new space, the largest volume in the Company's history

MANAGEMENT

Active management of our assets ensure that we generate attractive rental growth from a high quality portfolio and excellent customer service

PARTNERS

Our SELP joint venture allows us to realise economies of scale in Continental European big box warehouses in a capital-efficient manner

CAPITAL

A significant proportion of our capital is invested in development, but is also invested in maintenance and refurbishment of existing properties to ensure they are well occupied and in good condition

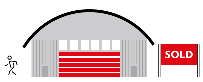
SELL WELL

PEOPLE

The investment teams assess returns from every asset compared to other investments, identifying potential candidates for disposal

CAPITAL

Asset recycling maintains high levels of performance in the property portfolio, as well as being an important generator of capital for future investment



SALES

We will sell assets to crystallise value gains and to provide funding for identified investment opportunities. During 2018, we sold £442 million of assets and land

RENTAL INCOME →	LESS OPERATING COSTS →	LESS FINANCIAL COSTS →	LESS TAX →	PROFIT
The largest source of our revenue	Primarily essential employee costs	Primarily the interest payments on our debt	As a UK REIT, and SIIC in France, SEGRO only pays corporate tax on operating profits outside these countries	SHAREHOLDER DIVIDENDS → ← REINVESTED IN THE BUSINESS

OUR BUSINESS MODEL IN ACTION

BUY SMART

"We will buy assets and land where we believe we can use our particular skill-set to add value."

With investment yields at historic lows it has become increasingly difficult to find attractive acquisition opportunities. We continue to monitor the market closely and as a result we were able to make £81 million of targeted acquisitions in 2018, which will help us to achieve scale in key markets.

We also purchased an additional £140 million of land which gives us the capacity to continue to grow our development pipeline.

CASE STUDY: BUYING SMART TO GROW OUR URBAN WAREHOUSE PORTFOLIO IN CONTINENTAL EUROPE

Urban warehouses account for almost two-thirds of our portfolio and we believe they offer attractive long-term returns as urbanisation and the e-commerce revolution drive greater occupier demand for warehouse space in and around population centres.

These warehouses are crucial for ensuring rapid delivery of goods and services to their final destination (so-called "last mile delivery"), most notably for parcel distribution companies, retailers and food producers. In addition, land zoned for industrial use in cities is declining as urban populations grow and this land is used instead to create new housing. This combination of strong and growing demand and limited (and often declining) land supply represents a favourable environment for urban warehousing both now and into the future.

Although we usually develop urban warehouses ourselves, we took the opportunity to add to our Continental European urban warehouse portfolio in 2018 through a number of targeted acquisitions.

In Poland, we acquired IDEAL IDEA Park IV (since renamed SEGRO Business Park Warsaw), a 18,600 sq m estate approximately 9km from Warsaw city centre. Poland lags behind the rest of Europe in terms of e-commerce penetration but it is growing and as a result urban warehouse space is increasingly in demand.

In France, we purchased a 19,200 sq m multi-let urban warehouse neighbouring our existing holdings in Le Blanc-Mesnil, Paris.

Both of these assets were fully let on acquisition and are in markets that we believe to have good growth potential. We will use our expertise in the urban warehousing sector to add value to these new estates through active asset management.

We also took the opportunity to acquire a 19.4 per cent interest in French listed property company Sofibus Patrimoine. Sofibus' largest holding comprises 127,000 sq m of urban warehouse properties within Le Parc d'Activites des Petits Carreaux, a 150,000 sq m estate located approximately 15km south east of Paris.

"SEGRO Business Park Warsaw is a perfect addition to our urban warehouse portfolio due to its inner city location and the high quality of the estate."

BOŽENA KRAWCZYK
INVESTMENT DIRECTOR, SEGRO CENTRAL EUROPE

PURCHASES OF LAND	PURCHASES OF ASSETS	AVERAGE YIELD
£140m	£81m	5.3%

SEGRO BUSINESS PARK, WARSAW

A 18,600 sq m estate on the edge of Warsaw and one of our urban warehouse acquisitions in 2018.

OUR BUSINESS MODEL IN ACTION

ADD VALUE

ADD VALUE

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

There are two main ways that we add value to our portfolio. Firstly, we drive rental growth from our existing assets, owning prime buildings in the best locations and by building strong relationships with our customers. Staying close to them and anticipating their needs helps us to keep retention rates high and vacancy rates low. We also pro-actively maintain and refurbish our assets, ensuring that they remain attractive to potential occupiers.

Secondly, we look to add value through the development of new warehouse space, generating new rental income and development profits. We completed 673,400 sq m of new developments in 2018, capable of generating £40 million of rent once fully let, of which £34 million has already been secured.

CASE STUDY: ADDING VALUE THROUGH DEVELOPMENT AT SEGRO LOGISTICS PARK EAST MIDLANDS GATEWAY

A great example of adding value through development can be seen at SEGRO Logistics Park East Midlands Gateway (SLP-EMG). This site started out as 700 acres of steeply sloping farmland, secured as part of our partnership with Roxhill in 2016. The site is adjacent to East Midlands Airport (which is the UK's second largest airport for air cargo) and has direct access to the M1, making it a very attractive location for big box logistics warehousing.

However, the local road network was already overloaded so it required an ambitious infrastructure scheme for it to fulfil its potential. We have invested £90 million into the transport infrastructure including completely reengineering J24 of the M1 and moving the A50 southbound to the opposite side of the motorway. In addition, we built a new road to bypass Kegworth, finally achieving a goal long fought for by local communities.

A Strategic Rail Freight interchange (SRFI) has been created that combines a 22.5 acre freight terminal and a new section of track linking to the Castle Donnington freight line, which will provide access to the UK rail freight network as well as major UK ports. We signed a 25 year lease in early 2019 with Maritime Transport, the market-leading multi-modal logistics company, who will operate the interchange and base their Rail Headquarters at the site.

SLP-EMG is capable of supporting 550,000 sq m of big box warehouse space which we estimate will generate more than 7,250 jobs for the region. In early 2018, we agreed transactions with four occupiers for 250,000 sq m of new warehousing across four buildings. Construction of the warehouses started in March and will be completed in Spring 2019, generating £11.7 million of rental income.

"We have considerable momentum at SLP East Midlands Gateway, where we are creating a state of the art, multi-modal logistics hub."

ANDREW PILSWORTH
BUSINESS UNIT DIRECTOR, NATIONAL LOGISTICS

RENT ROLL GROWTH

£54m

DEVELOPMENT COMPLETIONS

673,400 sq m

POTENTIAL HEADLINE RENT

£40m

SEGRO LOGISTICS PARK EAST MIDLANDS GATEWAY

On the left, an aerial view of the park. On the right, one of our first units constructed, a 122,000 sq m distribution facility for a global online retail company.

OUR BUSINESS MODEL IN ACTION

SELL WELL

SELL WELL

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

We carry out a detailed review of our portfolio every year to identify assets where we believe we can maximise returns from recycling them, allowing us to deploy our capital into other opportunities.

During 2018 we disposed of £372 million of assets and £70 million of land. These disposals included the sale of four big box warehouses and adjacent development land owned by SELP in Belgium for €83 million (SEGRO share: €41.7 million). This transaction successfully concluded our presence in Belgium, in line with our strategy to exit markets where we do not have, or do not expect to achieve, a scale position.

CASE STUDY: SELLING WELL TO CAPITALISE ON STRONG INVESTOR DEMAND AND RELEASE CAPITAL TO REINVEST

One of our largest disposals this year was the sale of a 158,000 sq m distribution facility on the outskirts of Rome, developed by Vailog, SEGRO's Italian subsidiary. The unit, the largest SEGRO has ever developed, was built for one of our major customers and developed in line with their specific requirements for a new format fulfilment centre, the first of its kind in Europe. The building included two mezzanine levels and was designed with a high degree of automation in mind, as well as being able to withstand seismic activity in the region. The unit was signed on a 15 year lease and completed in August 2017.

Our investment team identified strong investor demand for such well-let, state-of-the-art buildings and carried out a process of marketing it for sale.

We completed the disposal in October 2018 for €118 million, capitalising on the strong investor demand and crystallising a healthy profit on development cost, allowing us to recycle the proceeds into our active development pipeline.

SELL WELL

The warehouse was developed by SEGRO-Vailog in 2017 for a global online retail company on a 15 year lease.

ASSET SALES	LAND SALES	PROFIT ON SALES
£372m	£70m	13%

“We sold this state-of-the-art warehouse to capitalise on strong demand from a wide range of international investors.”

PHIL REDDING
CHIEF INVESTMENT OFFICER

OUR BUSINESS MODEL IN ACTION

SELP

"Our partnership with PSP Investments has allowed us to build scale in Continental European big box warehouses in a capital efficient manner."

SEGRO EUROPEAN LOGISTICS PARTNERSHIP (SELP)

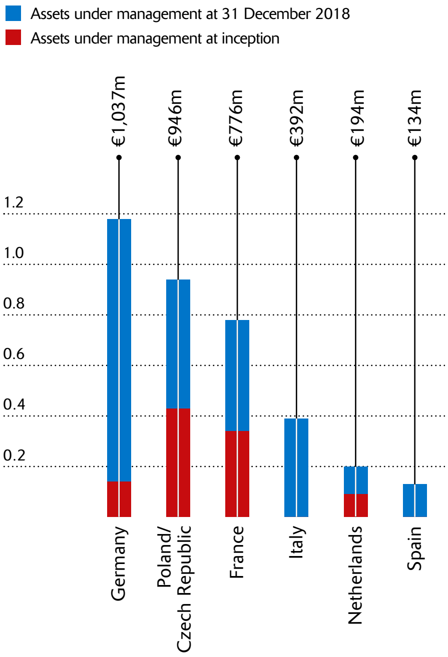
In 2018 we celebrated the five year anniversary of SELP, our Continental European big box joint venture with PSP Investments, one of Canada's largest pension investment managers. SELP started out in 2013 with €1 billion of assets. At the end of 2018, it has a portfolio worth over €3.5 billion. It generates €191 million of headline rent and is 97 per cent occupied.

This partnership was a vital element of our strategy to build scale in Continental European big box warehousing in a capital efficient manner. By sharing the capital investment with PSP Investments, we were able to grow the portfolio further and faster than we could have done on our own. Both partners benefit from the attractive yield on the portfolio, the development potential from the land and from the economies of scale we can extract from this extremely high quality, modern collection of big box warehouses.

As a result, SEGRO now has approximately €1 billion assets in each of Germany, France and Poland, and we are building scale in the smaller markets of Italy, Spain, the Czech Republic and the Netherlands. The appetite for investing in big box warehousing in strategic locations in Continental Europe remains strong from both partners and we look forward to further successful collaboration into the future.

ASSETS UNDER MANAGEMENT

(€bn)



NewLogic V, Tilburg

NewLogic V is a 31,400 sq m state-of-the-art warehouse in Tilburg, a key logistics hotspot in the Netherlands, located close to a barge terminal that provides a direct link to Rotterdam harbour.

The building was awarded at BREEAM Design 'Outstanding' award for the approach to sustainability that has been taken during its design and planning.

OUR STRATEGY

A STRATEGY TO GENERATE ATTRACTIVE, SUSTAINABLE RETURNS

Our goal is to be the best owner-manager and developer of warehouse properties in Europe and a leading income-focused REIT.

WE APPLY OUR STRATEGY TO MAXIMISE THE RETURNS FROM OUR BUSINESS

OUR GOAL

Our goal is to be the best owner-manager and developer of warehouse properties in Europe and a leading income-focused REIT.

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.

OPERATIONAL EXCELLENCE

Optimising performance from the portfolio through dedicated customer service, expert asset management, development and operational efficiency.

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.

FOR MORE INFORMATION ON OUR KPIs SEE **PAGES 38-39**

Our strategy for achieving this goal is to create a portfolio of high quality big box and urban warehouses in the strongest markets which generate attractive, low risk, income-led returns with above average rental and capital growth when market conditions are positive, and are 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:

- Disciplined Capital Allocation
- Operational Excellence
- Efficient Capital and Corporate Structure.

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

Our portfolio comprises modern big box and urban 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 submarkets which display attractive property market characteristics, including good growth prospects, limited supply availability and where we already have critical mass, or believe we will be able to achieve it in a reasonable timeframe.

OUR STRATEGY

DISCIPLINED CAPITAL ALLOCATION

"We have continued to focus our investment activity on improving the quality of our portfolio."

PHIL REDDING
CHIEF INVESTMENT OFFICER

WHAT WE SAID WE WOULD DO

Investor demand for high quality assets and land remained competitive so we expected to continue to focus our investment activities mainly on developing new assets rather than on acquiring completed ones.

WHAT WE ACHIEVED IN 2018

Net investment during the year of £327 million. We invested £548 million in our development pipeline, as well as acquiring a number of smaller urban warehouse assets in Continental Europe to help us achieve scale in these growing markets. We sold assets in Belgium and Italy.

WHAT TO EXPECT IN 2019

With investor demand for warehouse assets remaining strong, we expect to continue to sell non-core assets to release funds for investment into other opportunities offering a better risk-return profile. Investment will still be primarily orientated towards development but we will look for opportunities to acquire income-producing assets offering attractive risk-adjusted returns.

ACQUISITIONS OF LAND AND ASSETS

£221m

2017: £702m

DISPOSALS OF LAND AND ASSETS

£442m

2017: £525m

INVESTMENT IN DEVELOPMENT

£548m

2017: £414m

PORTFOLIO VALUATION CHANGE

+10.7%

2017: +13.6%

We invested a net £327 million in our portfolio during the year, combining acquisitions of £221 million of land and assets and development investment of £548 million, funded in part by £442 million of disposals.

ACQUISITIONS FOCUSED ON BUILDING SCALE IN URBAN WAREHOUSING

2018 was a quieter year for acquisitions than 2017 as we focused investment on our development pipeline. We did however acquire a number of urban warehousing assets in Paris and Warsaw, which will help us to achieve scale in these fast-growing markets.

One of these transactions involved an asset swap in Paris, exchanging a retail-focused industrial estate for a multi-let urban warehouse that neighbours our existing holdings in Le Blanc-Mesnil.

The consideration for the asset acquisitions was £81 million, reflecting a blended topped-up initial yield of 5.3 per cent.

ACQUISITIONS: WHAT TO EXPECT IN 2019

We will continue to look for acquisitions of income-producing assets in line with our strategy and which offer attractive risk-adjusted returns. However, the majority of our investment is likely to remain focused on development.

ASSET RECYCLING TO IMPROVE PORTFOLIO FOCUS

During 2018, we sold £442 million of land and assets, taking advantage of strong investor demand to realise profits and release capital to reinvest in our business.

The largest sale was a logistics warehouse in Rome which was built for a global online retail company and designed to cater for its specific requirements. Shortly after completing construction we identified a high level of investor demand for such assets and decided to sell the unit to capitalise on this demand. The asset was sold for €118 million, a significant premium to book value.

We also sold four big box warehouses in Belgium on behalf of SELP for net proceeds of €83 million (SEGRO share: €42 million), successfully concluding our presence in the country and in line with our strategy to exit markets where we do not have, or do not expect to achieve, a scale position.

As in previous years, we sold a portfolio of Continental European big box warehouses developed by SEGRO to SELP for which we received £126 million net proceeds from an effective sale of a 50 per cent interest.

The consideration for the asset disposals was £372 million, reflecting a blended topped-up initial yield of 5.3 per cent. The disposals generated a gain on sale of 13 per cent compared to book values at 31 December 2017.

Additionally, we disposed of £70 million of land, primarily comprising a site in West London sold to a residential developer.

These disposals, in partnership with the acquisitions, further improve the management intensity and risk profile of our portfolio.

DISPOSALS: WHAT TO EXPECT IN 2019

While investor demand for industrial properties remains strong, we expect to continue to recycle assets where we believe we can generate better returns from deploying our capital in other opportunities.

ACQUISITIONS COMPLETED IN 2018

Asset Type	Purchase price (£m, SEGRO share)[1]	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics	11.3	0.0	0.0
Urban warehousing	70.1	6.0	6.0
Land[3]	139.7	–	–
Acquisitions completed in 2018	**221.1**	**5.3**[2]	**5.3**[2]

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

DISPOSALS COMPLETED IN 2018

Asset Type	Disposal proceeds (£m, SEGRO share)	Net initial yield (%)	Topped-up net initial yield (%)
Big box logistics	321.6	5.4	5.4
Urban warehousing	50.8	4.4	4.5
Land	69.8	–	–
Disposals completed in 2018	**442.2**	**5.3**[1]	**5.3**[1]

1 Yield excludes land transactions.

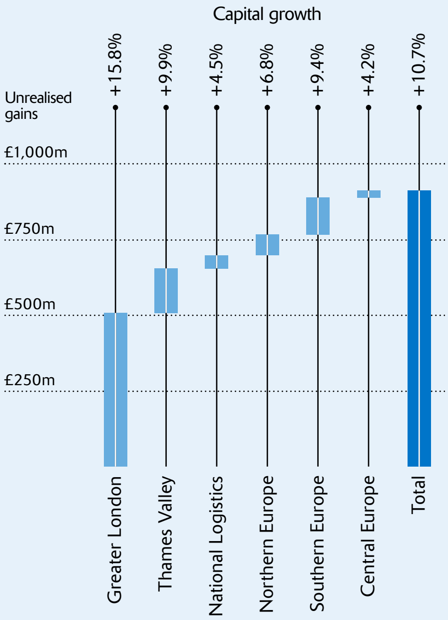
VALUATION GAINS FROM ASSET MANAGEMENT, DEVELOPMENT, AND MARKET-DRIVEN YIELD IMPROVEMENT

Warehouse property values across Europe increased throughout the year, particularly in the first half of the year. After a very active 2017, investment volumes across Europe were slightly lower in 2018 but still well ahead of historic average levels, and the strength of investor demand appears to be continuing into 2019.

The Group's property portfolio was valued at £9.4 billion at 31 December 2018 (£11.0 billion of assets under management). The portfolio valuation, including completed assets, land and buildings under construction, increased by 10.7 per cent on a like-for-like basis (adjusting for capital expenditure and asset recycling during the year) compared to 13.6 per cent in 2017.

This primarily comprises a 10.1 per cent increase in the assets held throughout the year (2017: 13.2 per cent), driven by between 10 and 20 basis points of yield compression and a 3.4 per cent increase in our valuer's estimate of the market rental value of our portfolio (ERV). In total, our portfolio generated a total property return of 15.4 per cent (2017: 18.9 per cent).

UNREALISED GAINS AND LOSSES ON PORTFOLIO (£m) AND LIKE-FOR-LIKE CHANGE (%)[1]



1 Percentage change relates to the portfolio including completed properties, development and land.

Assets held throughout the year in the UK increased in value by 12.0 per cent (2017: 15.8 per cent), outperforming the MSCI UK Industrial quarterly index which increased by 11.4 per cent. The performance reflects a combination of yield compression across the portfolio and the capture of reversionary potential in lease reviews and renewals, particularly in London. The true equivalent yield applied to our UK portfolio was 4.8 per cent (31 December 2017: 5.0 per cent), while rental values improved by 4.7 per cent (2017: 3.9 per cent).

Assets held throughout the year in Continental Europe increased in value by 5.1 per cent (2017: 6.2 per cent) on a constant currency basis, reflecting a combination of yield compression to 5.9 per cent (31 December 2017: 6.0 per cent) and rental value growth of 0.7 per cent (2017: 1.2 per cent).

More details of our property portfolio can be found in Note 27 to the Financial Statements and in the 2018 Property Analysis Report available at www.segro.com/investors.

VALUATIONS: WHAT TO EXPECT IN 2019

Capital growth forecasts are notoriously difficult given the multitude of drivers (particularly interest rates and credit spreads) most of which are outside our direct control. Political and macro-economic uncertainty (particularly with regards to the UK's future relationship with the European Union) means that we enter 2019 with low visibility regarding the outlook for values.

Nevertheless, the prospects for our portfolio of big box and urban warehouses remain good, supported by structural drivers of demand and disciplined supply. This means that we are optimistic about the potential for further rental value growth, particularly in our urban warehouse portfolio. Prime yields continue to appear attractive compared to government (risk-free) bond yields, and this premium should be supportive for current valuation levels. We believe that our high quality portfolio and our focus on asset management will enable us to outperform the wider market.

OUR STRATEGY

OPERATIONAL EXCELLENCE: ACTIVE ASSET MANAGEMENT

"Another year of strong operating performance."

ANDY GULLIFORD
CHIEF OPERATING OFFICER

WHAT WE SAID WE WOULD DO

We expected occupier demand to remain strong, keeping customer retention high, driving positive rent roll growth and keeping vacancy rates low.

WHAT WE ACHIEVED IN 2018

Our rent roll growth was a record £53.5 million, a 29 per cent improvement on a high prior year comparator and reflecting a high level of customer retention. The vacancy rate remained low, although there was a slight increase due to speculative development completions throughout the year.

WHAT TO EXPECT IN 2019

We are still seeing strong occupier demand in all of our markets and expect vacancy rates to remain low. The limited supply in most of our markets, particularly urban warehousing, means that we expect retention to remain high.

PORTFOLIO PASSING RENT

£350m

2017: £324m

RENT CONTRACTED DURING THE YEAR

£66.4m

2017: £53.5m

CUSTOMER RETENTION

89%

2017: 81%

VACANCY RATE

5.2%

2017: 4.0%

Our portfolio comprises two main asset types: urban warehouses and big box warehouses. The demand-supply dynamics are positive, and vary by both type and geography.

URBAN WAREHOUSES

Urban warehouses account for 67 per cent of our portfolio value. They tend to be smaller warehouses, varying in size from units less than 100 sq m to buildings over 10,000 sq m, and are located mainly in and on the edges of major cities, including London, Paris, Düsseldorf, Berlin and Warsaw, where land supply is restricted and there is strong demand for warehouse space, particularly catering for the needs of last mile delivery and, around London, from data centre users.

There is little comparative market data available for urban warehouses but our experience continues to be good. Our portfolio is concentrated in London and South-East England (84 per cent) and major cities in Continental Europe (16 per cent). These locations share similar characteristics in terms of limited (and shrinking) supply of industrial land and growing populations, while occupiers are attracted to modern warehouses with plenty of yard space to allow easy and safe vehicle circulation. We believe that this enduring occupier demand and limited supply bodes well for future rental growth.

BIG BOX WAREHOUSES

Big box warehouses account for 31 per cent of our portfolio value. They tend to be used for storage, processing and distribution of goods on a regional, national or international basis and are, therefore, much larger than urban warehouses, usually well over 10,000 sq m and, increasingly, over 100,000 sq m. They 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, Frankfurt and Hamburg) and Poland (Warsaw, Łódź and Poznań, and the industrial region of Silesia).

Our portfolio is concentrated in the Midlands and South-East regions of the UK (36 per cent) and major Continental European transport hubs and corridors (64 per cent). Occupier demand continues to be healthy across all of our markets, but there has been an increased supply response in UK big box during 2018.

According to JLL, prime logistics vacancy rates increased in the UK during 2018, primarily due to an increase in speculative development. However, take-up levels were at record levels therefore supply still equates to barely more than a year's worth of take-up.

This additional supply may mean that the pace of rental growth in the UK big box market slows in 2019, although we are optimistic about the underlying strength of occupier demand in the long term. UK big box warehouses account for 11 per cent of our total portfolio of completed assets and all our developments are pre-let so our exposure to this market is limited.

We continue to believe that the prospects for significant rental growth in big box warehouses in Continental Europe are limited, but occupier demand remains strong. We do not see evidence of oversupply in any of the markets in which we operate.

GROWING RENTAL INCOME FROM LETTING EXISTING SPACE AND NEW DEVELOPMENTS

At 31 December 2018, our portfolio generated passing rent of £350 million, rising to £386 million once rent free periods expire ("headline rent"). During the year, we contracted £66.4 million of new headline rent, 24 per cent higher than in 2017 (£53.5 million) and a new record level for SEGRO, with particularly significant contributions from rent reviews and renewals in the UK and new pre-let agreements.

Our customer base remains well diversified, reflecting the multitude of uses of warehouse space. Our top 20 customers account for 31 per cent of total headline rent, and our largest customer, Deutsche Post DHL, accounts for 4.7 per cent.

Approximately half of our customers are involved in businesses affected by e-commerce, including third party logistics and parcel delivery businesses, and retailers. These businesses accounted for more than 60 per cent of our take-up during the year.

We monitor a number of asset management performance indicators to assess our performance:

- **Rental growth from lease reviews and renewals.** These generated an uplift of 8.8 per cent (2017: 9.5 per cent) for the portfolio as a whole compared to previous headline rent. During the year, new rents agreed at review and renewal were 12.8 per cent higher in the UK (2017: 12.9 per cent) as reversion accumulated over the past five years was reflected in new rents agreed, adding £5.7 million of headline rent. In Continental Europe, rents agreed on renewal were 2.2 per cent lower than previous headline rents (2017: 0.9 per cent lower), equating to a less than £0.4 million reduction in the rent roll, reflecting indexation provisions which have increased rents paid over recent years to above market rental levels.
- **High levels of customer satisfaction.** Although the quality and location of our portfolio is important to our customers, we believe that the service we provide is crucial to maintaining high customer retention and low vacancy. We carry out a rolling survey of our customer base throughout the year to identify and rectify issues promptly. In 2018, almost one third of our customer base responded and 80 per cent of the 305 participants in the surveys rated their experience as a SEGRO customer as "good" or "excellent" (2017: 87 per cent).
- **Vacancy remains low at 5.2 per cent.** The vacancy at 31 December 2018 was 5.2 per cent (31 December 2017: 4.0 per cent), the increase mainly due to recently completed speculative developments. The vacancy rate on our standing stock remained low at 3.4 per cent (2017: 3.4 per cent). The vacancy rate is still comfortably within the target range of between 4 and 6 per cent. The average vacancy rate during the period was stable at 5.0 per cent (2017: 5.0 per cent).
- **High retention rate of 89 per cent.** During the period, space equating to £12.2 million (2017: £8.7 million) of rent was returned to us, including £1.1 million of rent lost due to insolvency (2017: £1.3 million). We took back space equating to £0.7 million of rent for redevelopment. Approximately £61 million of headline rent was at risk from a break or lease expiry during the period of which we retained 87 per cent in existing space, with a further 2 per cent retained but in new premises.
- **Lease terms continue to offer attractive income security.** The level of incentives agreed for new leases (excluding those on developments completed in the period) represented 5.6 per cent of the headline rent (2017: 6.8 per cent). The portfolio's weighted average lease length was stable at 7.5 years to first break and 8.9 years to expiry (31 December 2017: 7.4 years to first break, 8.9 years to expiry). Lease terms are longer in the UK (8.9 years to break) than in Continental Europe (5.4 years to break).
- **£9 million of net new rent from existing assets.** The combination of these strong metrics has enabled us to generate £12.9 million of headline rent from new leases on existing assets (2017: £13.9 million) and £8.3 million from rent reviews, lease renewals and indexation (2017: £4.9 million). This was offset by rent from space returned of £12.2 million (2017: £8.7 million).
- **£42 million of rent contracted from pre-let agreements (2017: £29 million).** In addition to increased rents from existing assets, we contracted £41.5 million of headline rent from pre-let agreements and lettings of speculative developments prior to completion (2017: £28.6 million), of which £12 million was for three units at our flagship SEGRO Logistics Park East Midlands Gateway, due to complete in Spring 2019. Other notable pre-lettings include a big box unit in Verona for Zalando and a number of units at our Strykow development in Poland, let to Corning, Valeo and LPP.
- **Rent roll growth increased to £53.5 million.** An important element of achieving our goal of being a leading income-focused REIT is to grow our rent roll, primarily through increasing rent from our existing assets and then from generating new rent through development. Rent roll growth, which reflects net new headline rent from existing space (adjusted for take-backs of space for development), take-up of developments and pre-lets agreed during the period, increased to £53.5 million in 2018, from £41.5 million in 2017.

ASSET MANAGEMENT: WHAT TO EXPECT IN 2019

Occupier demand remains strong so we expect to retain a low vacancy rate and that rent roll growth will remain positive. £34 million of headline rent is at risk of break or expiry in 2019 and we expect customer retention levels to remain high.

OUR STRATEGY

OPERATIONAL EXCELLENCE: DEVELOPMENT ACTIVITY

"2018 delivered another record-breaking level of development completions."

ANDY GULLIFORD
CHIEF OPERATING OFFICER

WHAT WE SAID WE WOULD DO

We expected to continue developing at an increased pace during 2018 and anticipated investing over £350 million during the year, with a further £50 million associated with infrastructure expenditure.

WHAT WE ACHIEVED IN 2018

Occupier demand has continued to be strong throughout 2018, reflected in 673,400 sq m of development completions, 83 per cent of which has been let. During the year, we invested £548 million (including £47 million on infrastructure).

WHAT TO EXPECT IN 2019

We have 827,700 sq m of development projects under way, capable of generating £46 million of new headline rent, of which 73 per cent has been secured. We expect to invest over £600 million in development capex and land, including £30 million of infrastructure expenditure.

DEVELOPMENT COMPLETIONS

673,400 sq m

2017: 654,900 sq m

CURRENT PIPELINE POTENTIAL RENT

£46m

2017: £43.3m

CURRENT PIPELINE YIELD ON COST

7.1%

2017: 7.6%

POTENTIAL RENT FROM FUTURE PIPELINE

£115m

2017: £125m

During 2018, we invested £548 million (2017: £414 million) in new developments, of which £47 million was for infrastructure, and a further £140 million to replenish our land bank to enable future development.

DEVELOPMENT PROJECTS COMPLETED

2018 was another record year for SEGRO and we completed 673,400 sq m of new space. These projects were 61 per cent pre-let prior to the start of construction and were 83 per cent let as at 31 December 2018, generating £33.5 million of headline rent, with a potential further £6.7 million to come when the remainder of the space is let. This translates into a yield on total development cost (including land, construction and finance costs) of 8.2 per cent when fully let.

We completed 433,500 sq m of big box warehouse space, which are almost fully let to occupiers including Amazon, Lidl and Yoox.

We completed 227,600 sq m of urban warehouses which are 67 per cent let. These include the completion of our first multi-level warehouse in Paris Gennevilliers, delivering 62,000 sq m of space that has been fully let to retailers Ikea and Leroy Merlin. In the UK, we completed the first of the East Plus sites in East London, including a new parcel delivery centre for DPD at SEGRO Park Newham. On the Slough Trading Estate, we completed two warehouses for data centre operators and a new Premier Inn hotel, enhancing the amenity offering on the estate.

CURRENT DEVELOPMENT PIPELINE

At 31 December 2018, we had development projects approved, contracted or under construction totalling 827,700 sq m, representing £211 million of future capital expenditure to complete and £46 million of annualised gross rental income when fully let. These projects are 73 per cent pre-let and should yield 7.1 per cent on total development cost when fully occupied.

- In the UK, we have 273,800 sq m of space approved or under construction, including three pre-let units at our flagship East Midlands Gateway logistics park, totalling just under 200,000 sq m of space.
- In Continental Europe, we have 554,000 sq m of space approved or under construction. This includes a 126,600 sq m building pre-let by Zalando, a major online fashion retailer.

We continue to focus our speculative developments primarily on urban warehouse projects, particularly in the UK and Germany, where modern space is in short supply and occupier demand is strong. In the UK, our speculative projects are focused in East London, Enfield in North London and on the Slough Trading Estate. In Continental Europe, we continue to build scale in Germany, where projects are underway in Munich, Düsseldorf and Oberhausen.

Within our Continental European development programme, approximately £11 million of potential gross rental income is associated with big box warehouses developed outside our SELP joint venture. Under the terms of the joint venture, SELP has the option, but not the obligation, to acquire these assets shortly after completion. Assuming SELP exercises its option, we would retain a 50 per cent share of the rent after disposal. In 2018, SEGRO sold £252 million of completed assets to SELP, representing a net disposal of £126 million.

Further details of our completed projects and current development pipeline are available in the 2018 Property Analysis Report, which is available to download at www.segro.com/investors.

FUTURE DEVELOPMENT PIPELINE

NEAR-TERM DEVELOPMENT PIPELINE

Within the future development pipeline are a number of pre-let projects which are close to being approved, awaiting either final conditions to be met or planning approval to be granted. We expect to commence these projects within the next six to 12 months.

These projects total just over 441,500 sq m of space, equating to approximately £218 million of additional capital expenditure and £23 million of additional rent.

LAND BANK

Our land bank identified for future development totalled 637 hectares at 31 December 2018, equating to £472 million, or around 5 per cent of our total portfolio. We invested £140 million in acquiring new land during the year, including land sourced from the East Plus agreements and land associated with developments already underway or expected to start in the short term.

We estimate that our land bank, including the near-term projects above, can support 2.5 million sq m of development over the next five years. The prospective capital expenditure associated with the future pipeline is £1.1 billion. It could generate £115 million of gross rental income, representing a yield on total development cost (including land and notional finance costs) of 7.2 per cent. These figures are indicative based on our current expectations and are dependent on our ability to secure pre-let agreements, planning permissions, construction contracts and on our outlook for occupier conditions in local markets.

At 31 December 2018, we had exchanged contracts to acquire approximately £200 million of land ideally suited to big box warehouse development in the UK and in Germany. Completion is conditional on gaining appropriate planning permission. A further £70 million is under offer.

Land with a total value of £26 million has been identified as surplus to our short-term requirements, a reduction from £95 million at 31 December 2017, following the sale of half of the former Nestlé site in Hayes to a residential developer. Another £42 million is associated with a property we are building which will be sold to the occupier on completion.

LAND HELD UNDER OPTION AGREEMENTS

Land sites held under option agreements are not included in the figures above but together represent significant further development opportunities, primarily in the UK, including sites for urban warehousing in East London and for big box warehouses in the Midlands and South East regions.

The options are held on the balance sheet at a value of £21 million (including joint ventures at share). Those we expect to exercise over the next two to three years are for land capable of supporting just under 0.9 million sq m of space and generating approximately £50 million of headline rent for a blended yield of approximately 7 per cent.

DEVELOPMENT: WHAT TO EXPECT IN 2019

Occupier demand remains strong so we expect to continue the pace of development, investing in excess of £600 million during the year in development capex, infrastructure and new land.

OUR STRATEGY

OPERATIONAL EXCELLENCE: REGIONAL REVIEW

GREATER LONDON

INTENSIVE ASSET MANAGEMENT TO DRIVE PERFORMANCE FROM OUR PORTFOLIO

Our London portfolio continues to outperform thanks to our focus on prime locations and intensive asset management. The occupiers of our London warehouses come from a diverse range of businesses, but all of them have one thing in common: the necessity to be close to their customers and their labour force.

Development completions have been lower in 2018 but we have been able to continue to drive growth in the portfolio due to our customer focus and strategic approach to asset management.

ALAN HOLLAND
BUSINESS UNIT DIRECTOR – GREATER LONDON

OPERATING SUMMARY OF THE YEAR

- Continued low vacancy rate and increased rental income through lease reviews and renewals, generating a 14.1 per cent uplift (equating to over £4.6 million of headline rent) compared to previous rents.
- Completed 34,700 sq m of developments in prime industrial areas.

OPPORTUNITIES FOR THE YEAR AHEAD

- 45,300 sq m of new urban warehouses under construction in East and North London as well as our largest London pre-let in a decade, a 17,000 sq m unit for airline catering company Do & Co, which is located close to Heathrow Airport.
- Further potential uplift from renewals at Heathrow Cargo Centre with another two contracts, currently on peppercorn rents, up for renegotiation in 2019.

RISKS FOR THE YEAR AHEAD

- Land is in limited supply and we are increasingly competing with alternative uses. This may limit our ability to extend the development pipeline.
- Brexit continues to cause uncertainty in the UK and we remain alert to potential risks. See page 56 for more detail on Brexit risk.

THAMES VALLEY

A DYNAMIC ENVIRONMENT WHERE BUSINESSES CAN THRIVE

We are constantly modernising Slough Trading Estate to ensure that it is the location of choice for businesses in the Thames Valley.

The Estate is home to businesses both large and small, from a wide range of sectors. It also continues to attract the interest of data centres, due to its close proximity to London, the access to a robust power supply and the fibre-optic connectivity.

GARETH OSBORN
BUSINESS UNIT DIRECTOR – THAMES VALLEY

OPERATING SUMMARY OF THE YEAR

- Thanks to active asset management and our continued focus on customer service, vacancy on Slough Trading Estate is at a record low and the customer retention rate is at the highest level ever.
- We completed work on a hotel in the heart of the Estate and added another two data centres to our portfolio.

OPPORTUNITIES FOR THE YEAR AHEAD

- We have another three data centres under construction, all due for completion in 2019, adding another £4 million of rental income.
- We are looking at ways to use land more intensively on the estate and are also working hard to find other potential development sites in the Thames Valley.

RISKS FOR THE YEAR AHEAD

- The limited amount of available space on the Estate means that it can be hard to find space for expanding businesses and we must be innovative to accommodate our customers' expansion plans. Our full ownership of the Estate allows us to be creative in our solutions to achieve this.
- Brexit continues to cause uncertainty in the UK and we remain alert to potential risks. See page 56 for more detail on Brexit risk.

NATIONAL LOGISTICS (UK BIG BOX WAREHOUSES)

FACILITATING EFFICIENT RETAILER AND MANUFACTURER SUPPLY CHAINS, AND PARCEL DELIVERY

Development at SEGRO Logistics Park East Midlands Gateway (SLP-EMG) is progressing well. The first units are due to complete in the first half of 2019 and we have secured an operator for the Strategic Rail Freight Terminal serving the Park and surrounding areas.

We acquired the Roxhill management platform which brings a well respected and talented team to SEGRO, boosting our capability and expertise in the development of big box warehousing in the UK.

ANDREW PILSWORTH
BUSINESS UNIT DIRECTOR – NATIONAL LOGISTICS

OPERATING SUMMARY OF THE YEAR

- We secured three pre-lets of 200,000 sq m at SLP-EMG which, when completed, will add an additional £12 million to SEGROs rent roll.
- We invested a further £47 million in infrastructure works at SLP-EMG.

OPPORTUNITIES FOR THE YEAR AHEAD

- We have an empty warehouse at Magna Park, and letting this is a priority for 2019.
- We will be working hard to secure further pre-lets at SLP-EMG, so that we can begin construction on the remaining seven plots.

RISKS FOR THE YEAR AHEAD

- Speculative development of big box warehouses in the UK has risen in 2018, responding to continuing strong occupier demand. This may cause the pace of rental growth to slow this year compared to recent years.
- Brexit continues to cause uncertainty in the UK and we remain alert to potential risks. See page 56 for more detail on Brexit risk.

NORTHERN EUROPE (GERMANY, NETHERLANDS AND AUSTRIA)

INVESTING AND DEVELOPING OUR PORTFOLIO IN KEY MARKETS

We have been active developers of both urban and big box warehousing, taking advantage of the demand created by economic growth but also by the increasing importance of e-commerce.

During the year we took the decision to dispose of some remaining non-core assets. As a result we no longer have a presence in Belgium, and can focus our attention on continuing to expand our presence in key German markets and building a scale position in the Netherlands.

JIM HARTLEY
BUSINESS UNIT DIRECTOR – NORTHERN EUROPE

OPERATING SUMMARY OF THE YEAR

- 2018 was a record year for development and we completed 165,200 sq m of urban warehouse and big box space in Cologne, Frankfurt, Berlin, Stuttgart, Vienna and Amsterdam. The majority of this was speculative development, which has contributed to an increase in our vacancy rate. Over half of this new space was leased by the end of the year.
- We signed our first pre-let at our new logistics park in Oberhausen to Geodis, and have started construction at the site.

OPPORTUNITIES FOR THE YEAR AHEAD

- We have 176,900 sq m of new developments currently under construction. This includes urban warehouses in Berlin and Düsseldorf, as well as big box warehouses near Berlin, Munich and Frankfurt airports.
- We will be working hard to secure lettings at our recently completed urban warehouses in Germany.

RISKS FOR THE YEAR AHEAD

- Slowing European growth could impact occupier demand for our warehouses. However, Germany is behind the UK in terms of e-commerce penetration so the growth of this should continue to support demand, even in the event of weaker economic growth.

OUR STRATEGY

OPERATIONAL EXCELLENCE: REGIONAL REVIEW CONTINUED

SOUTHERN EUROPE (FRANCE, ITALY AND SPAIN)

BUILDING SCALE IN SOUTHERN EUROPE

E-commerce continues to drive demand for our warehouses in Southern Europe as retailers seek modern warehousing space close to their end customers.

In France we have established a strong position in the Paris urban warehouse market and are starting to see signs of rental growth.

After an active year of development, we have achieved critical mass in Italy and are working on a number of projects in Spain.

MARCO SIMONETTI
BUSINESS UNIT DIRECTOR – SOUTHERN EUROPE

OPERATING SUMMARY OF THE YEAR

- Completed 334,100 sq m of development in Italy and France, including our first multi-level warehouse in the Gennevilliers region of Paris.
- Our vacancy rate remains at a record low reflecting healthy occupier demand for our well-located big box and urban warehouses.

OPPORTUNITIES FOR THE YEAR AHEAD

- We have 354,400 sq m of new developments under construction. This includes a 126,600 sq m fulfilment centre for Zalando near Verona and three speculative warehouses in Spain, which will help us to build scale in this market.
- We continue to experience healthy pre-let demand for big box warehouses from retailers.

RISKS FOR THE YEAR AHEAD

- As Paris prepares for the 2024 Olympics and construction of the Grand Paris infrastructure project continues, building costs are increasing and contractors are less readily available for our developments. However, the Grand Paris project in particular will bring new public transport links to many of our estates, enhancing their popularity and potential returns.
- Our development in Spain is speculative, meaning that there is heightened development risk compared to most of our other markets.

CENTRAL EUROPE (POLAND AND CZECH REPUBLIC)

MAKING PROGRESS IN A COMPETITIVE MARKET

Market conditions in Poland and the Czech Republic remain strong. There is an increased demand for urban warehousing, allowing businesses to be closer to their end clients and therefore able to respond to the need for shorter delivery times.

Our high quality portfolio is focused on these two key markets and is well occupied with a diverse range of customers.

MAGDALENA SZULC
BUSINESS UNIT DIRECTOR – CENTRAL EUROPE

OPERATING SUMMARY OF THE YEAR

- Our vacancy rate remained low in 2018 reflecting active management of our portfolio.
- Completed 123,200 sq m of development mainly on a pre-let basis. This included the completion of a new warehouse for Corning in Stryków, SEGRO's very first customer from 2006.
- We also acquired a 18,600 sq m urban warehouse estate in Warsaw which was fully let on acquisition and positions us well to cater for the increased popularity for units that facilitate last mile delivery.

OPPORTUNITIES FOR THE YEAR AHEAD

- 22,700 sq m of pre-let big box warehouse space under development in Poland, including a 12,150 sq m unit in Łódź, pre-let to a company that manufactures industrial components.
- Occupier demand remains healthy in both Poland and the Czech Republic and we are currently negotiating additional pre-let agreements to be delivered in 2019.

RISKS FOR THE YEAR AHEAD

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

FINANCE REVIEW

EFFICIENT CAPITAL STRUCTURE STRONG OPERATING RESULT

“We have taken action to further strengthen our capital structure.”

SOUMEN DAS
CHIEF FINANCIAL OFFICER

WHAT WE SAID WE WOULD DO

We intend to keep our LTV below our mid-cycle target of 40 per cent.

WHAT WE ACHIEVED IN 2018

Through a combination of asset disposals and the increase in value of our portfolio, the LTV at 31 December 2018 is 29 per cent. Our cost of debt remains low at 1.9 per cent.

WHAT TO EXPECT IN 2019

We intend to maintain our LTV at a level close to 30 per cent, comfortably below our mid-cycle target of 40 per cent. We believe this ensures significant headroom to our tightest gearing covenant should property values decline, as well as providing the flexibility to take advantage of investment opportunities which may arise. We have cash and available facilities of £1.2 billion (including our share of joint ventures) on which we can draw to fund our investment plans.

ADJUSTED PROFIT BEFORE TAX

£241.5m

2017: £194.2m

IFRS PROFIT BEFORE TAX

£1,099.1m

2017: £976.3m

NEW FINANCING DURING THE YEAR

£0.4bn

2017: £2.7bn

LOOK-THROUGH LOAN TO VALUE RATIO

29%

2017: 30%

We have continued to improve SEGRO’s capital structure during the year, arranging £423 million of new debt financing for SEGRO and SELP and building on the significant refinancing activity undertaken in 2017.

FINANCING

In August 2018, SEGRO undertook its second euro-denominated US Private Placement transaction. The Group issued €300 million of notes across two tranches with an average maturity of 13.3 years and an average coupon of 2.19 per cent. The proceeds were used in part to buy back the remaining £102 million of SEGRO bonds maturing in 2019.

At 31 December 2018, SEGRO’s average debt maturity was 10.2 years (31 December 2017: 10.8 years) and its average cost of debt was 1.9 per cent (31 December 2017: 2.1 per cent).

The gross borrowings of the SEGRO Group totalled £2,243.5 million at 31 December, all but £3.2 million of which were unsecured, and cash and cash equivalent balances were £66.5 million.

SEGRO’s share of gross borrowings in its SELP and other joint ventures was £560.2 million (all of which were advanced with no recourse to SEGRO) and cash and cash equivalent balances of £23.8 million.

Funds available to SEGRO (excluding cash and undrawn facilities held in joint ventures) at 31 December 2018 totalled £1,177.8 million, comprising £66.5 million of cash and short-term investments and £1,111.3 million of undrawn bank facilities of which only £14 million was uncommitted. Cash and cash equivalent balances, together with the Group’s interest rate and foreign exchange derivatives portfolio, are spread amongst a strong group of banks, all of which have a credit rating of A- or better.

In September, the lenders to SELP’s revolving credit facility consented to extend maturity by a further year. During November, the lenders increased facility commitments by €100 million. SELP’s final maturity date for its revolving credit facility is 2022 and total commitments are €300 million.

FINANCE REVIEW

EFFICIENT CAPITAL STRUCTURE STRONG OPERATING RESULT CONTINUED

MONITORING AND MITIGATING FINANCIAL RISK

As explained in the Risks section on page 52 of this Annual Report, the Group monitors a number of financial metrics to assess the level of financial risk being taken and to mitigate that risk.

TREASURY POLICIES AND GOVERNANCE

The Group Treasury function operates within a formal policy covering all aspects of treasury activity, including funding, counterparty exposure and management of interest rate, currency and liquidity risks. Group Treasury reports on compliance with these policies on a quarterly basis and policies are reviewed regularly by the Board.

GEARING AND FINANCIAL COVENANTS

The key leverage metric for SEGRO is its proportionally consolidated loan to value ratio (LTV) which incorporates assets and net debt on SEGRO's balance sheet and SEGRO's share of assets and net debt on the balance sheets of its joint ventures. The LTV at 31 December 2018 on this basis was 29 per cent (31 December 2017: 30 per cent).

SEGRO's borrowings contain gearing covenants based on Group net debt and net asset value, excluding debt in joint ventures. The gearing ratio of the Group at 31 December 2018, as defined within the principal debt funding arrangements of the Group, was 33 per cent (31 December 2017: 35 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 56 per cent from their 31 December 2018 values to reach the gearing covenant threshold of 160 per cent. A 56 per cent fall in property values would equate to an LTV ratio of approximately 65 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 2018, the Group comfortably met this ratio at 4.5 times. On a proportionally consolidated basis, including joint ventures, this ratio was 4.9 times.

FINANCIAL POSITION AND FUNDING

	31 December 2018		31 December 2017	
	SEGRO Group	**SEGRO Group and JV's at share**	SEGRO Group	SEGRO Group and JV's at share
Net borrowings (£m)	**2,177.0**	**2,713.4**	1,954.2	2,397.7
Available cash and undrawn facilities (£m)	**1,177.8**	**1,248.9**	1,192.2	1,303.6
Balance sheet gearing (%)	**33**	**N/A**	35	N/A
Loan to value ratio (%)	**28**	**29**	29	30
Weighted average cost of debt[1] (%)	**2.1**	**1.9**	2.3	2.1
Interest cover[2] (times)	**4.5**	**4.9**	3.4	3.9
Average duration of debt (years)	**11.4**	**10.2**	11.7	10.8

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

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

We mitigate the risk of over-gearing the Company and breaching debt covenants by using a combination of debt and equity to fund our investment activity, by carefully monitoring the impact of investment decisions on our LTV and by stress-testing our balance sheet to potential changes in property values.

Our intention for the foreseeable future is to maintain our LTV at a level closer to 30 per cent, lower than our mid-cycle target of 40 per cent.

This approach provides the flexibility to take advantage of investment opportunities arising and ensures significant headroom compared to our tightest gearing covenants should property values decline.

At 31 December 2018, there were no debt maturities falling due within 12 months and the weighted average maturity of the gross borrowings of the Group (including joint ventures at share) was 10.2 years. With a majority of the Group's bank debt facilities not due to mature until 2023, and no debt maturities until December 2020, this long average debt maturity translates into a favourable, well spread debt funding maturity profile which reduces future refinancing risk.

INTEREST RATE RISK

The Group's interest rate risk policy is designed to ensure that we limit our exposure to volatility in interest rates. The policy states 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, including the impact of derivative financial instruments.

At 31 December 2018, including the impact of derivative instruments, 67 per cent (2017: 79 per cent) of the net borrowings of the Group (including the Group's share of borrowings within joint ventures) were at fixed or capped rates.

As a result of the fixed rate cover in place, if short-term interest rates had been 1 per cent higher throughout the year to 31 December 2018, the adjusted net finance cost of the Group would have increased by approximately £10.7 million representing around 5 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 Guidelines, these gains and losses are excluded from Adjusted profit after tax.

FOREIGN CURRENCY TRANSLATION RISK

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.

The Group seeks to limit its exposure to volatility in foreign exchange rates by hedging between 29 and 100 per cent of its foreign currency gross assets through either borrowings or derivative instruments. At 31 December 2018, the Group had gross foreign currency assets which were 67 per cent hedged by gross foreign currency denominated liabilities (including the impact of derivative financial instruments), compared to 69 per cent at 31 December 2017.

Including the impact of forward foreign exchange and currency swap contracts used to hedge foreign currency denominated net assets, if the value of the other currencies in which the Group operates at 31 December 2018 weakened by 10 per cent against sterling (to €1.22, in the case of euros), net assets would have decreased by approximately £84 million and there would have been a reduction in gearing of approximately 1.6 per cent and in the LTV of 1.3 per cent.

The average exchange rate used to translate euro denominated earnings generated during 2018 into sterling within the consolidated income statement of the Group was €1.13:£1. Based on the hedging position at 31 December 2018, and assuming that this position had applied throughout 2018, if the euro had been 10 per cent weaker than the average exchange rate (€1.24:£1), Adjusted profit after tax for the year would have been approximately £8.9 million (3.8 per cent) lower than reported. If it had been 10 per cent stronger, Adjusted profit after tax for the year would have been approximately £10.9 million (4.6 per cent) higher than reported.

GOING CONCERN

As noted in the Financial Position and Funding section, the Group has a 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.

EFFICIENT CAPITAL STRUCTURE STRONG OPERATING RESULT CONTINUED

INCOME STATEMENT REVIEW

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 Adjusted profit measure reflects the underlying financial performance of the Group's property rental business, which is our core operating activity. It is based on the Best Practices Recommendations Guidelines of the European Public Real Estate Association (EPRA) which are widely used alternate metrics to their IFRS equivalents within the European real estate sector (further details can be found at www.epra.com). In calculating Adjusted profit, the Directors may also exclude additional items considered to be non-recurring, unusual, or significant by virtue of size and nature. In the period to 31 December 2018, £51.8 million of pension buy-out costs in respect of the SEGRO pension scheme have been incurred which have been excluded as an adjustment to EPRA profit when calculating Adjusted profit. Further details are given in Note 18. No such adjustments have been made in the prior period.

A detailed reconciliation between Adjusted profit after tax and IFRS profit after tax is provided in Note 2 to the Financial Statements. This is not on a proportionally-consolidated basis.

Reconciliations between SEGRO Adjusted metrics and EPRA metrics are provided in the Supplementary Notes to the Financial Statements, which also include EPRA metrics as well as SEGRO's Adjusted income statement and balance sheet presented on a proportionally 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 (NOTE 2)

		2018 £m	2017 £m
	GROSS RENTAL INCOME	**297.7**	272.9
	PROPERTY OPERATING EXPENSES	**(50.1)**	(52.2)
1	**NET RENTAL INCOME**	**247.6**	220.7
2	JOINT VENTURE FEE INCOME	**44.9**	24.3
	ADMINISTRATION EXPENSES	**(44.1)**	(39.7)
3	SHARE OF JOINT VENTURES' ADJUSTED PROFIT[1]	**39.0**	47.6
	ADJUSTED OPERATING PROFIT BEFORE INTEREST AND TAX	**287.4**	252.9
4	NET FINANCE COSTS	**(45.9)**	(58.7)
5	**ADJUSTED PROFIT BEFORE TAX**	**241.5**	194.2
6	TAX ON ADJUSTED PROFIT	**(4.4)**	(1.2)
	NON-CONTROLLING INTERESTS SHARE OF ADJUSTED PROFIT	**(0.6)**	(0.2)
	ADJUSTED PROFIT AFTER TAX	**236.5**	192.8

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

NET RENTAL INCOME 1

£26.9m higher

Net rental income increased by £26.9 million to £247.6 million, reflecting the positive net impact of development completions and investment activity during the period, offset by the impact of disposals.

On a like-for-like basis[1], before other items (primarily corporate centre and other costs not specifically allocated to a geographic business unit), net rental income increased by £7.6 million, or 3.1 per cent, compared to 2017. This is due to strong rental performance in our UK portfolio (4.1 per cent increase) and a 1.0 per cent increase in our Continental Europe portfolio.

INCOME FROM JOINT VENTURES 2 3

£12.0m higher

Joint venture fee income increased by £20.6 million to £44.9 million. This increase is due to a performance fee from SELP of £26.2 million in the year. The prior year included fees from APP of £8.5 million, a former joint venture.

SEGRO's share of joint ventures' Adjusted profit after tax decreased by £8.6 million from £47.6 million in 2017 to £39.0 million in 2018. The decrease is due to the inclusion of the net cost of the performance fee paid by SELP to SEGRO of £11.9 million (at share, being £13.1 million less tax of £1.2 million).

The share of joint ventures Adjusted profit after tax are primarily from the SELP joint venture in 2018. The 2017 results also included two months of APP (£1.7 million loss at share) which was acquired 100 per cent in the prior year.

ADMINISTRATIVE AND OPERATING COSTS 1 3

Cost ratio: 22.9%

The Group is focused on managing its cost base and uses a Total Cost Ratio (TCR) as a key measure of cost management. The TCR for 2018 has decreased to 22.9 per cent from 24.6 per cent for 2017, above our 20 per cent target. The calculation is set out in Table 7 of the Supplementary Notes to the Financial Statements.

Total costs have remained broadly flat (£84.5 million in 2018 compared to £84.6 million in 2017) whereas gross rental income (the denominator) has increased from £344.3 million to £368.9 million through the growth of the business through acquisitions and development completions in the current and prior years, in particular in Greater London and Southern Europe.

Excluding share based payments, the cost ratio would be 19.9 per cent, a decrease from 21.7 per cent in 2017.

NET FINANCE COSTS 4

£12.8m lower

Net finance costs (including adjustments) decreased by £12.8 million in 2018 to £45.9 million primarily as a result of the debt refinancing undertaken over the current and prior periods thereby reducing the average cost of debt. Capitalised interest costs have increased in line with development spend.

ADJUSTED PROFIT 5

£47.3m higher

Adjusted profit before tax increased by 24.4 per cent to £241.5 million (2017: £194.2 million) during 2018 as a result of the above movements (see Note 2).

TAXATION 6

Effective rate: 1.8%

The tax charge on Adjusted profit of £4.4 million (2017: £1.2 million) reflects an effective tax rate of 1.8 per cent (2017: 0.6 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

23.4p, +17.6%

Adjusted earnings per share are 23.4 pence compared to 19.9 pence in 2017.

The total impact of the SELP performance fee on adjusted earnings per share is 1.2 pence (£12.3 million) being joint venture fee income after tax (£24.2 million) less expense after tax in share of joint venture after tax (£11.9 million).

1 The like-for-like rental growth metric is based on properties held throughout both 2018 and 2017 on a proportionally consolidated basis. This provides details of underlying rental income growth excluding the distortive impact of acquisitions, disposals and development completions. Where an asset has been sold into a joint venture (transfers into SELP, for example) the 50 per cent share owned throughout the period is included in like-for-like calculation, with the balance shown as disposals.

FINANCE REVIEW

EFFICIENT CAPITAL STRUCTURE STRONG OPERATING RESULT CONTINUED

IFRS PROFIT

IFRS profit before tax in 2018 was £1,099.1 million (2017: £976.3 million), equating to basic post-tax IFRS earnings per share of 105.4 pence compared with 98.5 pence for 2017, principally reflecting higher realised and unrealised gains in both the wholly-owned and joint venture portfolios.

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 £852.6 million in 2018 (2017: £889.0 million) have been recognised in the Income Statement as the value of our portfolio increased during the year. These included an unrealised valuation surplus on invested properties of £791.4 million (2017: £872.4 million) and a profit of £56.5 million on asset disposals (2017: £16.6 million). There was no provision against trading properties in the year.

SEGRO's share of realised and unrealised gains on properties held in joint ventures was £101.1 million (2017: £77.7 million) almost entirely in respect of the SELP portfolio and is further analysed in Note 7.

The cost of closing out debt in the year was £6.4 million following the buy back of the SEGRO bonds maturing in 2019. IFRS earnings were also impacted by a net fair value loss on interest rate swaps and other derivatives of £22.0 million (2017: £21.5 million) and a tax charge of £33.0 million (2017: £20.0 million) of which £28.6 million (2017: £18.8 million) arises in respect of adjustments, primarily in relation to property.

BALANCE SHEET

At 31 December 2018, IFRS net assets attributable to ordinary shareholders were £6,564.0 million (31 December 2017: £5,585.4 million), reflecting 644 pence per share (31 December 2017: 554 pence) on a diluted basis.

EPRA NAV per share at 31 December 2018 was 650 pence (31 December 2017: 556 pence), the 17 per cent increase primarily reflects property gains in the period. The chart below highlights the other principal factors behind the increase. A reconciliation between IFRS and EPRA NAV is available in Note 12 to the Financial Statements.

CASH FLOW AND NET DEBT RECONCILIATION

Cash flow generated from operations was £200.3 million in 2018, an increase of £224.6 million from 2017. The prior period included a net cash outflow of £156.5 million in respect of the early close out of debt and derivatives. The underlying increase is driven by increased Adjusted profit in the year including the receipt of a £52.4 million performance fee discussed further in Note 7.

The Group made net investments of £276.5 million of investment and development properties (including options and loans to joint ventures) during the year on a cash flow basis (2017: £333.3 million investment). This includes cash from disposals of £480.4 million (2017: £317.2 million). The Group spent £637.1 million (2017: £457.9 million) to purchase and develop investment properties, and it invested £99.2 million in joint ventures (2017: £28.4 million divestment).

Other significant cash flows include dividends paid of £120.4 million (2017: £118.1 million) where cash flows are lower than the total dividend due to the level of scrip uptake.

Overall, net debt has increased in the year from £1,954.2 million to £2,177.0 million.

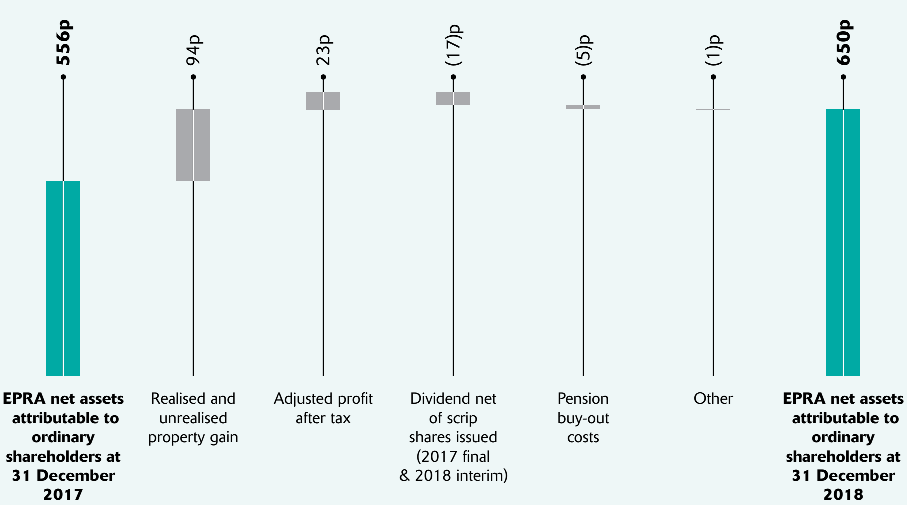
CAPITAL EXPENDITURE

Table 8 in the Supplementary Notes 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 was £957.0 million, a decrease of £797.2 million compared to 2017, which included £1,112.6 million in respect of the acquisition of the APP property portfolio. More detail on acquisitions can be found in the Disciplined Capital Allocation section of Our Strategy.

Development capital expenditure increased by £134.1 million to £548.2 million, reflecting our intention to increase development spend to meet occupier demand. Development spend incorporates interest capitalised of £10.0 million (2017: £7.4 million) including joint ventures at share.

EPRA NET ASSET VALUE



Spend on existing completed properties totalled £30.3 million (2017: £24.3 million), of which £17.1 million (2017: £15.0 million) was for major refurbishment, infrastructure and fit-out costs prior to re-letting. The balance mainly comprises more minor refurbishment and fit-out costs, which equates to less than 6 per cent of Adjusted profit before tax and 2 per cent of total spend.

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 profit after tax. 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 1.9 pence to 13.25 pence (2017: 11.35 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 2 May 2019 to shareholders on the register at the close of business on 22 March 2019.

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

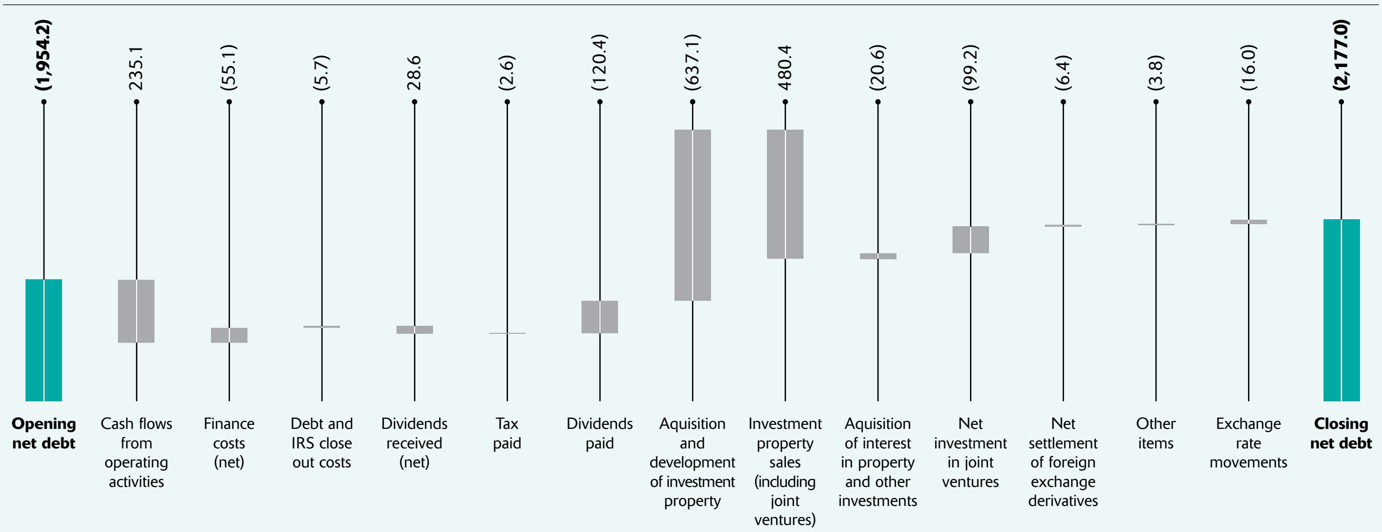
- the policy of targeting a payout ratio of between 85 and 95 per cent of Adjusted profit after tax;
- the desire to ensure that the dividend is sustainable and progressive throughout the cycle; and
- the results for 2018 and the outlook for earnings.

The total dividend for the year will, therefore, be 18.8 pence, a rise of 13.3 per cent on 2017 (16.6 pence) and represents distribution of 85 per cent of Adjusted profit after tax and Adjusted EPS once the SELP performance fee, which will not recur in 2019, is excluded (80 per cent including the fee).

As at 31 December 2018, the Company had distributable reserves that provide cover for the total of the interim dividend paid and the final dividend proposed in respect of the year ended 31 December 2018 of over 4 times (2017: 4 times). When required the Company can receive dividends from its subsidiaries to further increase the distributable reserves.

The Board has decided to retain a scrip dividend option for the 2018 final dividend, allowing shareholders to choose whether to receive the dividend in cash or new shares. In 2018, 38 per cent of the 2017 final dividend and 22 per cent of the 2018 interim dividend was paid in new shares, equating to £49 million of cash retained on the balance sheet.

CASH FLOW BRIDGE (£m)



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 proportionally consolidated metrics, incorporating our share of 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 84-99**

WE APPLY OUR STRATEGY TO MAXIMISE PERFORMANCE:

READ MORE ABOUT HOW WE ARE DELIVERING ON OUR STRATEGY:

OUR STRATEGY
PAGES 21-30

PRINCIPAL RISKS
PAGES 52-58

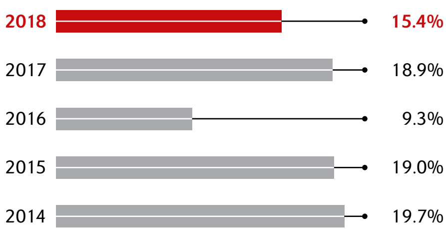
RISK MANAGEMENT:

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 KPI's IS IDENTIFIED IN THE PRINCIPAL RISKS ON **PAGES 52-58**

TOTAL PROPERTY RETURN
(% TPR)[1]

15.4%

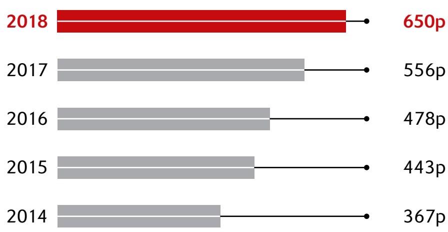


WHAT IT IS: TPR is the ungeared combined income and capital return from our portfolio of standing investments held throughout the year. It is an important measure of the success of our strategy in terms of asset selection and management. MSCI Real Estate prepares the calculation, as well as providing 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 89 to 98.

OUR PERFORMANCE: The TPR of the Group in 2018 was 15.4 per cent (2017: 18.9 per cent). Our UK portfolio generated a TPR of 16.7 per cent, performing ahead of the benchmark calculated by MSCI Real Estate of 16.4 per cent. The TPR of our Continental Europe portfolio was 11.8 per cent. Benchmark data for Continental Europe will be received later in the year.

EPRA NAV PER SHARE
(PENCE)[2 3]

650p

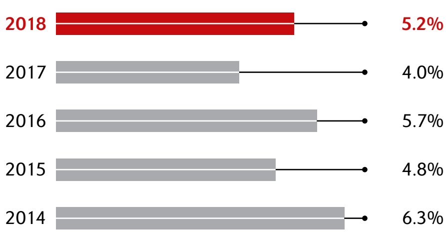


WHAT IT IS: EPRA NAV (Net Asset Value) is the value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that is attributable to our shareholders. We aim for sustainable long-term asset value growth whilst carefully managing our liabilities to maintain balance sheet strength.

OUR PERFORMANCE: EPRA NAV increased by 94 pence per share over the year to 31 December 2018, most of which was due to a 10.7 per cent like for like increase in the value of the Group's property portfolio. Diluted NAV per share increased by 90 pence to 644 pence. The reconciliation between Diluted NAV per share and EPRA NAV per share can be found in Note 12(ii) on page 140.

EPRA VACANCY RATE
(%)

5.2%

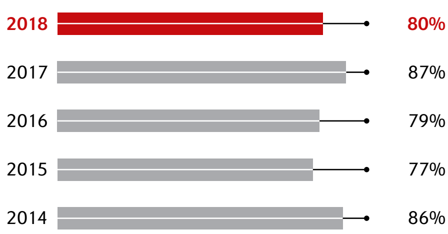


WHAT IT IS: The vacancy rate measures our ability to minimise the quantity of non-income producing built assets within our portfolio. An improving vacancy rate generally implies additional rental income and lower vacant property costs. Some level of vacancy will always exist within our portfolio in order to support our asset management activities and allow our customers the opportunity to move premises. We target a longer-term vacancy rate of 4 to 6 per cent.

OUR PERFORMANCE: The portfolio vacancy rate increased to 5.2 per cent (31 December 2017: 4.0 per cent) mostly due to speculative developments completed within the period.

CUSTOMER SATISFACTION
(%)

80%



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 80 per cent of the 305 customers which participated in the 2018 survey (2017: 87 per cent). The continued high satisfaction rate reflects our focus on communication, being responsive and understanding the needs of our customers and intend to target similarly high levels in the future. 93 per cent of our customers said that they would recommend SEGRO to others.

DISCIPLINED CAPITAL ALLOCATION

OPERATIONAL EXCELLENCE

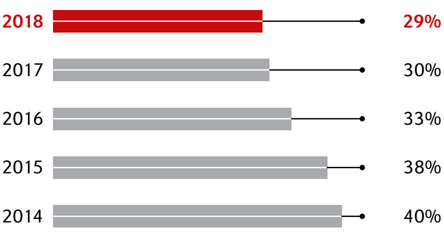
EFFICIENT CAPITAL AND CORPORATE STRUCTURE

ITEMS ARE DIRECTLY CAPTURED IN SEGRO'S INCENTIVE SCHEMES

LOAN TO VALUE RATIO (LTV)

(% INCLUDING JOINT VENTURES AT SHARE)[4]

29%



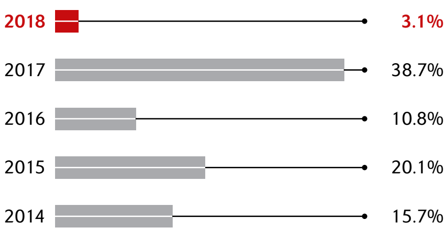
WHAT IT IS: The proportion of our property assets (including investment, owner-occupier and trading properties at carrying value and our share of properties in joint ventures) that are funded by borrowings. Our 'mid-cycle' LTV ratio target remains at 40 per cent but, at this stage in the cycle, and based on our investment plans, we aim to maintain it at closer to 30 per cent. 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 29 per cent from 30 per cent year on year, principally due to the total portfolio valuation increase. The timing of investment decisions and disposals, as well as movement in the value of our assets may cause the LTV to fluctuate.

TOTAL SHAREHOLDER RETURN

(% TSR)

3.1%



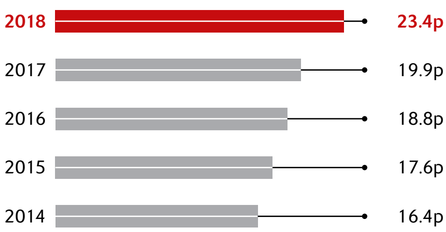
WHAT IT IS: TSR measures the change in our share price over the year assuming that dividends paid are reinvested. This KPI reflects our commitment to delivering enhanced returns for our shareholders through the execution of our strategy over the medium term. TSR is a key metric used in setting the long term incentive plan remuneration for both the Executive Directors and senior management.

OUR PERFORMANCE: The TSR of the Group was 3.1 per cent, compared with -13.7 per cent for the FTSE 350 Real Estate index. This performance reflects a combination of the 16.9 pence dividend (11.35 pence 2017 final dividend and 5.55 pence 2018 interim dividend) paid during the year and an increase in the share price from 587 pence at 31 December 2017 to 589 pence at 31 December 2018.

ADJUSTED EPS

(PENCE)[3]

23.4p



WHAT IT IS: Our headline Adjusted earnings per share (EPS) reflects 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 includes the impact of realised and unrealised changes in the valuation of our assets which can often mask the underlying operating performance. The reconciliation between Basic EPS and Adjusted EPS can be found in Note 12(i) on page 139.

OUR PERFORMANCE: Adjusted EPS increased by 17.6 per cent during the year, reflecting higher rental income from our standing assets, new income from acquisitions and developments, an increase in joint venture fee income and lower financing costs, partly offset by higher administrative and operating costs. It also includes 1.2 pence per share from a non-recurring performance fee from our SELP joint venture.

TOTAL COST RATIO

(%)

22.9%

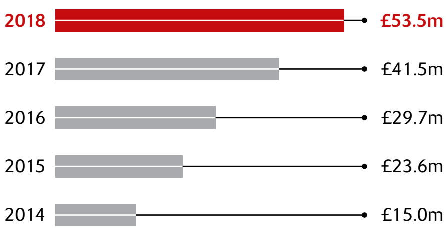
WHAT IT IS: The ratio of our total administration and property operating costs expressed as a percentage of gross rental income. This is an indicator of how cost-effectively we manage both our property assets and our administrative costs in order to improve profitability. Over the medium term we are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

OUR PERFORMANCE: The total cost ratio reduced to 22.9 per cent (2017: 24.6 per cent) due mainly to higher gross rental income and stable operating and administrative costs. Excluding share based payments, the total cost ratio would have been 19.9 per cent, a reduction of 1.8 per cent from 2017 (21.7 per cent).

RENT ROLL GROWTH

(£)

£53.5m



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 £53.5 million of net new annualised rent during the year (2017: £41.5 million). The increase was driven substantially by higher rents on review and renewal in the UK and by the increased volume of rent from development completions and pre-let agreements secured during the year.

1 The TPR has been calculated independently by MSCI Real Estate (formerly known as IPD) in order to provide a consistent comparison with an appropriate MSCI benchmark. 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 for standing investments held throughout the year, excluding land.

2 EPRA NAV is an alternate metric 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 175 to 180 (NAV, EPS, vacancy rate, 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.

3 As a result of the Rights Issue in March 2017, a bonus adjustment factor of 1.046 has been applied to per share metrics prior to 2017, including the share price, Earnings per share, EPRA NAV per share and Dividend per share.

4 In 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 LTV ratios from 2015 onwards are unadjusted.

RESPONSIBLE SEGRO

OVERVIEW

"Sustainability is embedded within SEGRO's corporate strategy. Our commitment to achieving our goal in the most sustainable way possible influences everything we do."

DAVID SLEATH
CHIEF EXECUTIVE

RESPONSIBLE SEGRO

SEGRO's Purpose is to 'create the space that enables extraordinary things to happen' and we are committed to achieving this in the most sustainable way possible.

As an owner-manager and developer of buildings, we understand our impact on society is wider than purely physical real estate. Our Responsible SEGRO model helps guide our business decisions as well as providing a framework for how we report on sustainability.

The model helps reflect our committed approach to our people, communities, environment and stakeholders. We take time to fully understand the implications of our decisions and always aim to exceed expectations of those with whom we work.

Our Responsible SEGRO framework is focused on four key areas: our people, our communities, our environment and our stakeholders. The framework enables us to take a holistic approach to sustainability, which reflects our Purpose 'to create the space that enables extraordinary things to happen'.

In 2018, we developed our new environmental strategy, which has been designed to focus on areas that we believe are material to our business and, therefore, that we are most able to influence. We expect this to drive continuous improvement in our sustainable practices and consequently to remain a market leader in this area.

OUR PEOPLE

We employ just over 300 people across nine countries to manage, create and maintain our £11 billion of assets and to provide vital central support for the Company. Our people are therefore critical to our success and we are committed to making working at SEGRO an enjoyable and rewarding experience.

OUR COMMUNITY

SEGRO continues to make substantial investments into the communities in which we operate working with local businesses, residents, charities, councils and municipalities. The space we own is often close to residential areas and we focus much of our attention on providing employment opportunities to people in these areas.

OUR ENVIRONMENT

In 2018, we launched our new environmental strategy which aligns our sustainability targets more closely to what we want to achieve as a business. The updated targets are challenging but achievable and will ensure that sustainability remains at the heart of how we approach asset management and development well into the future.

OUR STAKEHOLDERS

We prioritise building and maintaining strong relationships with our customers, suppliers and investors, always keeping in mind the impact of our strategic decisions on these important stakeholder groups.

We recognise the importance of mutual respect and trust within our stakeholder relationships in order to be able to guarantee shared long-term success.

WHAT TO EXPECT IN 2019

We have the following objectives for 2019:

- **Our People:** We will analyse the results of our 2018 All Employee Survey and continue to improve our working practices to ensure that we sustain our top quartile employee engagement results.
- **Our Community:** We will continue to provide support to our local communities through the SEGRO Community Fund.
- **Our Environment:** We will fully embed our new environmental strategy across the business and continue to make improvements in all areas of sustainability.
- **Our Stakeholders:** we will continue to drive forward our Customer Programme and seek to maintain our high customer satisfaction results.

CODE OF ETHICS

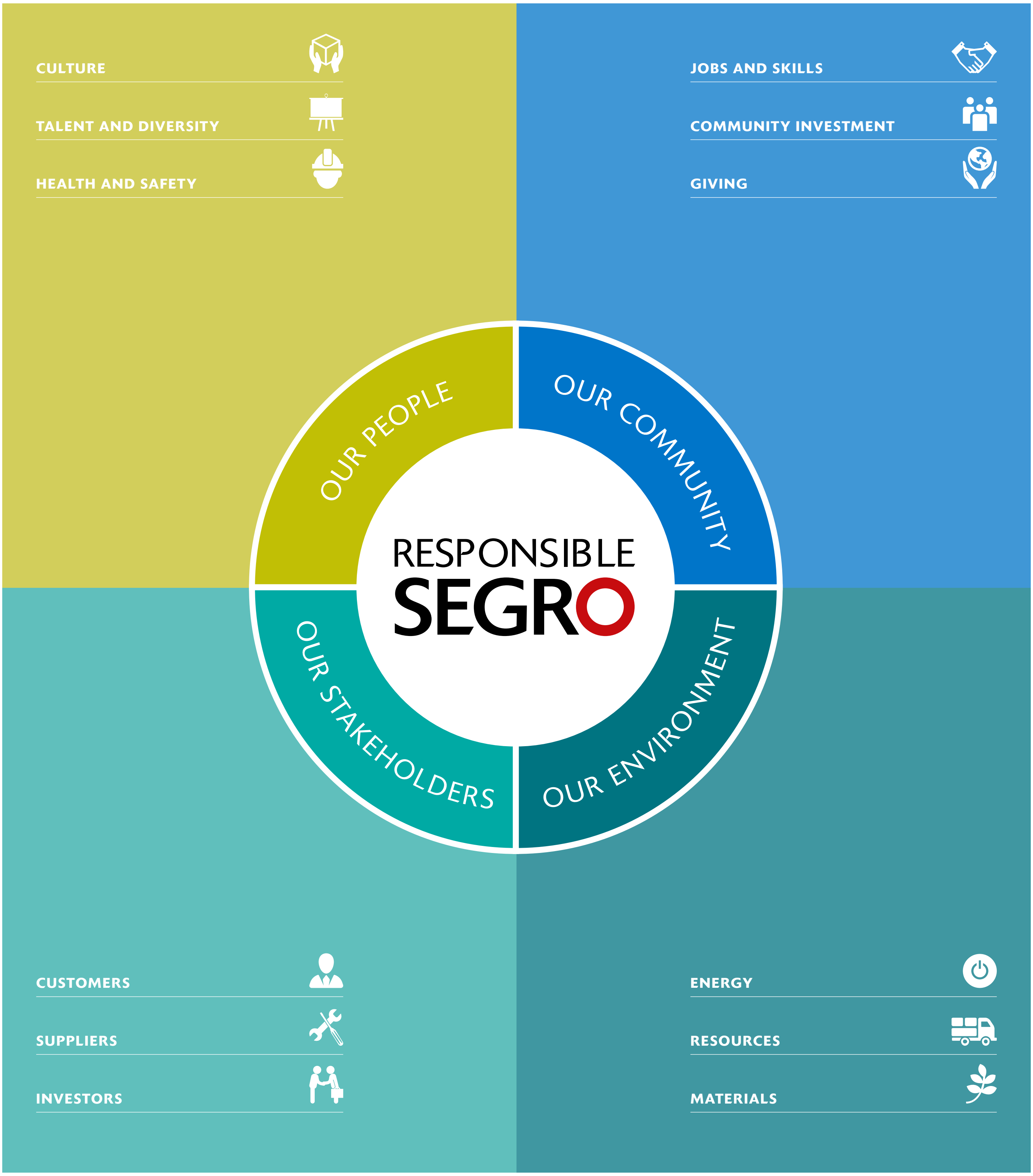
At SEGRO, we conduct our business to the highest possible ethical standards.

Our Code of Ethics outlines the standards that govern our decisions and behaviour within SEGRO. It is aligned with our Purpose and Values, as well as applicable laws and regulations.

The Code incorporates policies on bribery, corruption and fraud, gifts and hospitality, insider trading, tax evasion, confidentiality, conflicts of interest, relationships with stakeholders, political and charitable donations, raising serious concerns, modern slavery and human trafficking.

Compliance with the Code is a condition of each employee's terms of employment and helps ensure that our employees always act in the Company's best interests. All employees receive information and on-line training on SEGRO's Code of Ethics when joining the Company and are required to certify annually that they continue to understand and adhere to it.

Any breaches of the Code are fully investigated by the General Counsel or Group Human Resources Director.


CULTURE
TALENT AND DIVERSITY
HEALTH AND SAFETY
JOBS AND SKILLS
COMMUNITY INVESTMENT
GIVING
OUR PEOPLE
OUR COMMUNITY
RESPONSIBLE
SEGRO
OUR STAKEHOLDERS
OUR ENVIRONMENT
CUSTOMERS
SUPPLIERS
INVESTORS
ENERGY
RESOURCES
MATERIALS

RESPONSIBLE SEGRO

OUR PEOPLE

We want SEGRO to be a place where everyone can be free to be themselves by creating a working environment which is inclusive, free from bias and has equal opportunities for all."

LIZ REILLY
GROUP HUMAN RESOURCES DIRECTOR

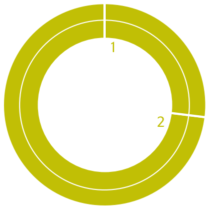
OUR PURPOSE:

WE CREATE THE SPACE THAT ENABLES EXTRAORDINARY THINGS TO HAPPEN

OUR VALUES:

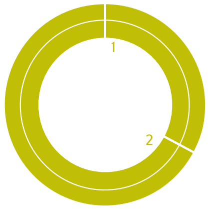
- SAY IT LIKE IT IS
- STAND SIDE BY SIDE
- KEEP ONE EYE ON THE HORIZON
- IF THE DOOR IS CLOSED…
- DOES IT MAKE THE BOAT GO FASTER?

GENDER DIVERSITY



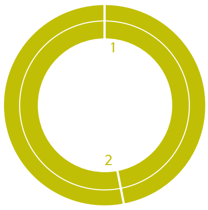
BOARD*

1.	Female (3)	27%
2.	Male (8)	73%
	Total	**100%**



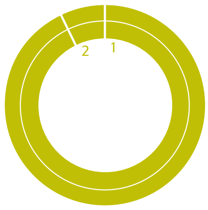
LEADERSHIP TEAM

1.	Female (5)	33%
2.	Male (10)	67%
	Total	**100%**



WORKFORCE

1.	Female (149)	47%
2.	Male (166)	53%
	Total	**100%**



WORKFORCE COMPOSITION

1.	Full-time (293)	93%
2.	Part-time (22)	7%
	Total	**100%**

EMPLOYEES SERVING 1,155 CUSTOMERS

315

2017: 300

STAFF TURNOVER IN 2018

9%

2017: 9%

HOURS OF TRAINING DELIVERED IN 2018

3,708

2017: 3,353

EMPLOYEE ENGAGEMENT SCORE

92%

2016: 90%

* Board figures include Mary Barnard who will be appointed an independent Non-Executive Director from 1 March 2019.

We are committed to making SEGRO a great place to work and we invest significant time and resources engaging with our employees across all of our geographies.

CULTURE

SEGRO's culture is unique because we believe that it is not what we say we want our culture to 'be' but what we 'do' to bring our culture to life, day in and day out. Our uniqueness is reflected in our Values, which were co-created with our employees, making them an integral part of working at SEGRO.

As an example of bringing our Values to life, we invited all employees to 'stand side by side' at our End of Year Review in the UK in December 2018 to reflect on our successes from the year and think about the challenges and opportunities ahead of us. At the Review, we welcomed over 50 new employees, including those who joined us as part of the acquisition of the Roxhill Management platform in November 2018.

Our approach to internal communication and engagement ensures that our employees are kept up to date about information relating to them individually, as well as what is happening around the business and how this might affect the Company's performance. We hold quarterly webcasts to provide business updates from the Executive Directors, as well as employee briefings across our Business Units. Last year we launched a new interactive intranet called 'The Box' which is helping employees interact and share knowledge through personal blogs and dedicated articles.

Our employees' strong engagement with our business strategy and culture was reflected in our 2018 All Employee Survey which reported that 98 per cent of employees believe that SEGRO's strategy is likely to succeed. Having achieved a 91 per cent response rate for the survey, our Group wide engagement score of 92 per cent has ensured that we remain at the very top end of our benchmark.

TALENT AND DIVERSITY

We believe that people are at their happiest and most motivated when they can bring their whole selves to work. We want SEGRO to be a place where everyone can feel free to be themselves by creating a working environment which is inclusive, free from bias and has equal opportunities for all.

We have robust policies in place with regard to equal opportunities which assist us in achieving our objectives. We are committed to ensuring that we offer equal opportunities to people with disabilities and if an employee becomes disabled while in our employment, we will offer appropriate support, retraining and facilities to enable them to continue in their role. Our Diversity and Inclusion Policy is published on our website www.SEGRO.com/csr/policies.

Every employee receives diversity training as part of our induction process and in our 2018 employee survey, 93 per cent of employees said that SEGRO respected their individual difference (of race, disability, sexual orientation, gender, etc.). Our 2018 employee survey had additional questions to encourage employees to give us their thoughts on how to make SEGRO a truly inclusive employer.

SEGRO believes in treating all employees equally, including in respect of pay. During 2018 we commissioned an independent audit by remuneration consultants who confirmed that any significant differences in levels of pay between men and women in our UK organisation were being driven by the make-up of our workforce, where we currently employ more men in senior roles than women, and not by paying men and women differently for doing the same or similar roles.

SEGRO's median pay gap is 49.5 per cent, lower than 2017's median pay gap of 54 per cent. This calculation represents the average pay of all men compared to the average pay of all women we employ in the UK. We have disclosed this number as we believe it is important to be transparent, despite not being obliged to do so because we employ significantly fewer than 250 people in the UK, which can create distortion in the analysis. The relatively high figure reflects this distortion and the current make-up of our workforce as described above.

SEGRO is dedicated to increasing diversity in the business through a combination of actions aimed at raising conscious awareness of diversity issues amongst our employees. Our successes this year, for example, the reduction in our gender pay gap, have largely been achieved through recruitment and training interventions and our talent review process.

In 2018, our Chief Executive and Group Human Resources Director hosted a webinar for all employees across the business to share the diversity and inclusion actions that were discussed with the Board. The webinar was well attended with employees contributing thought provoking questions and ideas for the future.

We have publicly committed to increasing diversity both within the sector and in our own business through our support of three sector-wide initiatives: Pathways to Property, Real Estate Balance and the 30% Club:

- we are Gold Level sponsors of Pathways to Property and offer work experience to individuals who would not otherwise have access to property as a career;
- our Chief Executive has signed up to the Real Estate Balance 'CEO Commitments for Diversity' (http://www.realestatebalance.org/ceo-commitments-for-diversity.html); and
- he has also pledged our support to the 30% Club which aims to increase the number of women on boards and leadership teams to a minimum of 30 per cent by 2020 (https://www.30percentclub.org/).

Our approach to developing talent continues to be pragmatic – we want everyone to be able to maximise their potential during their time with SEGRO – supported by meaningful and stretching work experiences and through formal training and coaching.

Our employee turnover, at a Group wide level, remained at the same level during 2018 but continues to be an area that we monitor closely given how valuable knowledge and expertise is within small, geographically spread teams.

HEALTH AND SAFETY

Health and safety remains central to the execution of SEGRO's business strategy. We take our responsibilities in this area very seriously and are committed to the continued improvement of our strong health and safety record. We seek to embed health and safety within our culture, as well as influencing our supply chain. This is achieved through managing risks by prevention, tighter controls, training and raising awareness.

In 2018, we were awarded a second RoSPA Gold Medal for achieving six consecutive Gold Awards. The award recognised our Group commitment and practical application of health and safety procedures across all of our business operations.

SEGRO continues to improve health and safety standards on our construction sites by working closely with our contractors and health and safety consultants to increase understanding and implementation of SEGRO's requirements.

Our Accident Frequency Rate for employees in 2018 remained at zero. The total number of health and safety incidents in 2018 remained on par with 2017 rates. All serious incidents are thoroughly investigated, with improvement plans being implemented where required.

Our Group Health and Safety policy and more details on our initiatives in this area are on our website http://www.segro.com/csr.

SAFETY ON OUR ASSETS

In 2017 and 2018, SEGRO undertook a comprehensive review of all estates across the Group's portfolio to assess the potential pedestrian and traffic movement risk. The estates that were considered high risk, were independently assessed by traffic management experts and any recommendations have, or are being, actioned appropriately. The work that has already been completed has helped both our property teams to manage the sites more effectively and our customers in the way they manage their yards and vehicle movements.

The review has reinforced the importance of sharing information with our customers so that we fully understand the work activities being undertaken on our sites. Through this collaboration, we have been able to provide support to assist in reducing risks, so far as is reasonably practicable, that could arise in a shared workplace.

Due to the size and geographical coverage of our estates, this review will continue through 2019. We will monitor the measurements that have been implemented to ensure that adequate traffic management and safety of pedestrians remains a priority. All new developments will also consider the importance for spatial awareness and segregation of pedestrian and traffic movements to ensure safe circulation on each new site.

RESPONSIBLE SEGRO

OUR COMMUNITY

> We are committed to enhancing and improving the local areas in which we operate."

NEIL IMPIAZZI
PARTNERSHIP DEVELOPMENT DIRECTOR

TOTAL CONTRIBUTION TO CHARITY IN 2018

£791,941

2017: £1,117,760

TOTAL EMPLOYEE DAYS DONATED TO CHARITY IN 2018

357

2017: 283

NUMBER OF PEOPLE BENEFITING FROM THE SEGRO COMMUNITY FUND

1,105

2017: 1,797

SEGRO is committed to supporting the communities in which we operate through a range of measures including financial donations, volunteering, training and employment programmes.

By working with local partners we are able to provide a range of benefits to residents and local businesses ensuring that our impact goes beyond the development and ownership of modern warehouse and industrial space.

We believe that active and regular engagement helps us to understand better the needs of each community we work with and enables us to deliver better long-term economic and social benefits.

JOBS AND SKILLS

In partnership with our contractors and customers, SEGRO aims to invest in areas in which we operate through the provision of education, training and employment.

We create training and job opportunities during the construction stage of our developments and are increasingly working with our customers to encourage local recruitment to create a wide range of sustainable employment outcomes.

SEGRO LOGISTICS PARK AULNAY

The site at SEGRO Logistics Park Aulnay was formerly a large plant for Peugeot-Citroën employing more than 6,000 people. When it closed, much of the site's production was moved to other geographies.

Having acquired 18 hectares of the brownfield land in 2015, SEGRO worked with local authorities to develop logistics opportunities to help bring employment back to the area.

Since the Peugeot-Citroën closure, the number of employees per hectare has tripled compared to when the plant was at full capacity.

SEGRO PARK RAINHAM

SEGRO worked with Havering Council, Havering College and Havering Job Centre Plus to create Havering Works, a dedicated skills, training and employment service. The service is available to all 300 businesses in the London Riverside Business Improvement District to help people in the local community access a wider range of job opportunities. In its first year of operation, Havering Works has helped 40 unemployed people back into work.

SEGRO PARK NEWHAM AND LONDON BOROUGH OF NEWHAM

Through our East Plus partnership with the Greater London Authority, SEGRO is working to attract new investment and create jobs in East London. At our SEGRO Park Newham site we are constructing a Travelodge hotel and a distribution facility for DHL, which will generate and safeguard up to 250 jobs. SEGRO continues to work closely with the London Borough of Newham to help local people benefit from our regeneration plans through a dedicated training and employment job brokerage service, whilst enabling our contractors and future customers to secure a talented local workforce.

COMMUNITY INVESTMENT: WORKING IN PARTNERSHIP

Our commitment to regeneration shapes our business decisions. We aim to enhance the communities in which we operate through the provision of in-kind and financial support to local charities and social enterprises. These grass-roots community groups have the knowledge and expertise to help local vulnerable people develop the confidence and skills they need to progress into employment, education or training.

SEGRO COMMUNITY AWARD

A new SEGRO Community Award was created in 2017 to fund innovative projects that benefit the community in Slough. The £2,000 award this year was given to The Real Experience, a social enterprise in Slough dedicated to supporting long term unemployed people back into work or helping them to establish a business of their own, by training members of the Slough community to gain barista and catering qualifications.

SEGRO COMMUNITY FUND

Since 2015, SEGRO has contributed over £340,000 to grass-roots community groups and charities through the SEGRO Community Fund. The fund provides training and volunteering opportunities to the local community, helping people into employment or education.

Following the success of the fund in London, SEGRO increased its contribution to include its portfolio in the Thames Valley to help local charities in the Slough, Reading and Bracknell areas. The total donated in the Thames Valley region in 2018 was £52,000.

In 2018 SEGRO contributed £115,000 to 24 local charities. To date, the SEGRO Community Fund has celebrated a number of achievements as detailed in the graphic below.

GIVING

SEGRO takes a proactive approach towards giving and encourages all employees to participate in charitable events, providing their time and skills. In 2018, SEGRO donated £277,000 in the form of direct donations, and the financial equivalent of £135,660 through employee volunteering and £379,281 through assistance in kind.

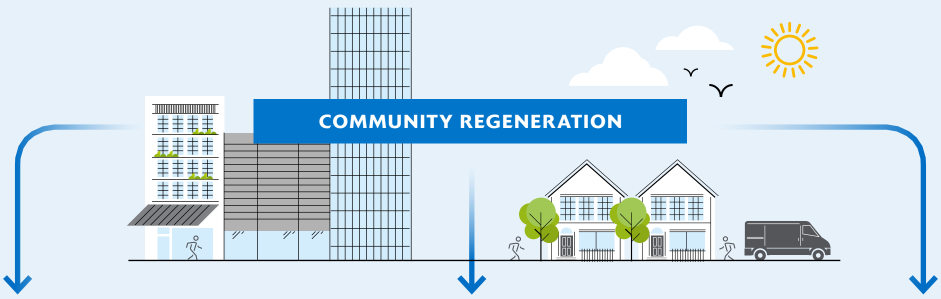
In June 2018, 223 SEGRO colleagues (78 per cent of employees) from seven different countries participated in our third 'Day of Giving' to help a number of local charities. Colleagues built, mended, painted, advised, befriended, cooked, weeded and planted during the course of the day.

Other charitable achievements during 2018 include the following:

- In the UK SEGRO continued to support the Outward Bound Trust through a partnership donation. The donation allows up to 24 school children from deprived areas of London to attend an outdoor activity event where they can experience mountain climbing, hiking, rafting and canoeing, whilst enhancing skills, such as confidence and teamwork.
- Also in the UK, SEGRO continued to play an active role in supporting LandAid, the property industry charity. We donated £40,000 to Habitat for Humanity GB Homes which is being used to refurbish a derelict residential property in East London to provide a home for young people leaving care. Our employees also raised money for LandAid by participating in the Steptober challenge and the annual sleepout.
- In Northern Europe, SEGRO has continued to work with Die Arche, a charitable organisation supporting socially disadvantaged children in Düsseldorf.

In 2018, we supported Die Arche summer event which gave children and their parents a fun-filled afternoon. The SEGRO team also invited 30 children from Die Arche to AirHop, a trampoline park in SEGRO CityPark, where the children enjoyed two hours of jumping followed by a tour of the park and refreshments.

- In Central Europe, SEGRO was awarded a trophy and certificate for our long-term co-operation with The Iskierka Foundation, one of the charities that we work with in Poland which supports children diagnosed with cancer. We have worked with The Iskierka Foundation for five years, helping them to publish a recipe book in 2018 for parents containing healthy meal recipes to support their children's immune systems.
- In Southern Europe, a team of 12 SEGRO employees entered the annual Mud Day challenge in Paris, raising €6,500 to support more than 10 different charities including those supporting Parkinson's Disease and Autism.



JOBS AND SKILLS

Slough Aspire is a skills and training facility on the Slough Trading Estate dedicated to enabling the Slough community to develop employment skills relevant to local businesses. Since its launch in October 2013, the centre has:

- Enabled 14,312 people to engage with business professionals to improve their awareness of potential career paths
- Facilitated 4,320 skills and employment interventions for residents to access training, qualifications and jobs
- Supported the career progression of 2,217 business professionals via networking and training opportunities
- Supported the creation of 40 new businesses

COMMUNITY INVESTMENT

A contribution of £115,000 to the SEGRO Community Fund in 2018 has been used to provide education, training and employment opportunities to enhance employability of vulnerable, young, and homeless people. Outcomes from the London Community Fund so far are as follows:

- 1,105 people directly benefited
- 24 organisations funded
- 797 people attended training
- 108 gained sustainable employment
- 93 people undertook work experience
- 8 people came off work related benefits
- 426 accessed support and advice services
- 71 accessed further education or training courses

GIVING

SEGRO proactively encourages all employees to participate in charitable causes through time and skills. In 2018, SEGRO donated the equivalent of:

- £277,000 in the form of direct donations
- £135,660 through employee volunteering
- £379, 281 from assistance in kind

RESPONSIBLE SEGRO

OUR ENVIRONMENT

> Whether it is enhanced biodiversity in Milan, flood resilience in the East Midlands or carbon neutral buildings in Tilburg, environmental innovation is at the heart of our business."

BEN BRAKES
GROUP SUSTAINABILITY MANAGER

FLOORSPACE ENVIRONMENTALLY CERTIFIED IN 2018

453,000 sq m

2017: 466,477 sq m

REDUCTION IN ENERGY INTENSITY IN 2018 (FROM BASELINE)

79%

2017: 64%

ON-SITE RENEWABLE ENERGY CAPACITY

13.5 MW

2017: 13.9 MW

SEGRO is committed to owning a high quality portfolio of modern warehouses which deliver sustainable performance for our customers, year after year.

Our SEGRO 2020 strategy has ensured that we have made great progress on building design, refurbishments, energy and water efficiency, as well as increasing the amount of environmentally certified buildings.

In order to ensure that our portfolio continues to meet the demands of our customers for the long term, in 2018, we reviewed and enhanced our sustainability strategy to take us beyond 2020.

The new Responsible SEGRO strategy will focus on the three main areas of Energy, Resources and Materials. This strategy ensures we consider the long- and short-term implications of our portfolio.

As we move our sustainability strategy forward, it is important to celebrate some of the successes that have been delivered under our SEGRO 2020 programme.

- When SEGRO 2020 was launched in 2012, SEGRO had 142,000 sq m certified to BREEAM, or equivalent. As we move forward, we currently have over 1.8 million sq m of buildings certified, making up over a quarter of our portfolio.
- We have reduced our scope 1 and 2 carbon footprints from a combined 21,200 tonnes of carbon dioxide a year to under 6,400 tonnes a year.
- In 2012 we had the capacity to generate 3.4 MWh of electricity through our solar photovoltaic (PV) array, compared to 18.1 MWh which was generated in 2018.

We expect to maintain this excellent progress under our new strategy which will take us to 2025 and beyond.

SEGRO 2020 PERFORMANCE (VS 2012 BASELINE)

Reduce energy intensity for SEGRO responsible space by 40 per cent	79%	✓
Reduce water intensity for SEGRO responsible space by 20 per cent	57%	✓
Reuse or recycle 80 per cent of construction/demolition waste	95%	✓
Reuse or recycle 60 per cent of excavation waste	100%	✓
Install water efficient technology in all new buildings and qualifying major refurbishments	78%	O
100 per cent of qualifying buildings to be at least 40 per cent more efficient than our 2009 baseline	100%	✓
100 per cent of qualifying new developments by SEGRO over 10,000 sq m to be BREEAM certified 'Very Good' or equivalent	100%	✓
100 per cent of new buildings to be EPC 'B' rated or better	100%	✓
100 per cent of qualifying refurbishments to be EPC 'C' rated or better	95%	O
Increase renewable energy generating capacity across the Group	(3)%*	O

✓ Target met O On target to meet SEGRO 2020 objectives

* This figure states a decrease to reflect the significant sales of photovoltaic (PV) since 2017.

We remain committed to communicating our performance transparently and we adhere to the principles of the Global Reporting Initiative (GRI) Standards.

We continue to perform strongly across the Environmental, Social and Governance indices:

- In Carbon Disclosure Project (CDP) we maintained our A- score for the third consecutive year.
- In Global Real Estate Sustainability Benchmark (GRESB) we achieved a 'three -star' rating.
- We were awarded European Public Real Estate Association (EPRA) Gold for our reporting.
- We continue to be a participant of FTSE4Good.

NEW RESPONSIBLE SEGRO STRATEGY

Our new strategy was developed in 2018 following the results of our first materiality assessment. The assessment helped us identify areas that are 'material' to the business, which have enabled us to ensure that our strategy now focuses on areas that are within our ability to influence.

We believe that our new sustainability initiatives add value to the business and are appropriate for both today and for the business in five to ten years' time.

NEW RESPONSIBLE SEGRO TARGETS

Energy: We will reduce SEGRO's carbon footprint by 40 per cent by 2025 in line with the Paris Agreement on Climate Change. We will do this through:

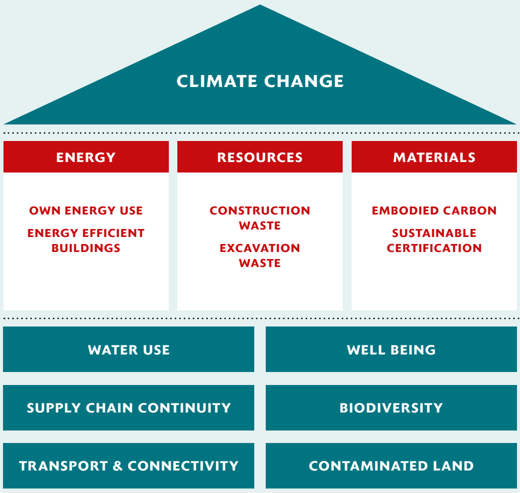
- Installation of proven energy efficient technologies across the existing estate and new build portfolio.
- Procurement and generation of zero carbon, renewable energy across our portfolio.

Resources: We will reduce the amount of waste our business creates. We will do this through:

- Sending zero waste to landfill for all new developments by 2025.
- Promoting the re-use of materials at the buildings end of life.

Materials: We will deliver low impact buildings based on a 20 per cent reduction of embodied carbon by 2025. We will do this through:

- Conducting a full life cycle assessment of all our new builds.
- Challenging material choice and reducing embodied carbon by 20 per cent by 2025.



LEADING PROGRAMME

Clearly defining the key driver for Technical Sustainability for SEGRO.

ABOVE THE LINE

Areas of significant risk, interest or opportunity. Individual programmes defined by clear, specific targets designed to offer a clear vision of what is important to SEGRO.

BELOW THE LINE

Sustainability aspects considered important to the business but not covered by KPIs as not identified as material issues. These topics are covered under business as usual but may become material under future materiality assessments.

ENERGY USE

Our carbon management strategy is crucial to achieving our targets. SEGRO is responsible for procuring over one MWh of energy a minute so it is important that we choose the right tariff for our customers.

In 2018, we moved our German tariffs onto certified green energy and we will continue to move other tariffs over when possible.

We have also continued to invest in renewable and on-site generation within our estates and now have electricity generating solar panels producing enough energy to power around 3,000 homes.

RESPONSIBLE SEGRO

OUR ENVIRONMENT
CONTINUED

THE MILAN EAST DC2 DEVELOPMENT, CASIRATE, MILAN

The Milan East DC2 development in Casirate, Milan is a 34,000 sq m fully fitted industrial warehouse which was completed in November 2018. The development is an excellent example of how every element of our sustainability strategy has been incorporated into a single project.

The development was built using Building Information Modelling (BIM), meaning that a live 3D plan was in place, enabling the project to be fluid at all times. The detail in the BIM model enabled us to run a full life cycle assessment during the project to identify carbon saving opportunities in operation and to provide better knowledge of the carbon impacts of the materials and our supply chain. High level results of the analysis can be seen in the charts below.

Materials and components with Environmental Product Declarations were chosen across the build to reduce the embodied carbon of the development. Additionally, all timber used was sourced from certified sustainable sources.

Energy use in operation accounts for the vast majority (85 per cent) of carbon emissions over the building's life cycle. As a result, energy and water consumption performance were vital in shaping the build programme. High levels of air-tightness and good thermal insulation were partnered with low energy lighting installed in the warehouse. Water efficient equipment was installed throughout all areas of the project reducing the average water consumption to 12 litres per person each day. Leak detection and controls were also installed to help prevent water losses.

A complete Building Management System has been installed to control energy, heating and water for our customer. In addition, metering and sub-metering has been applied to all major energy and water consuming areas, allowing our customer to identify savings whilst the building is in operation.

Finally, we installed a 702 kW rooftop solar photovoltaic (PV) array which generates over 618,000 kWh of free electricity per year, meeting 26 per cent of the building's operational energy demand.

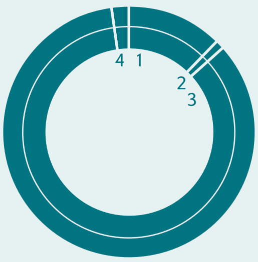
This package of quality building fabric, on-site generation, high efficiency lighting and excellent local controls has resulted in the development achieving an 'A' rated Energy Performance Certificate.

Sustainability features are not just limited to the building itself. As the building was constructed on a previously developed brownfield site, consideration was given to how the project could enhance the area as a whole. In nearby wooded areas, wild plants have been protected as part of the landscaping strategy and, in partnership with a local mozzarella farm, the unused land surrounding the building is used for grazing buffalo.

Lastly, we assessed how the operation of the building could impact the local area. In order to encourage sustainable choices in transportation to the site, we developed bus bays, parking bays incorporating charging facilities for electric vehicles and cycle storage facilities.

By deploying this array of measures, SEGRO has ensured that not only have we limited our impact on the environment in development, we have also enabled our customer to continue to do so in operation of this building.

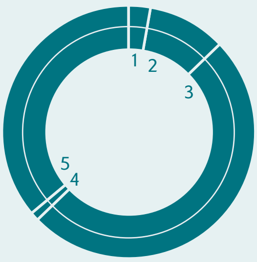
60-YEAR LIFE CYCLE ASSESSMENT



SECTOR

1.	Construction Materials	12%
2.	Material replacement and refurbishment	1%
3.	Energy Use	85%
4.	Deconstruction	2%
	Total	**100%**

MATERIAL USE BY MASS BY STRUCTURE



1.	Foundations and substructure	3%
2.	Vertical structures and facade	10%
3.	Horizontal structures: beams, floors and roofs	50%
4.	Other structures and materials	1%
5.	External areas and site elements	36%
	Total	**100%**

INNOVATION PARTNERSHIPS

Working closely with our stakeholders provides opportunities for innovation.

In 2018, two refurbishment projects on the Slough Trading Estate trialled a new recycled paint produced in Slough. The new paint, which uses 25 per cent content that has been recycled from unused paint, not only reduces our embodied carbon by coming from local sources, but also helps reduce the 500 million litres of paint disposed annually.

To close the life cycle loop the empty cans were returned to the supplier to be recycled.

We hope to make the use of this paint standard when it becomes commercially available in 2019.

MANDATORY GREENHOUSE GAS (GHG) REPORTING

GLOBAL GHG EMISSIONS DATA IN TONNES CO_2E

Emissions from:	2017	**2018**
Scope 1 emissions – combustion of fuels	1,978 Δ	**1,591 Δ**
Scope 2 emissions – purchased energy (location based)*	3,965 Δ	**1,944 Δ**
Scope 2 emissions – purchased energy (market based)**	3,234 Δ	**1,467 Δ**
Gross CO_2e footprint (using location based)	5,943 Δ	**3,535 Δ**
Chosen intensity Measurement* **		
Emissions from like-for-like estate normalised to tonnes CO_2e/sq m of responsible space	2,126 Δ	**1,341 Δ**
Responsible floor area sq m L4L	194,107	**194,107**
Intensity Tonnes CO_2	0.011	**0.007**

* Electricity emissions are calculated using location based method. Emissions calculations are taken from GRI guidance used here for illustration purposes only.

** Where data exists, electricity emissions are calculated and reported using the location based method, using supplier specific emissions factors for comparison purposes.

*** SEGRO's chosen intensity measure is a like for like comparison for sites in the portfolio with SEGRO responsible CO_2 in both 2017 and 2018. This comparison uses EPRA guidance on best practice for real estate companies.

Δ Selected information within the scope of limited assurance.

The table above provides information on SEGRO's greenhouse gas emissions for 2018, in which we are pleased to report a reduction in like-for-like Scope 1 and Scope 2 emissions from 2017.

The reduction is concentrated in Scope 2 emissions, which is largely due to improvements in our reporting methodology. In particular, we have been able to accurately state more Scope 3 emissions due to sub level metering installed in 2017. This means that we can use actual metered data rather than estimated data and, in 2018, the dataset contains less than 10 per cent estimations.

Further improvements have also been made by the procurement of zero rated green tariffs in Europe, where possible. Scope 1 and 2 were also impacted by the weather in 2018. The colder winter contributed to a rise in gas use across Europe. For SEGRO controlled assets, gas use is minimal so had a limited impact, however we did see an impact in gas consumption in our tenanted estate.

We continue to roll out sub level metering across our estate and invest in energy efficiency upgrades whenever possible. These actions should make reporting more accurate in 2019 and continue to see a reduction in Scope 1 and 2 emissions.

BIODIVERSITY

Most of our estates have significant landscaping areas which provide opportunities to enhance local biodiversity.

We have introduced bees into many of our developments and we now have over 150 hives across our portfolio. With each hive holding as many as 50,000 bees during the peak harvesting season, and these bees visiting over two million plants within a two mile radius, the SEGRO hives will assist pollination of plants and crops across Europe.

REPORTING METHODOLOGY

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. As well as fulfilling these mandatory Greenhouse Gas reporting requirements, SEGRO is committed to EPRA Best Practice Recommendations for sustainability reporting. We report our data using an operational control approach to define our organisational boundary, as per the Greenhouse Gas Protocol. The market based methodology has been applied to calculate the Scope 2 emissions, however supplier-specific emission factors have been collected for UK only. For the non-UK portfolio, the IEA emission factors have been applied. We disclose data for both our like-for-like and absolute portfolios in this report and a detailed description of our methodology and a full disclosure of emissions factors used can be found at www.SEGRO.com/csr/reports. SEGRO's chosen GHG intensity metric is calculated using the Scope 1 and Scope 2 emissions within a like-for-like sub-set of SEGRO's overall portfolio. The like-for-like portfolio is defined as sites which have both been in the portfolio for 2017 and 2018, and have remained either fully occupied or fully vacant for both years.

RESPONSIBLE SEGRO

OUR STAKEHOLDERS

"We place great emphasis on building strong relationships with all groups who have a vested interest in SEGRO's success."

ANDY GULLIFORD
CHIEF OPERATING OFFICER

NUMBER OF CUSTOMERS

1,155

2017: 1,080

OCCUPIER SATISFACTION IN OUR 2018 SURVEY

80%

2017: 87%

SUPPLIER SPEND PER ANNUM

OVER £600m

2017: Over £600m

INSTITUTIONAL SHAREHOLDERS MET BY SENIOR MANAGEMENT IN 2018

204

2017: 181

We work hard throughout the year to understand the needs and requirements of our customers, suppliers and investors to ensure that the decisions we take are in both their interests and the interests of SEGRO's future success.

Only through regular communication and the pursuit of continuous improvement in our engagement and service can we ensure that we have supportive stakeholders and partners for the long term.

CUSTOMERS

Our relationships with our customers are imperative to our business success. We aim to be more than just a landlord, working with them to understand the dynamics of their business to facilitate their growth aspirations. We believe that this collaborative approach is mutually beneficial and consistent with our aim of exceeding our customers' expectations.

Throughout 2018, we have increased our focus, investment and resource into our Customer Programme, as we aim to get closer to our customers. The programme encompasses a range of initiatives for both existing and potential customers with whom we hope to work with in the future.

We continued to host a number of sector specific customer workshops to improve both their and our understanding of sector-wide business issues and trends likely to impact property decisions in the future. These workshops were very well received and those attending provided positive feedback about SEGRO's initiatives.

In October 2018, we held our second bi-annual Customer Futures Forum in Paris where we invited a cross-section of customers from different sectors of our portfolio to discuss opportunities and challenges affecting their businesses. A wide variety of topics were discussed, including automation, robotics and autonomous vehicles, with the attendees agreeing it was an enjoyable and beneficial event. The insight from the Forum will help us to continue to choose the appropriate markets to best serve our customers in the long-term.

We have had continued success in the results of our Customer Satisfaction Survey in 2018, with some of the highlights being:

- A total of 305 surveys were completed (including 15 of our Key Accounts), equating to around a quarter of our customer base.
- Overall Occupier Satisfaction at Group level remains high with 80 per cent of respondents rating SEGRO as 'good' or 'excellent'.
- Customer willingness to recommend SEGRO was 93 per cent.
- 86 per cent of our Key Accounts rate communication, the ease of working with SEGRO and satisfaction with the property management team highly, demonstrating the positive relationships they have with their key contacts.

SUPPLIERS

SEGRO spends over £600 million per annum working with over 3,500 suppliers across the Group ranging from small local businesses to large multinational companies.

We are committed to ensuring that our supply chain is safe, secure and effective. In support of this commitment we operate a strict supplier assurance process that all suppliers must adhere to.

The supplier assurance process requires all new and existing suppliers to be thoroughly assessed as competent, safe and appropriately insured. They must also agree to SEGRO's Code of Ethics. Only once this assessment process is complete can suppliers be considered compliant and able to work with SEGRO.

As at the end of 2018, 98 per cent of SEGRO's entire supply chain were deemed fully compliant with SEGRO's essential requirements under its supplier assurance process. This was up from 86 per cent in 2017.

We continue to be a signatory to the UK Prompt Payment Code and, following the UK legislation, report on the payment practices for our largest UK subsidiaries biannually. In 2018, over 95 per cent of UK invoices were paid within 30 days of receipt, with an average payment time of 17 days.

INVESTORS

At SEGRO, we prioritise delivering long-term and sustainable returns for both our equity and debt investors.

We take time to ensure that we communicate regularly and effectively with our investor base (from large institutions to private shareholders, and from banks to bondholders) in order to ensure that our strategy and performance is understood, enabling continued confidence in our business.

SEGRO has a dedicated Investor Relations team that manages an extensive programme consisting of an Annual General Meeting, meetings with institutional equity and debt investors, attendance at investor conferences, presentations to investment banks and a number of site visits. During 2018, the Executive Directors and the Investor Relations team met with 204 institutions to update them regarding our performance.

We have enhanced the Investor Relations section of our corporate website to add consensus data gathered from the broking houses which issue independent research on SEGRO to improve the transparency for all our shareholders. We have also added a dedicated section for our bond investors to improve our service to these important stakeholders.

The Investor Relations team work closely with the Business Units and our Marketing and Communications team to ensure that existing and potential investors are kept informed about our business. The team's success is evident in it being awarded the Investor Relations Magazine Award for Best in Sector for Real Estate in 2018.

FURTHER INFORMATION REGARDING OUR INVESTORS CAN BE FOUND ON **PAGE 76** OF THE GOVERNANCE SECTION IN THIS REPORT.

INDUSTRY BODIES

SEGRO employees continue to represent the Company on key industry bodies, locally, nationally and internationally, to support improvements of sector standards and ensure the sector is fully understood.

IKEA

SEGRO welcomed IKEA as a new customer in 2018, working in partnership to find appropriate space to support its changing business model.

As part of its drive to adapt to changing customer expectations and IKEA choose to take 50,000 sq m of space at our new Paris Air² building located in the Port of Gennevilliers, 5 km north west of Paris city centre.

The development, completed in late 2018, is our first multi-storey warehouse in Paris and will allow IKEA to service its smaller store format and on-line activities.

The proximity of Paris Air² Logistique to central Paris means that IKEA will be able to further develop its multi-channel strategy, and ensure efficient and rapid access "last mile delivery" to both its store network and to the customers which order online.

"By taking time to understand our business model, SEGRO-Vailog was able to offer an innovative solution which fully reflects our changing location strategy. In a city where land is scarce and e-commerce demand is rapidly growing, IKEA is now well placed to continue to improve the quality of our services and optimise our delivery for our Parisian customers."

EMMANUEL GRILLO
IKEA FRANCE DEVELOPMENT DIRECTOR

PRINCIPAL RISKS

EFFECTIVE RISK MANAGEMENT

> Our strategy for growth is underpinned by active risk management."

SOUMEN DAS
CHIEF FINANCIAL OFFICER

OUR STRATEGY FOR GROWTH IS UNDERPINNED BY ACTIVE RISK MANAGEMENT

2018 continued to present a backdrop of political, economic and competitive challenges in key markets, including the UK, Germany, France, Poland and Italy.

DISCIPLINED CAPITAL ALLOCATION

Guided by the Group's capital investment strategy, we have pursued opportunities in the light of current market conditions (described in more detail on pages 22 to 23) and our appetite for risk – in particular our appetite for land and other non-income producing assets. Relevant Key Risk Indicators are considered each month by the Investment Committee to inform its decisions.

We continue to manage our risk exposure by:

- utilising options on land whenever feasible;
- maintaining a limited exposure to speculative development; and
- planning for the combined impact of significant decisions – land acquisitions, infrastructure commitments and development commitments – that will be required by our pipeline of development opportunities.

FINANCING

The Group's financing strategy is designed both to support investment in our growth, and to provide a high level of resilience in anticipation of the risks we face. The Group's ongoing management of its financing, including extending debt facilities and maturities, is described on pages 31 to 37.

HEALTH AND SAFETY

Health and safety remains a major focus for risk management. Our activity during 2018 and looking ahead to 2019 is described on page 43.

BREXIT

Inevitably the risk of a Disruptive Brexit has loomed large and remained an actively-managed risk, supported by a dedicated risk register. The Executive Committee considered our approach and response plans regularly throughout 2018, and will continue to do so in 2019 and for as long as necessary.

We actively monitor occupier and other markets for adverse signals relating to Brexit, and we have maintained dialogue with a range of customers and suppliers to understand potential impacts on them, and therefore indirectly on us. We have also maintained dialogue with key suppliers to understand and mitigate risks to our operational and construction supply chains. To date, we have not observed significant adverse factors in these areas.

We also convened a group to assess and address the corporate risks relating to Brexit. A small number of risks on the Brexit risk register merited in-depth focus, but these were limited in number and scope and none proved to be beyond our appetite even in a disorderly Brexit scenario. As a result, whilst we have identified the work required to adapt under various scenarios, the specific response will depend on the nature and timing of withdrawal, and we will initiate the work once this is clear.

TECHNOLOGY

Whilst disruptive technology is not considered a principal risk to the Group, we do actively consider risks in this domain. During 2018 we invested significant effort in assessing the potential impacts of a wide range of technologies; we formulated a digital and technology strategy; we invested in our organisation in this area; and we engaged with a number of property and technology organisations. For 2019, we have refreshed our technology 'horizon scanning' process which will feed our consideration of emerging risks.

OUR RISK APPETITE

The Group recognises that its ability to manage risk effectively throughout the organisation continues to be central to its success. Our approach to risk management aims to bring controllable risks within our appetite, and to enable our decision-making to balance uncertainty against the objective of creating and protecting value for our shareholders.

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 enhance 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 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 customer default or insolvency, 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 market driven 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.

OUR INTEGRATED AND ROBUST APPROACH TO RISK MANAGEMENT

The Board has overall responsibility for ensuring that risk is effectively managed across the Group. The Audit Committee monitors 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 page 60.

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.

The Board recognises that it has limited control over many of the external risks it faces, such as the macro-economic, political and regulatory 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.

The Board has performed a robust assessment of the principal risks facing the Group. 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, and the Group's risk management policy. The Audit Committee receives a report twice a year on how the Group Risk Register has been compiled.

The Group adopts the 'three lines of defence' model of risk management. Operational management, the individual risk manager and risk owner provide the first line of defence. The Executive Committee, other monitoring committees, and the risk management function overseen by the Group Risk Committee provide the second line of defence. Finally, Internal Audit provide the third line of defence.

Risks are considered within each area of the business to ensure that risk management is fully embedded within the Group's culture and decision-making processes.

Accountabilities for the Group's risk management are outlined in the diagram on page 54.

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 specific tolerances and targets for key metrics and the criteria for assessing the potential impact of risks and our mitigation of them.

The most significant risks and mitigating controls are detailed in the Group Risk Register. 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. We also formally assess the velocity of the most significant risks to determine how quickly they might cause an intolerable impact on us.

A Key Risk Indicator (KRI) dashboard is produced on a monthly basis to show actual and forecast performance against risk appetite metrics. KRIs are considered in the Group's Medium Term Plan.

Mitigations for each risk are documented and monitored in the Group Risk Register. The Register is used as a key input to determine priorities for the Group's internal audit assurance programme. Furthermore, management's annual assessment of control effectiveness is driven by the Group's Risk Register.

PRINCIPAL RISKS

OUR FRAMEWORK FOR RISK GOVERNANCE

BOARD

- Overall responsibility for ensuring that risk is effectively managed across the Group.
- Determines the Group's risk appetite.
- Conducts robust assessment of Group's risks.

AUDIT COMMITTEE

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

STAGE 1

EXECUTIVE RISK OWNERS

- Own risks in domain.
- Assign accountability for mitigating individual risks to senior risk managers.
- Ensure that risks are identified, assessed and adequately controlled.
- Review risks with the risk management function at least twice per year.

RISK MANAGERS

- Responsible for ensuring the risk is within appetite.
- Drive design and implementation of controls.
- Review and assess existing risks with risk management function at least twice per year.

STAGE 2

EXECUTIVE COMMITTEE

- Oversees execution of risk management across the business.
- Formally considers risks, including emerging risks, four times per year.
- Directly oversees strategic risks.
- Delegates accountability for risk management and monitors performance of risk controls.
- Assigns Executive Risk Owners to each risk.

MONITORING COMMITTEES

- Regularly identify and monitor the significant risks and corresponding controls within their domains.
- Risk management function attends regularly.

GROUP RISK COMMITTEE

- Coordinates the risk management process on behalf of the Executive Committee.
- Develops risk policy.
- Oversees the work of the Risk Management function, which in turn:
  - Manages and reports on the risk register.
  - Assesses and documents risks and controls.
  - Provides quality assurance and challenge to risk owners and managers.

STAGE 3

INTERNAL AUDIT

- Agrees internal audit programme considering Group Risk Register.
- Conducts internal audit programme and reports to Audit Committee.

VIABILITY STATEMENT

ASSESSMENT OF THE GROUP'S PROSPECTS

The Directors have considered the Group's prospects, including reference to the Group's principal risks, to form 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 81.

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, recognising that 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. The Directors confirm that they have no reason to expect a step-change in the Group's viability immediately following the five year period assessed.

ASSESSMENT 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 individually, or in aggregate, threaten the viability of the Group. The process for conducting the Group's assessment is the responsibility of the Chief Financial Officer and is overseen by the Audit Committee.

In particular the stress test has 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;
- an inability to refinance maturing debt; and
- a sustained interruption to the Group's business continuity.

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 2007–2009) and forward-looking probability analysis where available.

In our modelling none of the financial covenants were breached with gearing remaining comfortably below 160 per cent and interest cover well above 1.25 times.

Reverse stress testing was undertaken over the period under review and, in isolation, it would take at least a 50 per cent fall in property values to breach gearing covenants; or a decrease in rental income of over 65 per cent or an increase in interest rates to over 14 per cent to breach interest cover covenants (assuming 60 per cent fixed rate debt is maintained).

In addition, we have undertaken a severe downside risk scenario of an economic shock (consistent with the financial crisis of 2007-2009 crisis) at a point when the Group is most exposed with its development programme. Whilst this scenario reduced the headroom on the financial covenants the Group is able to continue in operation.

The scenarios set out are hypothetical and severe for the purpose of creating outcomes which have the ability to threaten the viability of the Group. We also note that, in the event of a severe threat to liquidity, various options are available to the Group to maintain viability. These options include reduction of any non-committed capital expenditure and acquisitions, selling assets, or reducing cash dividends (including the use of scrip dividends).

PRINCIPAL RISKS

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

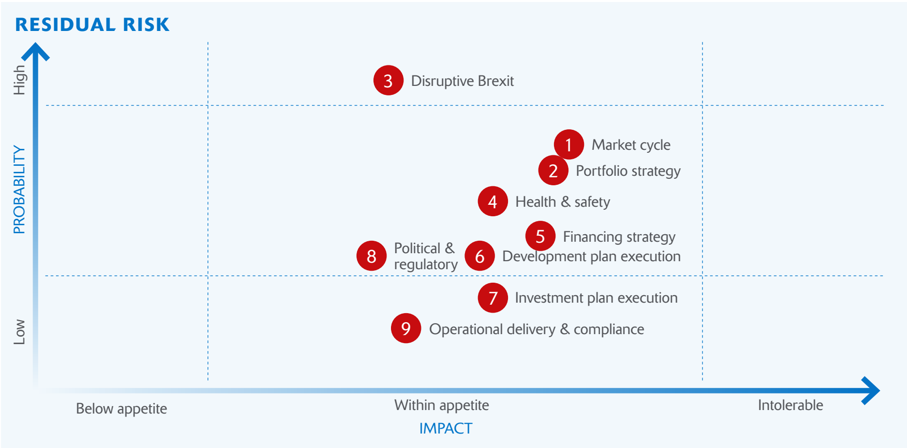
Some risks that may be unknown at present, as well as other risks that are currently regarded as immaterial and therefore not detailed here, could turn out to be material in the future.

The current principal risks facing the Group are summarised in the diagram below and described across the following pages.

The descriptions indicate the potential areas of impact on the Group's strategy; the time-horizon and probability of the risk; the principal activities that are in place to mitigate and manage such risks; the committees that provide second line of defence oversight; changes in the level of risk during the course of 2018; whether the risk is within our appetite (after the application of our mitigations); and links to further relevant information in this report.

Management has actively considered emerging risks during the year. To this end, the Executive Committee undertakes a risk 'horizon scan' twice a year, and the risk management function undertakes an annual survey of peers and other listed companies to identify potential risks for consideration.

Whilst no principal risks have been added or removed in 2018, three of our risks have increased, and one has reduced since 2017.



PRINCIPAL RISKS

1. 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 a continuous risk with a moderate likelihood.

MITIGATIONS

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.

Multiple, diverse investment and occupier market intelligence is regularly received and considered – both from internal 'on the ground' sources and from independent external sources.

Upside and downside scenarios are incorporated into Investment Committee papers to assess the impact of differing market conditions.

IMPACT ON STRATEGY

CHANGE IN 2018

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

FURTHER INFORMATION: THE MARKET OUTLOOK IS DETAILED IN THE CHIEF EXECUTIVE'S STATEMENT ON **PAGES 06-08.**

2. 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; and
- Holding assets in the wrong geographical markets; missing opportunities in new markets or lacking critical mass in existing markets.

This is a continuous risk with a moderate likelihood.

MITIGATIONS

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.

IMPACT ON STRATEGY

CHANGE IN 2018

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

FURTHER INFORMATION: THE MARKET OUTLOOK IS DETAILED IN THE CHIEF EXECUTIVE'S STATEMENT ON **PAGES 06-08.**

3. DISRUPTIVE BREXIT

The uncertainty associated with Brexit may adversely impact investment, capital, financial (including FX), occupier and labour markets in the UK as the nature and timing of exit and future relationships are negotiated.

In most scenarios there may be extended periods of uncertainty, leading to market impacts that are less acute but persistent. In the event of a 'no deal' disorderly Brexit these impacts could be acute.

In the long term, exit from the EU could impact levels of investor and occupier demand as a result of reduced trade and/or the relocation of corporations and financial institutions away from the UK.

Nevertheless, the likelihood of severe adverse impact on the Group is judged to be low.

MITIGATIONS

We have engaged in dialogue with key customers, and with key suppliers to understand labour and material supply risks. To date, we have not observed significant adverse factors. Structural drivers of demand appear to have continued to outweigh any Brexit-related uncertainties.

The Group has, however, continued to adopt a disciplined approach to land acquisition and speculative development.

The Group's strategy provides resilience through the market cycle. As well as the underlying quality and diversity of the portfolio, mitigations include substantial covenant headroom, access to diverse sources of funding, FX and interest rate hedging, and short, responsive development lead-times.

IMPACT ON STRATEGY

CHANGE IN 2018

THE INCREASED RATING IS A REFLECTION OF PERSISTING UNCERTAINTY AS DEADLINES BECOME IMMINENT.

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

FURTHER INFORMATION: THE GROUP'S RESPONSE TO THIS RISK IS DESCRIBED ON **PAGE 52.**

DISCIPLINED CAPITAL ALLOCATION

OPERATIONAL EXCELLENCE

EFFICIENT CAPITAL AND CORPORATE STRUCTURE

INCREASED RISK

SIMILAR RISK

DECREASED RISK

4. 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.

MITIGATIONS

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 of both existing assets as well as development projects against SEGRO's Health & Safety Construction Standard.

We continue to improve health and safety standards on our construction sites, and work more closely with our contractors and health and safety consultants to increase understanding and implementation of SEGRO's requirements.

We have undertaken a comprehensive review of all industrial estates across the Group's portfolio to assess the potential pedestrian and traffic movement risk. Those estates that were considered high risk were independently assessed by traffic management experts and recommendations actioned appropriately.

IMPACT ON STRATEGY

CHANGE IN 2018
THE INCREASED RATING REFLECTS THE GROUP'S LEVEL OF DEVELOPMENT ACTIVITY AND GREATER FOCUS ON OPERATIONAL SAFETY.

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: OPERATIONS COMMITTEE; EXECUTIVE COMMITTEE

FURTHER INFORMATION: HEALTH AND SAFETY IN OUR SUPPLY CHAIN IS DISCUSSED ON **PAGE 43.**

5. FINANCING STRATEGY

The Group could suffer an acute liquidity or solvency crisis, financial loss or financial distress as a result of a failure in the design or execution of its financing strategy.

Such an event may be caused by: a failure to obtain debt funding (e.g. due to market disruption or rating downgrade); having an inappropriate debt structure (including leverage level, debt maturity, interest rate or currency exposure); poor forecasting; default on loan agreements as a result of a breach of financial or other covenants; or counterparty default.

This is both a short and a long-term risk with a very low likelihood.

MITIGATIONS

The Group's financing strategy is aligned with our long-term business strategy, the Medium Term Plan and our risk appetite. The Treasury policy defines key policy parameters and controls to support execution of the strategy.

The Group regularly reviews its changing financing requirements in the light of opportunities and market conditions.

Financing activity in 2018 (see pages 31-37) has strengthened the balance sheet, increased average debt maturity, lowered the average cost of debt, and demonstrated our ability to access a range of debt capital markets.

Liquidity remains strong and there is substantial headroom against all of our financial covenants.

IMPACT ON STRATEGY

CHANGE IN 2018
THE REDUCED RATING REFLECTS THE FINANCING ACTIVITY UNDERTAKEN IN 2018 AND THE GREATER RESULTING LIQUIDITY AND HEADROOM.

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

6. DEVELOPMENT PLAN EXECUTION

The Group has an extensive current programme and future pipeline of developments. The Group could suffer significant financial losses from:

- Cost over-runs on larger, more complex projects.
- Increased competition and/or construction costs (from labour market changes or weakened supply competition) leading to reduced or uneconomic development yields.
- Above-appetite exposure to non-income producing land, infrastructure and speculatively developed buildings arising from a sharp deterioration in occupier demand.

This is a medium-term risk with a moderate likelihood.

MITIGATIONS

Our appetite for exposure to non-income producing assets (including land, infrastructure and speculative developments) is monitored closely.

We retain a high level of 'optionality' in our future development programme including at the point of land acquisition, commitment to infrastructure and commitment to building.

The development programme remains weighted towards pre-let opportunities.

The risk of cost-overruns is mitigated by our experienced development teams and the use of trusted advisors and contractors.

Our short development lead-times enable a quick response to changing market conditions.

IMPACT ON STRATEGY

CHANGE IN 2018

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE, OPERATIONS COMMITTEE

PRINCIPAL RISKS

PRINCIPAL RISKS
CONTINUED

DISCIPLINED CAPITAL ALLOCATION

OPERATIONAL EXCELLENCE

EFFICIENT CAPITAL AND CORPORATE STRUCTURE

INCREASED RISK

SIMILAR RISK

DECREASED RISK

7. INVESTMENT PLAN EXECUTION

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 a continuous risk with a moderate likelihood as changing investment and occupier market conditions require constant adaptation.

MITIGATIONS

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 source 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.

IMPACT ON STRATEGY

CHANGE IN 2018

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE; INVESTMENT COMMITTEE

FURTHER INFORMATION: THE MARKET OUTLOOK IS DETAILED IN THE CHIEF EXECUTIVE'S STATEMENT ON **PAGES 06-08.**

8. POLITICAL AND REGULATORY

The Group could fail to anticipate significant political, legal, tax or regulatory changes, leading to a significant un-forecasted financial or reputational impact.

In general, regulatory matters present medium- to long-term risks with a low likelihood of causing significant harm to the Group.

Political risks could impact business confidence and conditions in the short and longer terms.

MITIGATIONS

Emerging risks in this category are reviewed regularly by the Executive 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 individually considered to be material enough to be classified as principal risks.

IMPACT ON STRATEGY

CHANGE IN 2018

THE INCREASED RATING REFLECTS LEVELS OF POLITICAL UNCERTAINTY IN MARKETS INCLUDING THE UK, ITALY, FRANCE AND GERMANY.

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: EXECUTIVE COMMITTEE

9. 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; supply chain failure; the structural failure of one of our assets; a major high-profile incident involving one of our assets; a cyber-security breach; or failure to respond to the consequences of climate change.

Compliance failures, such as breaches of joint venture shareholders' agreements, 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.

MITIGATIONS

The Group maintains a strong focus on Operational Excellence. The Executive, Operations, and Business Information Systems Committees regularly monitor the range of risks to property management, construction, compliance, business continuity, organisational effectiveness, customer management and cyber security.

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, operating manuals, and specialist third-party compliance support.

IMPACT ON STRATEGY

CHANGE IN 2018

RESIDUAL RISK WITHIN APPETITE? ✓

OVERSEEN BY: OPERATIONS COMMITTEE; BUSINESS INFORMATION SYSTEMS COMMITTEE; EXECUTIVE COMMITTEE

GOVERNANCE

GOVERNANCE

CHAIR'S INTRODUCTION

"High standards of governance are fundamental to the long-term success of the Company."

GERALD CORBETT
CHAIR

2018 continued to build on the success of recent years and was another positive year for the Company. Full credit must be given to David and the experienced management team for delivering another set of strong results and ensuring that the Company is well positioned for the challenges and economic uncertainty that 2019 may bring.

Our active development pipeline has facilitated the further growth of our portfolio and enabled us to create over 650,000 sq m of new space – another record year for the Company. The successful execution of the development programme has created significant value. Coupled with this, intelligent asset acquisitions, disposals and swaps, and partnerships, together with active asset management, have also significantly strengthened our balance sheet leaving us very well placed as we approach our centenary year.

GOVERNANCE

The Board believes that the effective delivery of strategy can only happen against a background of good corporate governance, and throughout the year we complied with the UK Corporate Governance Code 2016 (the Code). We have also embraced the spirit of the UK Corporate Governance Code 2018 (the New Code) which we are obliged to comply with from 2019. As you will see throughout this Report, we already observe many of the principles of the New Code. We are supportive of its themes and sentiment, and are mindful, in an environment of increased social responsibility, that we cannot exist in isolation. We have a duty not only to our stakeholders, but to the wider communities in which we operate, to help promote and create prosperity and employment. For more information on how we do this, see the Responsible SEGRO section on pages 44 and 45.

The Company's culture sets the tone for good governance. The ability for Board members to speak freely and have their thoughts heard in a challenging yet supportive and open environment is essential for the Board to work effectively to ensure the Company's delivery of strategy and successful achievement of its long-term business objectives. The Board likes to live up to the Company's Value to 'say it like it is' in meetings.

We remain mindful of the benefits of a diverse Board and we continue to be a member and supporter of the 30% Club.

CHANGE AND PLANNING FOR THE FUTURE

2018 continued to be a time of change for the Board with the retirement of both Margaret Ford and Mark Robertshaw and the appointment of Carol Fairweather and Sue Clayton. We have also recently announced the appointment of Mary Barnard who will become a Non-Executive Director on 1 March 2019. I would like to take this opportunity to thank Margaret and Mark once again for their valued contribution to the Board, and to welcome Carol, Sue and Mary.

Martin Moore became the Senior Independent Director following Margaret's retirement and has carried out this role in a conscientious and supportive manner. I have appreciated his support and I would like to extend my thanks to him for taking on this important role.

Doug Webb will be stepping down as Audit Committee Chair following our AGM, to be replaced by Carol. I wish Carol well in her new role and thank Doug for his leadership of the Audit Committee during his tenure. Despite these changes, there was a reassuring level of stability with the remainder of the Board – there were old eyes, despite the fresh look. I feel that the Board is well settled and stable, with a clear view on how it can support the Company to deliver its strategy.

I am delighted that I will be continuing in office and am excited to Chair the Company as it continues to deliver on strategy into its 100th year.

As detailed in my last two reports, longer-term succession planning for the Non-Executive Directors has been a particular area of focus for the Nomination Committee and the work we have done on that front is reported on in the Nomination Committee Report on page 77. We take succession planning seriously not only at Board and Committee level, but also throughout our Leadership team to ensure there are people ready and waiting to step up to the Board as and when needed. Because of this, we take a particular interest in the work that the Company does on talent management and diversity, and the Board takes the time to really get to know its senior employees.

ENHANCING THE BOARD'S KNOWLEDGE OF THE BUSINESS AND ITS KEY STAKEHOLDERS

The Company's ability to work successfully with others, whether partners, customers, shareholders or other stakeholders, has been a key component of the effective delivery of the business strategy. During 2018, we acquired the management platform of Roxhill, following our initial partnership with them in 2016, and welcome the Roxhill team to SEGRO. This has not only brought a number of fantastic employees to the Group, bringing fresh thinking and new ideas – a real marriage of our culture with an entrepreneurial and exciting group of people – but has also given the business access to a quality portfolio of big box warehouse development sites in the Midlands.

During the year, we have also celebrated the five-year anniversary of SELP which continues to perform extremely well and which is discussed further on page 20. We have enjoyed a good working relationship with our joint venture partner, PSP Investments.

We continue to appreciate and value the support and engagement we have from our shareholders, both large and small. We appreciated the dialogue we have had with many of our larger shareholders as part of our consultation on a new Remuneration Policy, which is detailed further on pages 86 and 88.

OUR PEOPLE

Each year the Board visits at least one region in the UK and one in Continental Europe and during 2018, it was East London and Warsaw. By leaving the boardroom, we ensure that the Board will get to meet as many of our employees as possible. We do of course get a chance to meet some senior employees during our meetings. We recognise that we have an extraordinary team of people at SEGRO who are the cornerstone of the success that the Company has enjoyed in recent years. This is something that we are very proud about as we recognise that our success would not be possible without our great teams across the business. On behalf of the Board, I thank all of our employees for their enthusiasm, commitment and hard work.

THE YEAR AHEAD

We have a clear and effective strategy, a strong balance sheet and an experienced team which should enable us to be well placed and ready for the ever changing economic and political environment. We are also cognisant of the impact of technology and 'Proptech' innovations, and their ability to help drive long-term sustainable returns.

As well as providing support and guidance to the business on its delivery of strategy; succession planning, talent management, diversity and development will continue to be a focus both at Board level and Committee level.

High standards of governance drive long-term sustainable investment and success, and this Report seeks to show you how we have sought to put this into practice. The Board, as steward of the Company, is responsible to our shareholders, customers, employees and other stakeholders for the success of the Company, and it is a responsibility we are proud of and take very seriously.

GERALD CORBETT
CHAIR

GOVERNANCE

GOVERNANCE REPORT
BOARD OF DIRECTORS

GERALD CORBETT
CHAIR

• CHAIR OF THE NOMINATION COMMITTEE

Current Appointments
Gerald joined the Board on 1 March 2016, and was appointed Chair on 22 April 2016. He is currently Chair of the Marylebone Cricket Club.

Previous Appointments
Gerald's previous public company chairmanships include Betfair, Britvic plc, Moneysupermarket.com, Numis Corporation plc, SSL International plc and the Woolworths Group plc. He has also served as a Non-Executive Director of MEPC, Greencore Group and Burmah Castrol.

Experience
Gerald has been a director of 13 public companies, seven of which he has chaired. His executive career included periods as Finance Director of Redland and Grand Metropolitan and he was Chief Executive of Railtrack. His experience as a director and a Chair across various sectors is helpful for bringing strategic insight to the boardroom and the business.

Relevant Skills
Executive FTSE Listed, Banking, Finance, International.

DAVID SLEATH
CHIEF EXECUTIVE

Current Appointments
David was appointed Chief Executive on 28 April 2011, having served as Finance Director since 1 January 2006.

Previous Appointments
David has 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 was a board member of the European Public Real Estate Association from 2011 until 2017, and President of the British Property Federation 2016-2017. He was Non-Executive Director of Bunzl plc from 2007 to 2017, where he served as Senior Independent Director and Audit Committee Chair.

Experience
David has considerable knowledge of the Company and the real estate sector and has experience of financial and general management, the automotive engineering and manufacturing sectors of the professional services industry. This experience has helped lead to the successful design and implementation of the Company's strategy during his tenure as Chief Executive. David is a Fellow of the Institute of Chartered Accountants in England and Wales.

Relevant Skills
Executive FTSE Listed, Real Estate, Finance, International.

SOUMEN DAS
CHIEF FINANCIAL OFFICER

Current Appointments
Soumen was appointed as Chief Financial Officer on 16 January 2017.

Previous Appointments
Soumen was previously Managing Director and Chief Financial Officer at Capital & Counties Properties plc (Capco) which he joined from Liberty International plc, having coordinated the demerger of the companies in 2010. Prior to this, he spent two years as a partner in Mountgrange Investment Management LLP (now Clearbell Capital) and nine years at UBS, where he was an Executive Director within the investment bank, specialising in real estate.

Experience
Soumen leads the Company's finance function and has been Chief Financial Officer at Board level of listed companies for nine years. His background as an experienced corporate financier and track record of negotiating complex corporate transactions prove valuable to the Board and business.

Relevant Skills
Executive FTSE Listed, Real Estate, Banking, Finance, International.

ANDY GULLIFORD
CHIEF OPERATING OFFICER

Current Appointments
Andy was appointed Chief Operating Officer in November 2011, having joined the Company in 2004. He was appointed as an Executive Director on 1 May 2013.

Previous Appointments
Andy was previously Managing Director for Continental Europe. Prior to this, he was the Director of Corporate Acquisitions and 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.

Experience
Andy has worked in a variety of real estate roles and brings extensive knowledge of the Company and the real estate sector in both the UK and Continental Europe. He has been influential in the successful delivery of a record number of development completions for the Company as well as for its strong operational performance. Andy is a member of the Royal Institution of Chartered Surveyors (MRICS).

Relevant Skills
Executive FTSE Listed, Real Estate, International.

PHIL REDDING
CHIEF INVESTMENT OFFICER

Current Appointments
Phil was appointed Chief Investment Officer in November 2011, having joined the Company in 1995. He was appointed as an Executive Director on 1 May 2013.

Previous Appointments
Phil started his career in 1990, holding a number of positions in the Industrial Agency and Development team of King Sturge. Since joining SEGRO, he has undertaken a variety of roles including Head of Leasing and Marketing, Head of New Business and, prior to becoming Chief Investment Officer, Business Unit Director for London Markets.

Experience
Phil has over 25 years' experience in the real estate sector and extensive knowledge of the Company and its portfolio. Phil was instrumental in the successful reshaping of the Company's portfolio and continues to have a key role in the implementation of the Group's strategy. Phil is a member of the Royal Institution of Chartered Surveyors (MRICS).

Relevant Skills
Executive FTSE Listed, Real Estate, International.

MARY BARNARD
INDEPENDENT NON-EXECUTIVE DIRECTOR

- MEMBER OF THE NOMINATION COMMITTEE
- MEMBER OF THE REMUNERATION COMMITTEE

Current Appointments
Mary will be appointed as Non-Executive Director with effect from 1 March 2019. She is currently the Region President of Chocolate Category, Europe, for Mondelēz International Inc., the multinational confectionery, food and beverage corporation, having responsibility for the commercial leadership of operations in the European chocolate market. She is also President of CAOBISCO, which represents the European chocolate, confectionery and biscuit industries, focusing on creating value across the supply chain.

Previous Appointments
Mary was previously Senior Vice President and General Manager for the Pepsi-Lipton Partnership, based in New York, with responsibility for all core business operations, including sales, marketing and R&D. She was also a Non-Executive Director of Poundland Group plc 2015-2016, Chair of the Cadbury Foundation from 2014 until 2016 and an EXCO member of the Food & Drink Federation and the Institute of Grocery Distribution from 2014 until 2016.

Experience
Mary has extensive commercial and General Management experience, and a deep understanding of customer needs and trends, through her various international roles in sales and marketing. She also has a strong knowledge of the operation of the retail market and supply chain.

Relevant Skills
International.

CONTINUED

GOVERNANCE REPORT
BOARD OF DIRECTORS
CONTINUED

SUE CLAYTON
INDEPENDENT NON-EXECUTIVE DIRECTOR

- MEMBER OF THE AUDIT COMMITTEE
- MEMBER OF THE NOMINATION COMMITTEE

Current Appointments
Sue was appointed as Non-Executive Director on 1 June 2018. She is currently a part-time Executive Director at CBRE and Chair of their UK Women's Network, Non-Executive Director at Helical plc, a member of the Committee of Management at the Hermes Property Unit Trust and Chair of the Barwood 2017 Property Fund. She is a founder member of Real Estate Balance and is a Trustee of the Reading Real Estate Foundation.

Previous Appointments
Sue joined Richard Ellis as a graduate and worked in valuation and fund management before moving into Investment Agency. She was an equity partner at Richard Ellis prior to its acquisition by Insignia and was head of National Investment before the merger with the CB Group in 2003, following which she became Managing Director, Capital Markets at CBRE until 2007. She has sat on the CBRE UK Management and Executive Boards and was on the CBRE Group Inc Board from 2007 to 2009 as the Employee Director Observer.

Experience
Sue brings a wealth of property market knowledge to the Board, with over 30 years of experience in UK investment markets. Sue is a Fellow of the Royal Institution of Chartered Surveyors.

Relevant Skills
Real Estate.

CAROL FAIRWEATHER
INDEPENDENT NON-EXECUTIVE DIRECTOR

- MEMBER OF THE AUDIT COMMITTEE
- MEMBER OF THE NOMINATION COMMITTEE

Current Appointments
Carol was appointed as Non-Executive Director on 1 January 2018. She is currently a Non-Executive Director of Smurfit Kappa Group plc and a trustee of Somerset House Trust.

Previous Appointments
Carol was Chief Financial Officer of Burberry Group plc from 2013 to 2017, having worked in senior financial roles within the company since 2006. Prior to that, Carol was Director of Finance at News International Ltd and UK Regional Controller at Shandwick plc. She began her career at Ernst & Young.

Experience
Carol has finance experience and brings commercial knowledge to the Board. Her experience in her former role as Chief Financial Officer of the retailer Burberry Group is valuable to the Company as it seeks to help customers adapt to the e-commerce revolution.

Relevant Skills
Executive FTSE Listed, Finance, International.

CHRISTOPHER FISHER
INDEPENDENT NON-EXECUTIVE DIRECTOR

- CHAIR OF THE REMUNERATION COMMITTEE
- MEMBER OF THE AUDIT COMMITTEE
- MEMBER OF THE NOMINATION COMMITTEE

Current Appointments
Christopher joined the Board on 1 October 2012. He is currently a Non-Executive Director of National Savings & Investments and chairs the Marshall Scholarship Programme. He is also a Senior Advisor at Penfida Limited.

Previous Appointments
Christopher spent most of his career at Lazard, latterly as a Managing Director. He subsequently worked at KPMG as Vice Chair, Corporate Finance, and at Penfida Limited, the corporate finance adviser to pension fund trustees, as a Senior Partner. On corporate Boards, he has held appointments as Chair of Bank of Ireland UK and Southern Cross Healthcare and as a Non-Executive Director of Kelda, the FTSE 100 water group. He has also chaired the governing body of the University of Reading and has served as a Trustee of the Imperial War Museum.

Experience
Christopher has a financial background, having spent his career in corporate finance and has some 15 years' of listed Board experience. His knowledge of large scale, international business, coupled with his financial expertise, brings a range of insights to the Board.

Relevant Skills
Banking, Finance.

MARTIN MOORE
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

- MEMBER OF THE AUDIT COMMITTEE
- MEMBER OF THE NOMINATION COMMITTEE
- MEMBER OF THE REMUNERATION COMMITTEE

Current Appointments
Martin was appointed as Non-Executive Director on 1 July 2014. He is currently Chair of Secure Income REIT plc, Senior Independent Director of F&C Commercial Property Trust Ltd and Senior Adviser at Kohlberg Kravis Roberts & Co. LLP.

Previous Appointments
Martin was Chief Executive at M&G Real Estate from 1996 and Chair 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 Chair of the Investment Property Forum. He was also a Commissioner of Historic England and a Non-Executive Director of the M&G Asia Property Fund, retiring from both in 2017.

Experience
Martin has over 40 years' of real estate experience and knowledge of the property sector. He brings both industry knowledge and breadth of practice, having spent his career at Prudential plc. Martin is a member of the Royal Institution of Chartered Surveyors (MRICS).

Relevant Skills
Real Estate.

DOUG WEBB
INDEPENDENT NON-EXECUTIVE DIRECTOR

- CHAIR OF THE AUDIT COMMITTEE
- MEMBER OF THE NOMINATION COMMITTEE
- MEMBER OF THE REMUNERATION COMMITTEE

Current Appointments
Doug was appointed as a Non-Executive Director on 1 May 2010. He is currently Non-Executive Director of BMT Group Ltd and a member of the Investment Advisory Committee of Fitzwilliam College, Cambridge.

Previous Appointments
Between 2013 and 2018 Doug was Chief Financial Officer of Meggitt plc, and prior to that he was Chief Financial Officer of London Stock Exchange Group plc. He has also been Chief Financial Officer of QinetiQ Group plc, and Finance Director Continental Europe and Chief Financial Officer North America at Logica plc. Prior to these appointments he spent 12 years at Price Waterhouse.

Experience
Doug comes from a corporate financial management background and has over 12 years' Board level experience as a Chief Financial Officer of listed companies. That strong listed company and finance background, coupled with his current financial experience allows him to bring substantial insight to the Board, particularly with regards to the Group's financial management. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Relevant Skills
Executive FTSE Listed, Finance, International.

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.

Baroness Ford and Mark Robertshaw were Directors during 2018, resigning on 19 April 2018 and 31 July 2018 respectively.

GOVERNANCE

GOVERNANCE REPORT
GOVERNANCE FRAMEWORK

GOVERNANCE FRAMEWORK

THE BOARD

RESPONSIBLE FOR CREATING AND DELIVERING SUSTAINABLE SHAREHOLDER VALUE

BOARD COMMITTEES

NOMINATION COMMITTEE	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Ensures that the Board, its Committees and the Leadership team has the appropriate skills, knowledge, diversity and experience to operate effectively and to oversee delivery of the strategy.	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 internal control environment.	Determines the reward strategy for the Executive Directors to align their interests with those of shareholders and employees.

EXECUTIVE COMMITTEE

ASSISTS 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.

MANAGEMENT COMMITTEES

OPERATIONS COMMITTEE	RISK COMMITTEE	INVESTMENT COMMITTEE
Assists the Chief Operating Officer to manage the operations of the Group and to discharge the responsibilities delegated to him by the Executive Committee.	Establishes, monitors and reports to the Executive Committee and ultimately the Board and Audit Committee on the Group's approach to risk management.	Manages the allocation of capital across the Group and oversees all major investment and divestment decisions on behalf of the Executive Committee.

GOVERNANCE REPORT
RESPONSIBILITIES OF THE BOARD

ROLE	RESPONSIBILITIES
CHAIR GERALD CORBETT	• Leads the Board and is responsible for its overall effectiveness in directing the Company. • 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 DAVID SLEATH	• Manages the business of the Group. • Ensures that the interests of the Group's stakeholders are taken into account with regard to the long-term impact the Group's decisions may have on various stakeholder groups. • Recommends the Group's strategy to the Board and is responsible for the implementation of that strategy and for the Group's overall performance.
EXECUTIVE DIRECTORS SOUMEN DAS ANDY GULLIFORD PHIL REDDING	• Manage the business operations within each Director's area of responsibility in accordance with the Group's strategy.
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR MARTIN MOORE	• Acts as a sounding board to the Chair 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 Chair or the Chief Executive. • Leads the annual appraisal of the Chair by the Non-Executive Directors.
INDEPENDENT NON-EXECUTIVE DIRECTORS MARY BARNARD SUE CLAYTON CAROL FAIRWEATHER CHRISTOPHER FISHER 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.
GROUP COMPANY SECRETARY ELIZABETH BLEASE	• Responsible for advising the Board 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.

GOVERNANCE

GOVERNANCE REPORT
EXPERIENCED LEADERSHIP

SEGRO's Leadership team comprises the members of the Executive Committee and their senior direct reports, each of whom has responsibility for the Group's operations or investment activities in a particular geography, or for one or more of the Group's main functional areas.

Whilst the day to day management of the Group's activities and the governance and oversight thereof are carried out under the structures described on page 66, the Leadership team also meets periodically to share market knowledge and to discuss areas of cross-functional and cross-border interest.

The Leadership team serves as a useful discussion forum and sounding board with which the Executive Directors can share knowledge and ideas and gain a better understanding of the local market outlook. The Leadership team normally meets three times a year and reviews areas such as:

- market conditions and competitor activity;
- future trends affecting our customers' businesses and which may impact SEGRO;
- interests of the Group's stakeholders;
- specific strategy related topics which have been or are due to be presented to the Board (including topics covered at the Board Strategy Day – see page 74);
- the Group's asset plans and Medium Term Plan;
- development and implementation of the Group's culture and Values including our approach to diversity and inclusion in its broadest sense; and
- the results of the Group's biennial employee engagement survey.

The Leadership team is also consulted and kept informed about Company-wide activities and performance through dedicated conference calls.

ELIZABETH BLEASE
GENERAL COUNSEL & GROUP COMPANY SECRETARY

JOINED THE BUSINESS
21 APRIL 2008

LAURENCE GIARD
HEAD OF CORPORATE ACQUISITIONS

JOINED THE BUSINESS
30 MAY 2008

JIM HARTLEY
BUSINESS UNIT DIRECTOR, NORTHERN EUROPE

JOINED THE BUSINESS
3 SEPTEMBER 2001

ALAN HOLLAND
BUSINESS UNIT DIRECTOR, GREATER LONDON

JOINED THE BUSINESS
13 NOVEMBER 2000

NICK HUGHES
DIRECTOR OF MARKETING & COMMUNICATIONS

JOINED THE BUSINESS
1 OCTOBER 2013

GARETH OSBORN
BUSINESS UNIT DIRECTOR, THAMES VALLEY

JOINED THE BUSINESS
3 MAY 1988

OCTAVIA PETERS
OPERATIONS FINANCE DIRECTOR

JOINED THE BUSINESS
16 OCTOBER 2006

ANDREW PILSWORTH
BUSINESS UNIT DIRECTOR, NATIONAL LOGISTICS

JOINED THE BUSINESS
5 OCTOBER 2009

JAMES POWER
DIRECTOR OF DIGITAL & TECHNOLOGY

JOINED THE BUSINESS
6 AUGUST 2010

DAVID PROCTOR
HEAD OF INVESTMENT, CONTINENTAL EUROPE

JOINED THE BUSINESS
1 OCTOBER 2004

SIMON PURSEY
HEAD OF UK INVESTMENT

JOINED THE BUSINESS
2 JUNE 2008

LIZ REILLY
GROUP HR DIRECTOR

JOINED THE BUSINESS
5 JULY 2010

MARCO SIMONETTI
BUSINESS UNIT DIRECTOR, SOUTHERN EUROPE

JOINED THE BUSINESS
1 OCTOBER 2007

HARRY STOKES
COMMERCIAL FINANCE DIRECTOR

JOINED THE BUSINESS
14 OCTOBER 2013

MAGDALENA SZULC
BUSINESS UNIT DIRECTOR, CENTRAL EUROPE

JOINED THE BUSINESS
2 SEPTEMBER 2002

GOVERNANCE REPORT

ROLE AND RESPONSIBILITIES OF THE BOARD

The Board is collectively responsible for promoting the long-term sustainable success of the Group. Its aim is to create and generate value for shareholders whilst being mindful of the interests of other key stakeholders. Details of how the Company delivers sustainable shareholder value are set out in the Strategic Report from page 6.

Promoting the success of the Company informs all of the decisions that the Board takes, from the strategic direction of the Company, through to its relationship with the Group's employees; the impact of the business on the community; the environment; and the interests of other key stakeholders, including its customers and suppliers. See pages 75 and 76 for further information.

INDEPENDENCE OF THE NON-EXECUTIVE DIRECTORS

Details of the Directors, including the skills and experience that they bring to the Board, are set out on pages 62 to 65. The Board comprises a Non-Executive Chair, four Executive Directors, and six independent Non-Executive Directors, all of whom are equally responsible for the effective stewardship and leadership of the Group. Each of the Non-Executive Directors is considered independent in character and judgement. The Chair was considered independent on appointment and the Board still considers him to be so.

For further details on how the Board has reached its conclusions on Non-Executive Director independence, see page 78 of the Nomination Committee Report.

DIVISIONS OF RESPONSIBILITY

The Chair is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role. The day to day running of the Group is delegated by the Board to the Chief Executive who is supported by the Executive Committee. The Senior Independent Director and other Non-Executive Directors challenge constructively and hold the Executive Directors accountable for the delivery of the Company's strategy.

The division of responsibilities of the Chair, Chief Executive and Senior Independent Director are clearly established in writing and approved by the Board. For further information on the responsibility of each Board member, see page 67.

WORK OF THE BOARD

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 is reviewed periodically.

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

The Board values meeting and hearing from different people in the business who are close to the Company's markets and who can tell the Board what they are seeing and hearing on the ground, as well as from external sources who give a wider perspective on market trends. During the year, presentations were given by Magdalena Szulc, the Business Unit Director for Central Europe, Alan Holland, the Business Unit Director for Greater London, and Jim Hartley, the Business Unit Director for Northern Europe, on their business areas. This allows the Directors to gain further insight on market trends and provides the context for them to make strategic decisions about acquisitions, disposals and the development pipeline. James Power, Director of Digital & Technology, also presented on the work to prepare for the impact of Brexit on the business.

EVALUATION

The Board has a policy of undertaking externally facilitated evaluations every three years and internal reviews in the intervening two years. The results of the external evaluation are summarised in the Case Study on the next page.

AVAILABILITY OF THE CHAIR, THE CHIEF EXECUTIVE AND THE GROUP COMPANY SECRETARY

The Chair, 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 also have the right to seek independent professional advice at the Company's reasonable expense.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

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 Board at each meeting. Directors have a continuing duty to keep the Board updated about any changes to these conflicts.

GOVERNANCE REPORT
CASE STUDY: BOARD EVALUATION

As we reported last year, we appointed Independent Audit to undertake our triennial, externally facilitated evaluation and this was conducted in the early part of 2018. Independent Audit has no other connection with the Company. The process was divided into a number of stages:

STAGE 1

Initial meeting with the Chair and General Counsel and Group Company Secretary to agree the process and ensure that Independent Audit were briefed on the business and the key issues facing the Board. Independent Audit reviewed all the Board and Committee papers for the previous 12 months.

STAGE 2

Interviews were held with each of the Directors, as well as the General Counsel and Group Company Secretary and the Group HR Director.

STAGE 3

Independent Audit observed the Board meeting in April 2018.

STAGE 4

There was a preliminary feedback meeting with the Chair, and a separate meeting with the Senior Independent Director, to discuss the feedback on the Chair.

STAGE 5

A report setting out the findings of the review was circulated to the Board.

STAGE 6

Time was allocated to a feedback session at a Board meeting, with Independent Audit, to discuss the report and the list of recommendations.

CONCLUSIONS OF THE REVIEW

The Review confirmed that the Board and its Committees continued to operate effectively. It identified a number of positive attributes, including:

- a good level of mutual trust and respect;
- an open and inclusive style and pragmatic and meritocratic approach;
- a strong sense of common purpose and desire to act in the best interest of the business;
- an absence of any personal agendas or politics;
- a balanced contribution from members with no one person dominating the proceedings; and
- a good balance between support and challenge.

The Board benefits from strong corporate support while information from the management team is of high quality.

It was acknowledged that, following a long period of stability, the Board had undergone a significant amount of change over the last two years, including the retirement and appointment of three Directors, and the internal appointment of a new Senior Independent Director. This has inevitably caused a degree of temporary disruption. Notwithstanding these changes, there was a unanimous view that the Board is now benefiting from fresh perspective and challenge, more gender and ethnic diversity, a greater degree of creative tension and strong debate and healthy disagreement.

ACTIONS

The Review was an excellent opportunity for the Board to stand back and to consider ways of maximising its strengths and highlighting areas for further development.

NOMINATION COMMITTEE

- Following the Review, the Board decided to change the composition of this Committee so that it was comprised of all of the Non-Executive Directors.
- Although the Review concluded that the Board's approach to executive succession planning was consistent with good practice, the Committee has agreed to ensure that more time be allocated to discussions around succession planning, leadership development and talent management.
- A number of recommendations were made about the relevant skills and experience which the Committee may wish to consider when it next appoints a Non-Executive Director.

BOARD CHANGES

- There was support for the Chair to maintain a cohesive Board, in particular in anticipation of a further Non-Executive Director change during the course of 2019. The Board collectively agreed to ensure that new Directors were supported as they got to know the business and had the opportunity to spend some informal time with the other Board members to accelerate their getting to know each other.

REVIEW OF HOW THE BOARD USES ITS TIME

- Comments made in the Review prompted the Board to review and discuss how it spends its time. It concluded that there was an appropriate balance of time spent on strategy, operational matters, risk and governance but this balance should be kept under review to ensure that the Board as a whole derived maximum value from the Directors when they were together.
- The Non-Executive Directors encouraged the Executive Directors to create time for some unscripted debate and this was addressed at the Strategy Day in November.

OVERSIGHT OF CULTURE

- The Review concluded that the Company has a strong and distinctive culture, underpinned by clearly articulated values. Although culture does feature in a number of Board discussions, it was agreed that it could be more clearly articulated. In line with the New Code, the Board have agreed to have dedicated agenda items about culture going forward.

GOVERNANCE REPORT CONTINUED

BOARD COMMITTEES

The Board has delegated a number of its responsibilities to the Audit, Nomination and Remuneration Committees. The Terms of Reference of these Committees can be found at www.SEGRO.com. Further details on the roles and responsibilities of these Committees can be found on page 66.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

During 2018, there were seven scheduled Board meetings. The Board also has the flexibility to meet in person or by telephone as the need arises on an ad hoc basis. Each Director 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 Chair or the Chief Executive.

INDUCTION TRAINING

As is the case with all newly appointed Directors, including Carol last year, Sue Clayton participated in a comprehensive induction programme when she joined the Company, and received detailed information on the Group and its governance structure.

Sue had a number of individual meetings with the other Directors, as well as meeting Business Unit Directors, Heads of Function and other senior managers. She visited a number of assets in both the UK and Continental Europe. She also met with the PwC audit partner, the KMPG internal audit partner and the key relationship directors at the Company's brokers, UBS and BAML.

ONGOING TRAINING

Ongoing training is provided to the Board and to Directors on specific issues (both business related and regulatory) during the year while individual Directors attend external courses which are specific to their area of expertise, such as remuneration or audit. This helps to ensure that the Board keeps up to date with evolving regulatory and legal matters. From time to time, meetings with specialists in the business are arranged for Directors who may wish to gain a deeper insight into a particular topic, such as derivative and EPRA accounting. The Directors may also raise any training needs with the Chair which helps to ensure the training programme meets the needs of the Board, individual Directors and the business.

Attendance at Board and Board Committee meetings during 2018 is set out in the table below.

	Board	Audit Committee	Nomination Committee	Remuneration Committee	AGM
Sue Clayton	5/5	2/2	2/2	N/A	N/A
Gerald Corbett	7/7	N/A	5/5	N/A	1/1
Soumen Das	6/7	N/A	N/A	N/A	1/1
Carol Fairweather	7/7	3/3	2/2	N/A	1/1
Christopher Fisher	7/7	3/3	5/5	5/5	1/1
Margaret Ford	2/2	1/1	1/1	1/1	1/1
Andy Gulliford	7/7	N/A	N/A	N/A	1/1
Martin Moore	7/7	3/3	4/4	5/5	1/1
Phil Redding	7/7	N/A	N/A	N/A	1/1
Mark Robertshaw	4/4	N/A	N/A	1/1	1/1
David Sleath	7/7	N/A	3/3	N/A	1/1
Doug Webb	7/7	3/3	5/5	4/4	1/1
Total number of meetings	7	3	5	5	1

All Board and Committee members attended each meeting that they were eligible to attend with the exception of Soumen Das, who missed one Board meeting due to a close family bereavement.

THOUGHTS FROM CAROL FAIRWEATHER ON HER FIRST YEAR

Carol joined the Company in January 2018 and will succeed Doug Webb as Audit Committee Chair later in 2019. Here, on the anniversary of her joining, she gives some thoughts on her first year with the Company.

WHAT ARE YOUR THOUGHTS ON YOUR FIRST YEAR WITH SEGRO?

My overriding impression is that we have a very clear strategy which is being well executed and there are many opportunities to drive growth and performance over the coming years. We have high quality assets, a great team and a strong customer base. The tone from the top, which sets the corporate culture, is strong and the Purpose and Values are clearly embedded throughout the business. Alongside this we have a clear governance framework which is well understood.

HOW HAVE YOU GOT TO KNOW THE COMPANY?

My induction programme hit just the right note, with a well paced, thorough programme tailored to my needs. I believe the best way to understand a business is to see the company in operation from the ground up. I was given free access to all our teams across the business. I valued seeing the breadth of assets in the different markets and understanding the huge variety of customers that we have.

WHAT DOES MEETING PEOPLE FROM AROUND THE BUSINESS BRING TO YOU?

It helps bring the business to life by understanding how things work and what matters to our employees and customers. There is no substitute for getting out and meeting people – the bench strength of the SEGRO team right across the business is striking. It also gave me insight into the culture to see first-hand how the Purpose and Values are being lived. SEGRO's employees are passionate and proud of their business – and rightly so.

REAL ESTATE IS A NEW SECTOR FOR YOU, HOW HAVE YOU FOUND IT AND IS IT DIFFERENT FROM YOUR RETAIL EXPERIENCE?

Whilst the sector and business model are different, there are many common themes. It is all about the customer and responding to their demands in a flexible and agile way. It requires the business to be managed dynamically as new trends emerge – whether that be increasing digitalisation, the use of robotics, environmental innovations or changing demands for space. It is important that we keep one eye on the horizon to ensure we are moving forward with the needs and demands of our stakeholders in the ever-changing world.

ANY THOUGHTS ON THE ANNUAL STRATEGY DAY?

The day was a great opportunity to see some of our assets in East London and to spend some time with the team from the Greater London Business Unit. These tours are useful to build our understanding of the business as well as a chance to spend some informal time with the other Directors. In the more formal part of the meeting it was particularly helpful to work through the Group's Medium Term Plan and debate the evolution of our strategy for the next few years.

WHAT DO YOU THINK ABOUT BOARD DYNAMICS?

The Board works well with a good balance between new members as well as those who have been with SEGRO for longer. I was made to feel welcome by the other Directors who supported me while I got to know the business. The Board is collegiate and diverse, with no one person dominating the debate or thinking. The Directors are conscientious and respectful, with a mix of entrepreneurial and more traditional ideas.

WHAT DO YOU THINK WILL BE THE FOCUS FOR THE YEAR AHEAD?

It would be remiss not to mention the near term economic and political uncertainty that exists, particularly in the UK. That said, the Company is in excellent shape and we will continue to focus on executing our strategy, evolving as we need to, as we respond to the ever changing needs of our customers.

On a personal level, I am looking forward to taking on the Audit Committee Chair, which you can read about on page 80.

ROLE OF THE EXECUTIVE AND EXECUTIVE COMMITTEES

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 and reviews operational and financial performance. The Committee carries out a pre-approval review of items requiring Board approval and acts as a primary approval channel for matters below Board approval level at each of its meetings. At every meeting it receives a Health and Safety incident report.

The Executive Committee has its own Terms of Reference. This Committee meets formally each month and during the year also met informally most weeks to consider day to day issues.

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

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

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

GOVERNANCE

GOVERNANCE REPORT CONTINUED

KEY ACTIVITIES OF THE BOARD DURING 2018

Strategy and Leadership	• Review and discussion of strategic objectives and plans to achieve them. • Review of the Medium Term Plan. • Presentation from the Company's independent valuers on the 2017 Full year, and 2018 Half year valuation. • Rolling reviews of the performance of investments and developments over the previous three years. • Reports on the market outlook for the occupier and investment markets. • Reviews of the wider economic environment, political uncertainty and Brexit considerations. • Annual Strategy Day including a review of asset plans and portfolio planning. • Approval of a €300 million US Private Placement transaction and approval of the extension of the maturity of a €70 million bilateral bank lending commitment. • Presentations from the Business Unit Directors for Central Europe, Northern Europe and Greater London. • Various investment approvals including the acquisition of the Roxhill management platform, the acquisition of the Coventry JV interest, various land purchases and asset sales.
Governance	• Approval of the 2019 budget. • Approval of 2017 Full year results and final dividend, and the 2018 Half year results and interim dividend. • Approval of Principal Risks and risk appetite. • Review of the conclusions of the 2018 external Board evaluation. • Review of the annual Health and Safety report and monthly incident report. • Approval of the appointment of Non-Executive Directors and Committee membership. • Approval of Tax Strategy. • Annual review of corporate governance and an update on corporate and regulatory changes and reporting requirements.
Stakeholder engagement	• Presentations from the Company's brokers on shareholders'/analysts' attitudes to the Company and investor feedback. • Approval of the Slavery and Human Trafficking Statement. • Report on the Code of Ethics including the Anti-Bribery and Corruption policies. • Annual reports on community engagement and charitable giving.
Customers	• Annual report on the results of customer satisfaction survey. • Asset tours in Warsaw and East London to meet customers to see how they use their space.
Employees	• Review of people strategy, succession planning and talent management. • Review of the Diversity Policy.

STRATEGY DAY

As with most companies, the Directors value an opportunity once a year to step away from the routine of the corporate calendar and spend some time reflecting on strategy and the wider business environment. This year, the Board started this two-day session in East London. The Directors heard from the Business Unit Director for Greater London, and his senior team, about the strategy for this Business Unit, focusing in particular on progress with East Plus, the partnership with the Greater London Authority to deliver developments in a number of industrial locations. This was followed by a tour of our East and North London portfolio, seeing some of the East Plus developments, taking in some competitors' schemes and seeing some new opportunities. The trip concluded with a visit to the newly built Camden Town brewery which, unsurprisingly, provided to be popular with everyone.

Moving on to a private dinner and continuing through the following day, the Directors shared their different perspectives and views on the current macroeconomic and geopolitical environment and specific property investment and occupier markets.

This meeting gave the Directors a chance to debate the assumptions, strategic choices and outputs underlying the Group's Medium Term Plan and to consider the annual portfolio review and individual asset plans which alongside our view of the cycle, will form the basis of our investment decisions over the coming years. This is a particularly valuable exercise in our current rapidly changing world. The meeting also provided an opportunity for the Board to consider a number of other topics including progress towards achieving critical mass in sub-scale markets, funding structure and future trends.

Earlier in the year, the Board had had a session with some external guests, discussing 'Proptech' and broad trends and technologies which may become disruptors to the Company and its customers in the future. At this meeting, the Directors were updated on the work which was being undertaken by the business to explore these areas and consider what they might mean for the Company. As in previous years, it was agreed that the people strategy would be considered at a separate meeting, to ensure that plenty of time was allocated to this important subject.

GERALD CORBETT

RELATIONS WITH STAKEHOLDERS

SEGRO's principal duty is to deliver long-term, sustainable returns to shareholders, but we are also mindful of the impact of our actions and the decisions that we make on our wider stakeholders and the communities in which we operate.

Communication and engagement with stakeholders is important to the Board as it strengthens the business and promotes the Company's success to benefit both stakeholders and shareholders alike. During the year, the Directors have:

- reviewed the Group's monthly Health and Safety incident report and annual Health and Safety review;
- received a report about Communities and Charities activities;
- approved the Slavery and Human Trafficking Statement and associated policies;
- received reports on employee engagement and talent management;
- considered the results of our annual customer satisfaction survey;
- organised and attended a Customer Futures Forum; and
- discussed shareholder feedback with our brokers, Bank of America Merrill Lynch and UBS.

ENGAGEMENT WITH SHAREHOLDERS

The Directors need to be aware of shareholders' views and welcome open, meaningful discussions with shareholders, in particular with regard to strategy, governance, and remuneration.

The Chief Executive and the Chief Financial Officer 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 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 Senior Independent Director, the Chair and the Committee Chairs 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.

The Chair also attends the financial results presentations which is a good opportunity to spend time with the analysts and investors who attend. The Board is kept informed about any discussions with shareholders and the Directors are provided regularly with analysts' reports and investor feedback.

SHAREHOLDER ENGAGEMENT 2018

Investor presentations	Investor roadshows
Full year results	Amsterdam (x2)
Half year results	Boston
Equity sales presentations (x2)	Chicago
Trading Updates (Q1 and Q3)	London (x3)
Annual General Meeting	New York (x2)
	Paris
	San Francisco
	Sweden/Finland
	Toronto

Site visits	Investor conferences
London	Amsterdam
Milan	Cape Town
Paris	London (x2)
Slough	Miami
	New York

The Company's website 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.

There is a dedicated Investor Relations team which reports to the Chief Financial Officer. 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 box below, as well as one-to-one and group meetings with Executive Directors, tours of the Company's properties and equity sales team presentations at global and local investment banks. During the year, the Chief Executive, along with the Executive Directors, senior management and Investor Relations team met with representatives from over 200 institutions.

SHAREHOLDER ENGAGEMENT AT THE AGM

The Directors appreciate shareholders taking the time to attend the AGM and having the opportunity to talk to them about the business, its achievements during the previous year and plans for the future. It also allows the Directors to hear what the Company's private shareholders really care about. The Board values the time that the AGM affords them to meet before or after the more formal business of the meeting and are grateful for those shareholders who attend the meeting and ask interesting and informative questions. During the meeting itself, the Chief Executive gave a presentation on the results of the Company for 2017 as well as details on the business, including the active development pipeline. The highlights of the recently announced Q1 2018 Trading Update were noted, and David Sleath shared his thoughts for the year ahead before the Board took questions from the floor.

The Notice of AGM is posted 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 fairer 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.

GOVERNANCE REPORT CONTINUED

ENGAGEMENT WITH EMPLOYEES

The Company's Purpose and Values help to unify employees and describe the core beliefs about how SEGRO does business. Further details on Purpose and Values can be found on page 42.

The Company believes in regular dialogue with employees and holds frequent briefings in each of its offices.

The Board regularly tours its assets with senior employees, giving them a more informal space to talk about the business, and allowing Board members to get a further feel of the culture of the Company. During 2018 this took place in Warsaw, where the Board had lunch with the office, as well as East London. Carol and Sue also met employees as part of their induction programme.

The Board also encourages all employees to take a stake in the Company by becoming shareholders through the SIP and GSIP share schemes, where employees are given shares in SEGRO. Senior employees also participate in the Company's LTIP scheme.

The Board regularly hears from the Group HR Director about employee engagement.

Towards the end of 2018, all employees were invited to take part in the Group's biennial Employee Engagement Survey. There was a high response rate to the survey (91 per cent) with a significant level of employee engagement achieved (92 per cent). For further information on our employees and the results of the Survey see page 42.

ENGAGEMENT WITH CUSTOMERS

The Company's business model is based on owning and managing warehouses and its relationship with its customers is critical to its success. SEGRO aims to create long-term sustainable business relations with its customers, recognising the mutual benefits that can flow through partnership. It is important that customers are consistently satisfied with the product and service levels they receive from the Company. The Board receives the results of the annual customer satisfaction survey and is updated on how the business has responded. It is pleasing to note the good results received again this year – see page 50 for more information.

The Chief Executive and Chief Operating Officer also attended a Customers Futures Forum which we had arranged for some of our customers to discuss future market trends and considerations. Further details about the work the Company carries out with its customers can be found on page 50.

ENGAGEMENT WITH SUPPLIERS

The Company seeks to maintain the highest ethical standards of conduct throughout its supply chain. In particular, where appropriate, the Company values long-term relationships with its suppliers, built on mutual values and trust. To ensure that the Company continues to use suppliers that have been thoroughly checked and approved as legitimate, competent, safe and appropriate to use, regular dialogue and face to face meetings are held with suppliers. The Company also makes sure that it pays its suppliers promptly, see page 51 for more details.

Health and safety is central to the successful execution of the strategy. We are committed to working closely with all of our suppliers to ensure SEGRO's high health and safety standards and requirements are met. For further details, see page 43.

Being mindful of human rights, the Company has a Modern Slavery and Labour Standards Supplier Code and published its second annual Modern Slavery statement during the year, to ensure that all of its suppliers are acting responsibly and are aware of the risks of slavery and human trafficking within their own organisation and supply chain.

ENGAGEMENT WITH DEBT INVESTORS

2018 was another active year for the Company's debt programme with the Group taking advantage of continued favourable financing conditions. During the year the Group issued €300 million of new debt in its second US Private Placement transaction. Further detail can be found on page 31.

The Chief Financial Officer and the Treasury team keep in regular contact with the Company's key relationship banks, bondholders and unsecured lenders, as well as with the provider of SEGRO's credit rating, Fitch Ratings, Inc.

PENSIONS

The Company sponsors the SEGRO Pension Scheme (the Scheme) in the UK, which is a defined benefit scheme that is closed to new members and to future accrual. The Company has always valued its relationship with the Trustees and ensured that the Scheme is appropriately funded. During 2018, the Trustees and the Company formed a Joint Working Group (JWG) to work together collaboratively, looking into de-risking options for the Scheme. The JWG worked well together, selecting partners to help with the process and identifying an insurance company to work with. Consequently, the Trustees contracted to buy-out the Scheme with an insurer in December 2018, effectively de-risking the Scheme. This was an excellent outcome, showing how the joint working approach can fulfil common objectives by reducing investment and funding risks for the Company while securing benefits for the Scheme members. Further details are in Note 18 on page 156.

CODE OF ETHICS

The Company does not tolerate fraud, impropriety or dishonesty of any kind. The Board receives reports on the Code of Ethics, including Anti-Bribery and Corruption policies. The Company's policy on whistleblowing, sets out the procedure by which employees and any third parties can use a confidential external service to raise concerns by email or telephone, whether in relation to financial reporting or other matters. The Audit Committee receives an anti-bribery and corruption report at each meeting since it is responsible for ensuring that appropriate safeguards are in place for the detection of fraud and prevention of bribery, including overseeing and monitoring the Group's anti-bribery and corruption policies and procedures. There were no causes of concern during 2018.

HEALTH AND SAFETY

Health and safety is a prime concern for our business and a Health and Safety report is prepared and discussed at every Board meeting. Further information on Health and Safety can be found on page 43.

NOMINATION COMMITTEE REPORT

"The composition, diversity and skills of the Board and senior management are vital drivers of the successful implementation and operation of the strategy."

GERALD CORBETT
CHAIR OF THE NOMINATION COMMITTEE

I am pleased to present the Nomination Committee Report for 2018. In accordance with the Code and following the results of the Board evaluation, the Committee is now made up entirely of Non-Executive Directors. Further details of the Committee's members can be found on pages 62 to 65. The Committee's key role centres around Board recruitment and succession to ensure the Company has the right people in the right places. In accordance with the spirit of the New Code, the Nomination Committee had a greater focus in 2018 on diversity, succession planning and talent management.

The Nomination Committee is responsible for:

- regularly reviewing the size, diversity, skills, experience, independence and knowledge of the Board and its Committees, to ensure that they are appropriately balanced with the right structure, size and composition to operate effectively and to deliver the strategy. This ensures that each Director is able to effectively discharge his or her duty to act in the best interests of shareholders and other key stakeholders, while enabling the business to operate effectively and deliver on strategy;
- leading the process for Board and Committee appointments to ensure that the process is formal, rigorous and transparent. To identify and nominate for Board approval, candidates to fill Board and Committee vacancies, identifying the skills required for the particular role, appointing a search firm, recognising the benefits of diversity, and in the case of the Non-Executive Directors, ensuring that they will have sufficient time for the job;
- ensuring the Company's leadership skills are fully aligned with the Company's long-term strategy;
- considering succession planning for the Executive and Non-Executive Directors. Ensuring that succession planning is in place for members of the Leadership team, to create a strong pipeline of diverse and talented individuals who are available to support the Company in meeting its future business objectives and achieving its strategic goals;
- considering the diversity and inclusion policy;
- considering the talent development programme for the wider workforce; and
- recommending the election/re-election of the Directors by shareholders, having due regard to their performance and ability to continue to contribute to the Board, taking into consideration the skill, experience and knowledge required along with the need for progressive refreshing of the Board.

Details of the skills and experience each Director brings to the Board, are set out on pages 62 to 65.

APPRAISAL PROCESS

The expertise and performance of the Directors is considered each year. The annual appraisal of the Chair is led by the Senior Independent Director, Martin Moore.
This year, as the Committee was to consider the Chair's re-appointment for a second three year term, Martin undertook a more thorough review. He met with Independent Audit to discuss the feedback they had received on the Chair, and he also met with each of the Directors and the Company Secretary to discuss his performance. There was agreement that the Chair was performing his role well and there was unanimous support for his re-appointment. The Chair leads the appraisal of the Chief Executive by arranging a meeting of Non-Executive Directors to discuss his performance. The Non-Executive Directors agreed that the Chief Executive continues to perform well, executing his role with energy and leading an effective executive team.
The performance of the other Non-Executive Directors is appraised by the Chair whilst the Executive Directors are appraised by the Chief Executive with feedback from other Directors where appropriate. The Board is satisfied that all Directors possess relevant experience and appropriate levels of real estate, financial and commercial experience across various industries.

APPOINTMENT OF DIRECTORS

Following the appraisal process, the Nomination Committee concluded that each of the Directors continued to make an effective contribution to the Board. It also considered the time commitments of the Non-Executive Directors and concluded that each Director is able to commit sufficient time to the Company and to fulfil their duty to promote the success of the Company.

GOVERNANCE

NOMINATION COMMITTEE REPORT CONTINUED

During the year the Nomination Committee reappointed Christopher Fisher for a third three-year term. The Committee was mindful that since the proposed renewal was beyond six years, it should be subject to particularly rigorous review and should take into account the need for progressive change of the Board. The Committee acknowledged that there had been a number of Director changes over the past two years, so refreshing the Board was not a particular objective at this time. Christopher's period of service, and the continuity and stability which that gave the Board, was considered to be especially valuable. Following consideration of Christopher's performance, the Committee agreed that he was effective, made a valuable contribution to the meetings and continued to demonstrate commitment to the role, and recommended his reappointment for a further three-year term from September 2018.

Martin Moore became the Senior Independent Director in April 2018, following Baroness Ford's retirement. As mentioned earlier, he led the process for Gerald's re-appointment for a further three-year term.

In accordance with the Code, each of the Directors will submit themselves for re-election at the 2019 AGM, and Mary Barnard and Sue Clayton will submit themselves for election.

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Committee was aware in 2017 that over the following two years it would need to recruit three Non-Executive Directors in order to ensure orderly succession. It was committed to finding candidates with the appropriate skills and experience to replace those of the retiring Directors and where possible to increase diversity. The Committee agreed the role specification and, in particular, identified the required skills and attributes. Russell Reynolds, formerly known as The Zygos Partnership, was appointed to lead the search as it has undertaken previous Non-Executive Director searches and has a good understanding of the Company and its culture.

For each recruitment, a long list of candidates was circulated to the Directors for comments and the Committee agreed the short lists. Generally the first round of interviews were conducted by the Chair and Chief Executive followed by other members of the Committee. Subsequent interviews were arranged with the Executive Directors where appropriate.

As previously reported, the Board appointed Carol Fairweather in January 2018 and Sue Clayton in June 2018, and has recently announced the appointment of Mary Barnard. This now completes the Committee's current work for the orderly rotation of Non-Executive Directors.

INDEPENDENCE

Doug Webb will have served nine years with us in May 2019. Due to the number of recent Board changes, the Nomination Committee has recommended to the Board that he remain in office for a period to ensure continuity, although he will retire from the Audit Committee after the 2019 AGM. The Committee and the Board consider that Doug remains independent, notwithstanding having served a nine year term.

In 2018, we welcomed Sue Clayton as Non-Executive Director. Since Sue is a part time Executive Director of CBRE Limited (CBRE), the Company's independent valuer, particular consideration was given to her independence on appointment. When assessing her independence, the Committee noted that Sue had no involvement in the preparation of the Company's valuation, nor did she hold any line of managerial responsibility, directly or indirectly, over the CBRE valuation team. It was agreed that during her term of appointment with the Company, Sue should have no involvement in reviewing CBRE's performance or effectiveness, their fees or their appointment. Having sought additional assurances from both CBRE and Sue that in each of their views, her independence was not compromised, the Committee confirmed that it was satisfied that Sue was independent in both character and judgement, and was pleased to recommend Sue's appointment to the Board.

SUCCESSION PLANNING

Below the Board, the Committee considers succession planning regularly as it recognises the importance of creating and supporting a suitably talented diverse pipeline of leaders ready to serve as the next generation of plc Directors. It reviews the skills and experience of the current Board, and considers whether they are appropriate to support the delivery of the Company's strategic goals both now and in the future.

The Group HR Director regularly presents to the Board on the Company's succession planning and talent development programme. The Company's strategy is well established and its execution not dependent on any one individual. For Executive Directors and for roles in the Leadership team, plans are in place for sudden, unforeseen absences, for medium-term orderly succession and for longer-term succession. These plans are then used to provide development plans for our most talented people and to ensure that looking forward, we have the right people to deliver our strategy. We encourage regular contact between members of senior management and the Board. This may be by a Board presentation, a tour of assets or a one-to-one session with Non-Executive Directors to discuss a specific issue.

DIVERSITY

The Directors are committed to having a balanced Board which recognises the benefits of diversity in its broadest sense and the value that this brings to the organisation in terms of skills, knowledge and experience. Our Board Diversity Policy is available at www.SEGRO.com.

With respect to gender specifically, the Board aspires to promote greater gender diversity. When running the process to appoint the Non-Executive Directors as described above, the Committee recognised that how it selected and briefed the executive search firms and, in particular, how it described the skills and experience needed for the roles were important elements in attracting as wider pool of candidates as possible. The Committee will only use the services of executive search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms.

In the final selection decision, all Board appointments are made on merit and relevant experience, against the criteria identified by the Committee with regard to the benefits of diversity, including gender.

We are members of the 30% Club which aims to achieve of 30 per cent of women on FTSE 100 boards by 2020. As at 31 December 2018, there were two female and eight male Board members. By 1 March 2019, there will be three female Board members and eight male. See page 42 for further information on Board diversity. We also support the aspirations of the Hampton Alexander review to identify and develop the next generation of female talent. For further details of the Group's approach to diversity below the Board, please see pages 42 and 43.

GERALD CORBETT
CHAIR OF THE NOMINATION COMMITTEE

AUDIT COMMITTEE REPORT

> "Formal, rigorous and transparent processes ensure the integrity of the Company's financial reporting."

DOUG WEBB
CHAIR OF THE AUDIT COMMITTEE

I am delighted to present the Audit Committee Report, which will be my last as Chair. 2018 has been another successful and busy year for the Company, with the development pipeline delivering a record number of completions, and sound capital investments and divestments adding to the strong returns. Since one of the Committee's principal roles is to satisfy itself on the integrity of the financial statements having reviewed the significant financial reporting judgements and estimates, during the year we discussed and debated a number of the key transactions which have contributed towards the healthy set of financial results which you will have read about elsewhere in this Annual Report. We were satisfied that the appropriate financial treatment had been applied to them. Further details on these transactions can be found in the Strategic Report and Financial Review.

ACTIVITIES OF THE COMMITTEE IN 2018

As well as ensuring that the financial integrity of the Company is maintained, risk remains a focus of the Committee. We are responsible for providing independent scrutiny and ensuring that appropriate and robust policies and procedures are in place to identify and assess risk as well as to manage internal controls and risk management systems. We also take an active interest in the robustness of the valuation process since valuation is the most significant estimate in the financial statements. Our other key activities, including oversight of the external and internal audit functions, are set out in more detail on pages 81 to 83.

MEETINGS AND COMPOSITION

The Committee is composed entirely of independent Non-Executive Directors who met three times in 2018. The Committee is an open forum for discussion and I encourage participation and debate by all members. I also enjoy a constructive working relationship with the Company's management team, finance function, external and internal auditors, and so am able to drop in or pick up the phone to discuss any matters that arise outside of scheduled meetings. The Committee also has the flexibility to meet more frequently on an ad hoc basis where necessary. I, and my other Committee members, find it very useful to be able to discuss matters in 'real time' rather than wait for a scheduled meeting.

To give greater flavour to the matters being discussed during the year, as usual, a number of additional attendees joined our meetings, including the Group Financial Controller who explained and discussed the accounting judgements and treatment given to particular transactions, and the Director of Digital & Technology who summarised how the Company approached cyber security, as well as other specialists including the Director of Tax and General Counsel. This gives us further assurance that the Executive is being supported by the appropriate specialists and that there is a pool of talent within the Company.

COMMITTEE CHANGES

Having served over eight years as the Committee Chair, I intend to retire from the Committee following the AGM and will be replaced by Carol Fairweather. Carol has provided valuable support and fresh insight to the Committee throughout her time as a member and I wish her, and the rest of my Committee members, well for the future. Some thoughts from Carol on taking over as Audit Committee Chair are set out on page 80.

I am also delighted to extend a warm welcome to Sue Clayton as a member of the Committee. As you will have read elsewhere, although Sue is a part-time Executive Director of CBRE, the Company's valuer, I and my other Committee members are completely satisfied that she is independent and indeed welcome the wealth of experience and insight that she brings to the Committee.

2018 will also be the last year for our lead audit partner, Craig Hughes, who will rotate off our account and be replaced by John Waters. On behalf of the Committee, I would like to take the opportunity to thank Craig and welcome John. He will bring fresh and new thinking to the role whilst being supported by a strong team already familiar to the Company.

DISCHARGE OF RESPONSIBILITIES

It has been a pleasure to be the Chair of the Committee. The regular discussion and challenge that the Committee has with the talented management team, the external and internal audit teams, coupled with the comprehensive information provided to the Committee, has assisted us in appropriately discharging our duties and responsibilities.

I thank all those who contribute to the Audit Committee function for their hard work dedication and commitment to the Committee and the Company.

DOUG WEBB
CHAIR OF THE AUDIT COMMITTEE

AUDIT COMMITTEE REPORT CONTINUED

COMPOSITION

Each Committee member is independent and has considerable commercial knowledge. The Committee as a whole has the relevant competence in property and financial experience to properly discharge its duties and both the Committee Chair and Carol Fairweather satisfy the requirement to bring recent and relevant financial experience.

As detailed in the Nomination Committee Report on page 78, Sue Clayton is a part time Executive Director of the Company's valuer. Although the Committee supports the Nomination Committee's assertion on Sue's independence, should Sue ever be conflicted and need to be excused from any of the Committee's discussions and decisions, the Committee would still be quorate without her.

CAROL'S THOUGHTS ABOUT TAKING ON THE ROLE OF AUDIT COMMITTEE CHAIR

It will be a pleasure to assume this responsibility following Doug's retirement from the Committee after the AGM. Doug has certainly left it in good shape. He has created a Committee that is disciplined, conscientious and which encourages open discussion, whilst the quality of the management reporting is excellent. These are standards that I will be keen to maintain.

Doug and I have worked closely together since I joined the Company to ensure a thorough induction into the work of the Committee, and more latterly to enable a smooth handover. He has been friendly and welcoming and his knowledge of the Company and its history, as well as his experience, have been very helpful in allowing me to quickly get up to speed with my new role. I have also spent time familiarising myself with EPRA reporting metrics as these are property industry specific. I have shadowed Doug in his private meetings with CBRE, PwC and KPMG, and am grateful for the insight into the operations of the Committee and the role of Chair this has brought. I look forward to continuing Doug's good work in 2019 and would like to take this opportunity on behalf of myself and fellow Committee members, to thank Doug for his great leadership.

MEETINGS AND MAIN ACTIVITIES DURING THE YEAR

Throughout the year the Committee has acted in accordance with its Terms of Reference which can be found at www.SEGRO.com. In particular, its main activities have been:

- reviewing and monitoring the integrity, consistency and key accounting judgements and estimates 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;
- assessing the independence of the valuer of the Group's property portfolio and gaining assurance around the valuation process;
- ensuring that the impact of the various debt financing transactions (detailed further on page 31) had been accurately reflected in the Half year and Full year results;
- ensuring compliance with applicable accounting standards, monitoring developments in accounting regulations as they affect the Group and reviewing the appropriateness of accounting policies and practices in place;
- overseeing matters relating to tax and any potential impact tax matters may have on the integrity of the Financial Statements;
- monitoring the effectiveness of the Group's risk management systems and considering the adequacy of the actions being taken to identify risks and mitigate the exposure of the Group to them;
- reviewing the adequacy of internal financial controls and broader internal control systems;
- examining the performance of the external and internal auditors, their objectivity, effectiveness and independence, as well as the terms of their engagement and scope of their audit and agreeing the annual internal audit plan;
- monitoring the ratio and level of audit to non-audit fees paid to the external auditor and agreeing their remuneration for the year;
- analysing and challenging the results of internal audit reviews and management's plans to resolve any actions arising from them;
- advising the Board on whether the process supporting the preparation of the Annual Report taken as a whole, is appropriate to allow the Board to conclude that the Annual Report is fair, balanced and understandable and provides the information necessary to shareholders to assess the Group's position and performance, business model and strategy;
- ensuring the process followed to support the making of the viability statement remained robust and was correctly followed; and
- ensuring appropriate safeguards are in place for the detection of fraud and prevention of bribery. This extends to responsibility for overseeing and monitoring the Group's anti-bribery and corruption policies and procedures contained in the Company's Code of Ethics.

Chart 1 below sets out the significant matters considered by the Committee during the year in relation to the Financial Statements.

CHART 1: 2018 SIGNIFICANT MATTERS

Significant matter	The action taken
Valuation of the property portfolio Valuation is central to the business performance and is a significant estimate for the Committee as it is inherently subjective, because the valuer must make assumptions and judgements in reaching its 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 ensured that there was a robust process in place to satisfy itself that the valuation of the property portfolio by CBRE, a leading firm in the UK and Continental European property markets, was carried out appropriately and independently. Given the significance, the full Board met twice with CBRE to review, challenge, debate and consider the valuation process; understand any particular issues encountered in the valuation; and discuss the processes and methodologies used. The Chair of the Audit Committee and Carol Fairweather also met separately with CBRE to discuss such matters which allowed them to scrutinise the valuation process and ensure the valuer remained independent, objective and effective. The Committee confirmed that it was satisfied that the valuation was not subject to undue influence and had been carried out fairly and appropriately, and in accordance with the industry valuation standards, and therefore suitable for inclusion in the Financial Statements. For details of the Group's properties and related accounting policies see Note 13 and Note 1 of the Financial Statements. For details of the results of the valuation see Note 13 of the Financial Statements.

Significant matter	The action taken
Accounting for significant acquisition, disposals and transactions During the year, the Company made a number of acquisitions and disposals and carried out other transactions, which were large and/or 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 or revenue should be recognised, and what the appropriate accounting treatment should be. The accounting treatment of acquisitions, disposals and transactions themselves, is a recurring risk for the Group and is considered to be significant, since an inappropriate approach could cause a misstatement of the Group's financial position and/or results. The application of the accounting treatment for each particular transaction is judged on its own particular facts and circumstances.	The Committee considered the accounting treatment of key, complex transactions during 2018 including the accounting treatment applied to acquisitions and disposals of various properties, and the calculation of the SELP performance fee due to the Company, by reviewing and challenging management's papers on accounting proposals and judgements. Following a review of the accounting treatment for these significant transactions, in particular the point at which each transaction should be recognised, the Committee was satisfied that all relevant matters had been fully and adequately addressed and that the approach adopted by the Company was appropriate in each case, and in accordance with IFRS. The Committee challenged the application of accounting policy and internal controls relating to revenue recognition and reviewed reports from the external auditor and management. For further details of the accounting treatment applied to such significant transactions, see Note 1 of the Financial Statements.

FAIR, BALANCED AND UNDERSTANDABLE

The Board is 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 position and performance, business model and strategy. In order to make this statement, the Committee ensured that the due diligence exercise which was described in the 2015 Annual Report was followed.

The Board has made the 'fair, balanced and understandable' statement on page 108, following the Committee's confirmation that the processes and controls around the preparation of the Annual Report are appropriate, robust and consistent.

VIABILITY STATEMENT

The Committee ensured that the process put in place in 2015 to allow the Board to make the viability statement, on page 55, was robust, in line with market practice and had been correctly and properly followed. The Committee is comfortable with the process followed to make the viability statement and has confirmed this to the Board.

EXTERNAL AUDITOR

The Committee has worked with PricewaterhouseCoopers LLP (PwC) to ensure that the external audit, a key area of oversight, operated effectively. The Committee periodically meets privately with the lead partner, Craig Hughes, to discuss their work and their observations on the Company. No areas of concern have been raised. In addition, the Committee Chair occasionally has meetings and telephone calls with Craig or his colleagues to discuss matters as they arise throughout the year, such as the accounting treatment to be applied to the SELP performance fee received by SEGRO. It is believed that this is much more effective and helpful than just waiting to discuss matters at the scheduled meetings. The constructive relationship with PwC and the ability to challenge and discuss matters throughout the year is something the Committee values.

OVERSIGHT

In July 2018, PwC presented their audit plan for the year ahead which the Committee considered and then approved. PwC highlighted the key areas of risk, which were primarily identified as areas of judgement and complexity and were consistent with those areas identified by the Committee. The level of audit materiality was also discussed and agreed.

PwC presented a detailed report of their audit findings at the year end, which were reviewed and discussed. A similar review of the external auditor's report was undertaken by the Committee at the Half year. As part of this review the Committee questioned and challenged the work undertaken and the findings and the key assumptions made, with particular attention to the areas of audit risk identified.

AUDIT COMMITTEE REPORT CONTINUED

CHART 2: AUDIT AND NON-AUDIT FEES PAID TO PRICEWATERHOUSECOOPERS LLP

	2018	2017	2016
Audit fees (£m)	**0.72**	0.81	0.68
Non-audit fees (£m)	**0.06**	0.49	0.09
Ratio of non-audit fees to audit fees (%)	**9**	61	13

The above table excludes fees paid to PwC in respect of joint ventures. If these were included, the 2018 ratio of audit to non-audit fees would have been 18 per cent.

EFFECTIVENESS

The Committee assesses the effectiveness of the external audit process on an annual basis, by reviewing a number of factors:

- performance in discharging the audit and Half year review;
- independence and objectivity; and
- reappointment and remuneration.

Taking into account the views of management involved in the audit, the Committee was satisfied with the performance of PwC and recommended to the Board that it propose to shareholders that PwC should be reappointed for the 2019 financial year. The Company complies with the Competition and Market Authority Order 2014 relating to audit tendering and the provision of non-audit services. There are no contractual obligations which restrict the Committee's choice of external auditor or which put in place a minimum period for their tenure. The external audit was last tendered in 2015 following which the auditor changed from Deloitte LLP to PwC, and so there are no current plans to re-tender the services of the external auditor.

REMUNERATION AND INDEPENDENCE

The Committee considers the remuneration of the external auditor at least on a semi-annual basis and approves its remuneration. It also 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. This is further maintained by the Policy for Approval of Non-Audit Services (available at www.SEGRO.com) which recognises that there are certain circumstances where (i) PwC will not be used in any circumstances; (ii) PwC may be used, subject to the approval of the Chief Financial Officer; and (iii) PwC may be used, subject to the approval of the Audit Committee. In addition, the lead audit partner must also approve any non-audit work that PwC proposes to carry out for the Company before an engagement is accepted.

In 2018, fees for audit services, (excluding the SELP joint venture), amounted to £718,000 and the non-audit fees amounted to £63,000. The Committee has concluded that PwC remains independent and objective, and that the level of non-audit to audit fees is acceptable for 2018. Further details of these fees, and fees in respect of the audit of the Group's SELP joint venture for which PwC is the auditor, are provided in Note 6(ii) to the Financial Statements. The non-audit fee for 2018 equates to 9 per cent of the average audit fees of the last three years. Chart 2 sets out the ratio of audit to non-audit fees for each of the past three years.

The Committee is satisfied that PwC continues to provide appropriate levels of challenge and scrutiny, and remained independent. PwC has provided written confirmation of its independence to the Committee.

RISK

As you will have seen from the Principal Risks on pages 56 to 58, risk management is taken seriously by all at SEGRO. We are ever aware of the need to ensure that new and emerging risks, as well as more established principal risks, are adequately managed and mitigated. The Board recognises that effective risk management is key to the long-term sustainable growth of the business and the achievement of the Group's strategic objectives. As a result of this, risk management is embedded in the Company's decision making and robust processes have been put in place to ensure this remains the case. There is an on-going process for identifying, evaluating and managing the principal risks faced by the Group, which has been in place during the year. The Board assumes responsibility for the effective management of risk across the Group, determined by its risk appetite, as well as ensuring that each business area implements appropriate internal controls. The Committee reviews the effectiveness of the risk management process on behalf of the Board and is satisfied that it remains robust for the financial year in question and up to the date of this Report.

INTERNAL AUDIT

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 since its appointment in 2007 and reappointment in 2014 following a tender. During their tenure, there has been a number of rotations of lead partners and audit managers to ensure that a fresh perspective is given, and their independence and scrutiny maintained.

Topics selected for internal audit were based on a review of the Group's key risks which had not been subject to recent audit. The proposed internal audit programme for the following year was considered and approved by the Committee in December, although it is adapted during the year to incorporate any new or increased risks which materialise.

The Committee believes that both the process for determining the internal audit programme, and the programme itself, are 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 if necessary.

Each internal audit during 2018 confirmed that the relevant areas were appropriately controlled, and the identified enhancements were entered into the schedule which lists control points which require improvement actions (see Internal Control below).

Once each internal audit is complete, a questionnaire is issued by KPMG to the process owner about their internal audit 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 feedback on the internal audits was largely positive and no areas of particular concern have been brought to the Committee's attention. The lead KPMG partner also attends Committee meetings to present its report and the Committee also meets privately with him during the year.

INTERNAL CONTROL

The Committee is responsible for reviewing the adequacy and effectiveness of 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 52 of Principal Risks) and compliance with controls in relation to the process for preparing the Financial Statements.

Internal controls are regularly reviewed by the Board and the effectiveness of the Group's processes to manage them are frequently considered by the Committee which reviews a schedule listing all outstanding control points, noting the priority attaching to them and the progress made 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.

FINANCIAL REPORTING PROCESS

The Group has established internal controls and risk management systems in relation to the process for preparing the Financial Statements. Various checks on internal financial controls take place throughout the year, including internal audits. Developments in accounting regulations and best practice in financial reporting are monitored by the Company and where appropriate, reflected in the Financial Statements. Training is also provided to the finance teams and the Committee is kept appropriately informed.

The financial reporting from each business unit is subject to review by a local finance manager prior to being submitted to the Group Finance function. The results of each business unit are subject to further review by the Group Finance function. The results are then consolidated by Group Finance and are subject to various levels of review including by senior management.

The draft consolidated statements are reviewed by various individuals including those independent of the preparer. The review includes checking internal consistency, consistency with other statements, and consistency with internal accounting records. The Committee and the Board review the draft consolidated Financial Statements. The Committee received reports from management and the auditor on significant judgements, changes in accounting policies, and other relevant matters relating to the consolidated Financial Statements. The Financial Statements are also subject to external audit.

COMMITTEE EFFECTIVENESS

The review of the Committee's effectiveness was included as part of the Board evaluation process (detailed on page 71) and found the Committee to be performing effectively. In addition, the quality of the papers and presentations by management, coupled with the level of challenge by the Committee with management, PwC, KPMG and CBRE, and the quality of discussions held, gives the Committee further comfort and assurance that it is performing its role effectively.

REMUNERATION

"Our remuneration framework is aligned with the strategic direction and performance of SEGRO"

CHRISTOPHER FISHER
CHAIR OF THE REMUNERATION COMMITTEE

On behalf of the Board, I am pleased to present our Remuneration Report for 2018.

I have chaired the Remuneration Committee since May 2017, having served as an Independent Non-Executive Director and Remuneration Committee member since 2012. Accordingly, I have been closely involved with the evolution of our remuneration policies and their implementation over this period. We are now proposing a revised Remuneration Policy (2019 Policy) which we are only contemplating after the most careful consideration and consultation.

To remind you, the fundamentals supporting our current Remuneration Policy (the Policy) which will continue to apply under the proposed 2019 Policy are that it:

- aligns with our strategy and the success of the business in the short and the long term;
- is straightforward and easy to understand;
- is based on principles which are applied consistently;
- results in a reward framework which reflects performance; and
- is transparent to the executives, the workforce and shareholders.

In summary, our remuneration framework for our Executive Directors and the wider workforce is aligned with the strategic direction and performance of SEGRO as well as the interests of our shareholders, see chart opposite.

The current Policy was approved in 2017 with over 94 per cent of votes in favour and the Directors Remuneration Report last year received over 97 per cent of votes in favour. We continue to value securing such support in the future.

COMPANY PERFORMANCE AND OUTTURNS

The Company has delivered sustained and very healthy returns to shareholders. As illustrated on page 92, an investment of £100 in SEGRO shares at the start of 2012 would have generated a gain (including reinvestment of the dividend) of just under £300 in 7 years compared to the FTSE 350 REIT index of a gain of just under £100. This out performance has been the main reason why SEGRO is now the largest UK listed REIT by market capitalisation and an established constituent of the FTSE 100.

In 2018, we delivered another year of strong operating and financial performance, as reviewed by David Sleath on page 6. Adjusted profit before tax is up 24.4 per cent to £241.5 million and adjusted earnings per share are up 17.6 per cent. EPRA NAV per share has risen by 17 per cent to 650 pence. The balance sheet remains in good shape with a conservative loan-to-value ratio of 29 per cent. The Board is recommending a final dividend of 13.25 pence per share, making the full year dividend 18.8 pence per share, an increase of 13.3 per cent.

Taking account of these strong results and our continuing outperformance of the peer group over the year, with a TSR of +3.1 per cent verses the FTSE 350 Real Estate index of –13.7 per cent, the Committee has approved (subject to the final Total Property Return (TPR) data being available) the following performance-related payments to the Executive Directors this year:

- the Bonus payments will be 88.3 per cent of their maximum award (see page 91); and
- the 2015 LTIP award will pay out 100 per cent (see page 96).

When the 2015 LTIP award was made the share price was 422 pence and this has risen 39 per cent over the vesting period to 588 pence on 31 December 2018.

Given this strong performance, and the returns for shareholders, the Committee considered it was entirely appropriate that the variable components of pay for the Executive Directors have paid out close to their maximum. When approving these payments, the Committee considered whether or not they represented a fair reflection of the underlying performance of the business, which they clearly do.

In keeping with the Policy, 2018 base salary increases for Executive Directors were in line with (and did not exceed) the average increases for employees across the Group.

TOTAL PROPERTY RETURN PERFORMANCE MEASURE

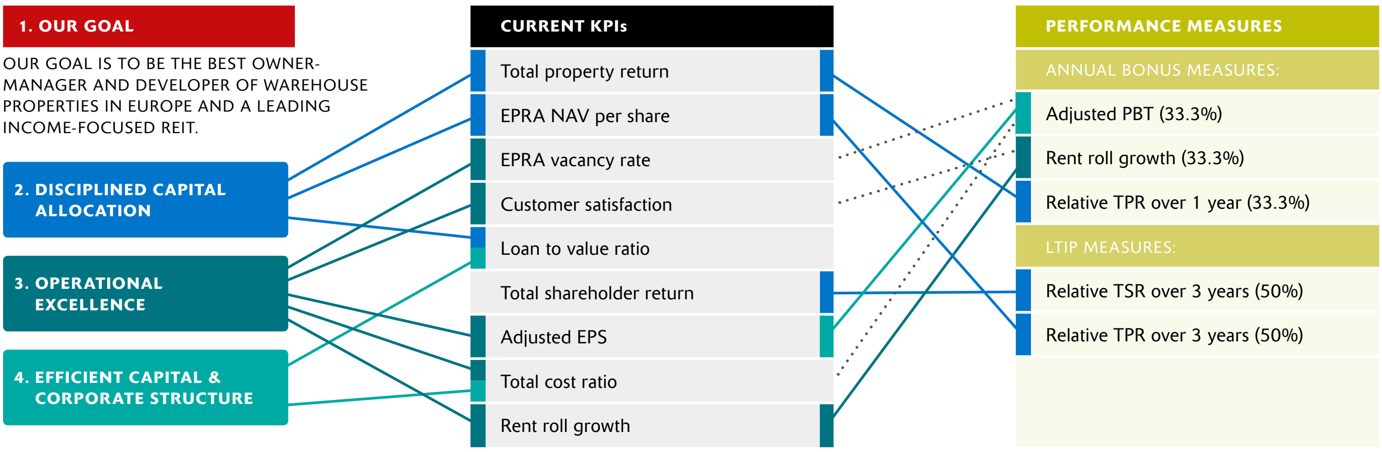
Shareholders have occasionally asked us why we use the same measure, TPR, in both the Bonus and the LTIP. The Committee believes that TPR is one of the best metrics for measuring performance as the Executives are being measured against the relative performance of our portfolio against industry benchmarks. So, in the current stage of the property cycle, where asset values have been rising in our sector, for executives to be rewarded they cannot just rely on market uplift, but must also ensure that our portfolio is outperforming.

REMUNERATION: REWARDING AGAINST PERFORMANCE

The chart below shows how the Directors' and workforce remuneration was aligned with our strategy in 2018.

OUR GOAL AND STRATEGIC PILLARS

HOW OUR PERFORMANCE MEASURES ALIGN TO OUR STRATEGY



ALL PERFORMANCE MEASURES FEED DIRECTLY INTO BOTH DIRECTORS' AND EMPLOYEES' REMUNERATION

EXECUTIVE DIRECTORS

SALARY	BONUS	DSPB	LTIP	PENSION (UK)	SIP	SAYE
Pay rise in line with employee pay	Maximum 150%	50% of Bonus deferred	Maximum 200%	30/20% of salary paid as cash	Maximum £3,000	3 year savings period
	Targets: • TPR • RRG • Adjusted PBT	3 years	3 years 2 year holding period Targets: • TSR • TPR		Minimum 3 year hold	£500/month maximum

ALL EMPLOYEES

SALARY	BONUS	DSPB	LTIP	PENSION (UK)	SIP	SAYE
Average increases approved by the Committee	All employees are eligible for a bonus	Leadership team 25% of Bonus deferred	Variable awards for Leadership team and senior managers	12% matched contribution	Maximum £3,000	3 years savings period
	Targets: • TPR • RRG • Adjusted PBT • Personal performance	3 years	3 years No holding period Targets: • TSR • TPR		Minimum 3 year hold	£500/month maximum

REMUNERATION CONTINUED

Having established that TPR is such an important measure, it was included in the Bonus scheme to ensure that everyday decisions about the portfolio were being taken with this in mind. The LTIP scheme, by definition, measures performance over a longer period and so using TPR here, it acts as a balance to the Bonus scheme making sure that decisions are made for the long term and not just for short-term benefit.

Further, the TPR measures used for the Bonus and LTIP reflect the different award periods and so exactly the same data is not used twice.

WORK OF THE COMMITTEE DURING THE YEAR

The key areas of focus of the Committee were:

- the approval of the Executive Directors' annual salary increases, the approval of the 2017 Bonus payments and the outturn of the 2014 LTIP award, along with the approval of the 2018 Bonus and 2018 LTIP targets;
- reviewing shareholder feedback following the AGM;
- monitoring the changing trends in corporate governance, the UK Corporate Governance Code 2018 (the New Code) and associated guidance; and
- a review of the Policy, drafting the 2019 Policy and consultation with shareholders.

STAKEHOLDER ENGAGEMENT

The Committee has three primary stakeholders: shareholders; Directors whose pay and benefits are within its remit; and the Company's workforce.

Shareholders

I am committed to ensuring that there is always an open dialogue with our shareholders. The Committee values shareholder engagement and I am available should shareholders wish to discuss their views on current practice or emerging issues.

I refer later to the consultation exercise which was followed in relation to the proposed 2019 Policy. We appreciated the engagement with our larger shareholders during this process and their input and support in reviewing our proposals and helping us to develop them.

Directors

After each meeting of the Remuneration Committee I report to the Board on any significant decisions which will impact on the Company generally or the principles of remuneration for the Directors.

The Company's workforce

The Committee's remit includes considering the remuneration framework for the workforce and monitoring the remuneration arrangements for the Executive Committee. It ensures that workforce remuneration is structured to reward everyone fairly and, in a year of strong Company performance, to ensure that everyone shares in its success. The reward framework for the workforce is based on the Policy and mirrors the structure which applies to the Executive Directors. Every employee is eligible for an annual bonus; the maximum award is based on role and seniority with a quarter of the award being calculated on the basis of personal performance, while the other three metrics are the same as those for the Executive Directors. Those in the Leadership team are subject to bonus deferral and, along with senior managers, they are eligible for LTIP awards, which are subject to the same performance conditions as the Executive Directors.

The Company offers schemes to encourage employee share ownership.

Each year, when considering pay increases, bonus awards and targets for the Executives, the Committee receives a report from the Group HR Director on remuneration for every member of the Leadership team and a more general report on pay across the Group.

THE YEAR AHEAD

The key areas of focus for the Committee in 2019 will be:

- approval of the Executive Directors' salary increases, the 2018 Bonus payments and the outturn of the 2015 LTIP award, along with the approval of the 2019 Bonus and 2019 LTIP targets;
- monitoring the emerging trends in corporate governance;
- implementing the proposed changes to the 2019 Policy, subject to receiving shareholder approval; and
- updating the Committee's Terms of Reference to reflect changes in the New Code.

2019 REMUNERATION POLICY

For a number of years, we have been concerned that the quantum of our remuneration package for Executive Directors was no longer serving the Company's interests as well as it should. Addressing such concerns is, naturally, a sensitive subject but, since our last remuneration policy review in 2016/17, we felt the need to do so was becoming more pressing while at the same time the evidence to justify an exceptional change was becoming more compelling.

The catalyst to take action was a combination of these growing concerns and the further evolution last year of the UK Corporate Governance Code (the Code) as it applied to remuneration. This led us to commission an independent review of our Policy to take account of emerging best practice as well as to examine whether or not it would be in the Company's best interest to modify any elements of our current remuneration package for each Executive Director.

One of the elements of evidence that contributed to our concerns regarding the current validity of our Policy arose from the external recruitment of our Chief Financial Officer, who joined us in 2017, where we found, in order to provide a competitive package, that we needed to pay him significantly more than his predecessor.

The conclusion of the independent review by Korn Ferry was that certain adjustments were needed to our remuneration package, particularly as it related to salary levels, the scale of longer term performance opportunities and the level and nature of shareholding guidelines. They found that the remuneration opportunity at SEGRO was well adrift from comparable companies, no longer reflected the scale and nature of the associated responsibilities, may not be sufficiently motivating for the existing team and, most importantly, ill-equipped us for future succession planning.

With regard to succession planning, particularly as it related to the position of Chief Executive, while it is not an immediate issue we are conscious that we need to address now the competitiveness of his remuneration package for this to be seen to be an attractive opportunity to potential succession candidates, thereby fostering their retention or supporting their attraction. We judged that failure to address this matter would be prejudicial to the Company's long-term interests.

The proposed increases in remuneration have been informed by comparable data but have not been determined by them; had this been the case the proposed increases would have been much larger and in our view not justifiable. These proposals have not been generated in response to internal pressure: the Executive 'tail' has not 'wagged' the Remuneration Committee 'dog'; rather, we have tried to strike a balance between the prevailing environment which expects a degree of restraint to executive pay and the current and future needs of the Company. While any significant percentage increase in salary is sensitive, the resulting levels of fixed and variable pay which we are proposing are still well within the boundaries of comparable data. Specifically, the fixed pay and total pay opportunity would still be below mid-market levels, based upon pay levels in companies in the FTSE51-100 and the average of the four other largest UK listed REITs.

In considering how best to proceed, the option was available to the Remuneration Committee to take certain steps now under its existing authorities and leave further changes to next year when the remuneration framework was next due for its scheduled review. We felt, however, that it would be better practice to come now with a complete package which could be judged in the round and with all elements only implemented with shareholder approval.

Accordingly, last Autumn we initiated two rounds of consultations with our major shareholders on these draft proposals. The feedback from this exercise has led us to modify our initial thoughts, particularly as they relate to the phasing of the proposed increase in the salary of the Chief Executive and to the strengthening of the terms of shareholding guidelines to include a post-employment requirement. In addition, since the Autumn there has been increased governance focus on the level of executive pension contributions.

We have felt it appropriate to give further weight to this in the final package we are proposing, in which you will see a phased 10 per cent of salary reduction in the pension contributions of the Chief Executive has been included.

In the absence of these proposals the Chief Executive's salary would have been increased by 3.5 per cent this year, in line with the general workforce. If there were a similar outcome next year, the proposed increase in his salary beyond what would otherwise occur is in total 10 per cent. Given that the package now includes a 10 per cent reduction in his pension contributions over the same period the net effect on fixed remuneration is correspondingly small. Of course, the shift within this towards salary has a knock-on effect on the variable pay opportunity, but this is both deliberate and, we believe, appropriate.

WHAT IS NOW BEING PROPOSED?

As you will see from the chart below there are four material elements: an uplift in base salary for three of our Executive Directors, which would subsume the normal annual review; an increase in the LTIP opportunity, alongside a new performance metric; a reduction in pension benefits; and increases in shareholding requirements. There are no proposed changes to the arrangements for the annual bonus.

Under the current Policy, the LTIP is founded upon TPR and Total Shareholder Return (TSR). We reviewed the targets for the LTIP and felt that they were sufficiently challenging, reinforcing our pay for performance culture. In the context of the proposed additional LTIP opportunity we concluded that a further challenge should be created through a new performance measure. By introducing a measure of the increase in Net Asset Value plus dividends paid to shareholders (Total Accounting Return or TAR), we create a more balanced and stretching assessment of performance. This measure adds the impacts of gearing, overhead expenses, interest, tax and corporate activity to TPR achieved and so is complementary to TSR but without the potential short-term volatility created by share price fluctuations.

OVERALL IMPACT

These proposals by their incremental nature will take some years to have a full effect on the rewards and incentives of our current Executive Directors and to be relevant to future decision making and performance.

The main increase in overall remuneration will only be delivered through short and long-term incentives if the business performs, and will predominantly be paid in shares which will now have more demanding retention requirements. As our LTIP grants are based on salary levels at the preceding year end, rather than at the time of grant, the increased opportunity will only fully apply from 2021. Even after these proposals, the Chief Executive's fixed pay and total pay opportunity would remain below mid-market levels.

OUR PROPOSALS	
(1) Salary: Chief Executive	Increases of 8.5 per cent in April 2019 and 8.4 per cent in April 2020 conditional on satisfactory performance of the individual and the Company.
Chief Investment Officer/Chief Operating Officer	An increase of 8.4 per cent in April 2019.
(2) LTIP Award:	Removal of exceptional maximum award of 300 per cent of salary. Increase awards to 250 per cent of salary (currently 200 per cent). Introduce a third performance measure of relative Total Accounting Return. Threshold vesting to be reduced to 20 per cent (from 25 per cent).
(3) Pension provisions: Chief Executive cash allowance	To reduce to 25 per cent of salary (currently 30 per cent) in April 2019 with a commitment to reduce to 20 per cent in April 2020.
New Executive Director appointments	To receive a pension or cash allowance in line with the UK workforce.
(4) Shareholding guidelines: Quantum	To increase for the Chief Executive to 300 per cent of salary (currently 250 per cent) and to 250 per cent of salary (currently 200 per cent) for other Executive Directors.
Post-employment	To introduce a requirement for the Executive Directors to continue to hold the full amount of the shareholding guidelines for two years after leaving the Company.
Malus and clawback	These clauses in the Bonus, DSBP and LTIP rules will be amended to ensure they will operate if there is a business failure and will extend to significant reputational damage.

GOVERNANCE

REMUNERATION
CONTINUED

We will have in place a more balanced incentive package which will be more stretching to deliver than currently due to the additional long-term performance condition. We will continue to reward long-term relative not absolute out performance against the sector.

AGM VOTING

We will have two resolutions on Directors' remuneration at the 2019 AGM.

The resolution to approve the Directors' Remuneration Report covers the salary, Chief Executive's pension reduction, shareholding guideline changes and enhancements to clawback provisions.

The resolution to approve the 2019 Policy covers the changes to the LTIP for Executive Directors and some minor additional changes for example how we will limit pension benefits for future Board appointments to the level provided to the UK workforce, currently 12 per cent of salary.

OUR AIM

Our aim is to ensure that our Remuneration Policy can apply in a fair and appropriate way for the next three-year period from the 2019 AGM, that we are better placed for succession planning purposes, that there continues to be strong alignment between executive remuneration and value creation for shareholders, and that we are taking account at the earliest opportunity of the New Code and other best practice features which are important to our shareholders.

CONCLUSION

As Chair of the Committee, I believe that the remuneration culture at SEGRO is rightly a robust one, but I also believe we are now experiencing some mis-alignments of sufficient significance for it to be in the Company's best interest to address them. We are acutely aware of the sensitivity surrounding changes to executive pay in the listed UK environment and the Committee has spent a considerable amount of time reflecting and consulting on the proposed 2019 Policy. It has not been a decision that has been taken lightly but it must be right that policies are capable of evolution when justified, which we firmly believe to be so in this case. The Committee believes that the proposed changes are right for both the Company and our shareholders. The Committee, with the support of all the Non-Executive Directors, recommends the two resolutions giving effect to these proposals to our shareholders.

If you have any questions about remuneration generally, or the contents of this Report or the proposed 2019 Policy, do please contact me at christopher.fisher@segro.com. I will be attending the AGM and should be pleased to answer any questions which you may have about the Committee's work.

CHRISTOPHER FISHER
CHAIR OF THE REMUNERATION COMMITTEE

2018 ANNUAL REMUNERATION REPORT

The following section provides details of how the Company's Remuneration Policy was applied during the financial year ended 31 December 2018.

DIRECTORS' REMUNERATION – EXECUTIVE DIRECTORS' SINGLE FIGURE (AUDITED)

CHART 1: EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION FOR 2018

	Salary		Taxable benefits		Single year variable – Bonus including DSBP		Multiple year variable – LTIP		Pension benefit		Other		Total	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
David Sleath	**633**	615	**20**	20	**845**	929	**1,904**	2,373	**190**	184	**4**	4	**3,596**	4,125
Soumen Das	**470**	443	**20**	19	**628**	690	**567**	407	**94**	89	**4**	1,327	**1,783**	2,975
Andy Gulliford	**414**	402	**20**	20	**553**	608	**1,247**	1,553	**83**	80	**4**	4	**2,321**	2,667
Phil Redding	**414**	402	**20**	19	**553**	608	**1,247**	1,553	**83**	80	**4**	4	**2,321**	2,666
Total	**1,931**	1,862	**80**	78	**2,579**	2,835	**4,965**	5,886	**450**	433	**16**	1,339	**10,021**	12,433

Taxable benefits

This includes private medical healthcare, plus cash allowance in lieu of a company car. In addition, Executive Directors are entitled to life assurance which is not taxable.

Single year variable – Bonus including DSBP

The single year variable amount includes the cash Bonus payable and monetary value of the shares awarded under the Deferred Share Bonus Plan (DSBP). In accordance with the Policy, 50 per cent of any Bonus earned in 2018 will be deferred into shares under the DSBP. Vesting of shares is dependent on continued employment or good leaver status. See Chart 3 for details of the 2018 Bonus payment.

As the MSCI Benchmark data was not available at the date of publication of the 2017 Annual Report, the 2017 Bonus payments disclosed last year were based on an estimate of 100 per cent of the TPR element being achieved. The TPR element has since been confirmed at 100 per cent and accordingly no adjustment has been made to the 2017 figure.

Multiple year variable – LTIP

2018

The outturn for the 2015 Long Term Incentive Plan (LTIP) which vests in 2019 has been estimated at 100 per cent and the vesting share price has been estimated at 612.96 pence, based on the three-month average share price ending 31 December 2018. For further information see page 96.

It is estimated that £534,240 of the above figure for David Sleath and £349,685 of the above figures for Andy Gulliford and Phil Redding may be attributed to a share price appreciation of 190.46 pence per share, based on an actual award price of 422.50 pence and an estimated vesting share price of 612.96 pence, and £156,586 of the above figure for Soumen Das may be attributed to share price appreciation of 178.96 pence per share, based on an actual award price of 434.00 pence and an estimated vesting price of 612.96 pence.

The monetary value of the 2015 LTIP includes a cash value of 66 pence per share for David Sleath, Andy Gulliford and Phil Redding and 35 pence per share for Soumen Das, equivalent to the dividends that they would have received had they held the shares from the award date. The Committee has the right to decide that this payment may be made in cash or shares.

The Committee has not exercised discretion in respect of the vesting of the 2015 LTIP.

2017

In the 2017 Annual Report the estimated vesting share price for the 2014 LTIP, which vested in 2018, was 552.16 pence, and the figure in the above table has been re-presented to reflect the actual vesting share price of 638.53 pence.

Pension benefit

In 2018, each of the Executive Directors received cash in lieu of pension.

Other

This 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. For Soumen Das, the 2017 figure includes the value of replacement awards made in 2017 under the rules of the DSBP. For further information, see Chart 14 on page 96 of the 2017 Annual Report.

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REMUNERATION
CONTINUED

BASE SALARY (AUDITED)

On 1 April 2018, the Chief Executive's base salary was £637,600, the Chief Financial Officer's base salary was £473,800, and the base salaries of the Chief Investment Officer and the Chief Operating Officer were each £417,465.

From 1 April 2019, David Sleath will receive an increase to salary of 8.5 per cent, Andy Gulliford and Phil Redding will receive an increase to salary of 8.4 per cent and Soumen Das will receive an increase to salary of 3.5 per cent.

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 Chair are reviewed by the Committee.

The Non-Executive Directors' fees were last increased in January 2018. The base Non-Executive Director fee is £60,000 per annum, the fee for a Director chairing a Board Committee is £75,000 per annum and the fee for the Senior Independent Director is £75,000 per annum. The Chair continues to be paid £250,000 per annum. It is proposed that his fee will be reviewed towards the end of 2019 and in the meantime remains at the level set in 2016.

The Chair 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 Chair during the year.

CHART 2: INDEPENDENT NON-EXECUTIVE DIRECTORS' SINGLE TOTAL FIGURE OF REMUNERATION FOR 2018

		Total fees	
		2018 £000	2017 £000
Gerald Corbett	Chair	**250**	250
Sue Clayton[1]		**35**	–
Carol Fairweather[2]		**60**	–
Christopher Fisher[3]	Chair of the Remuneration Committee (since 18 May 2017)	**75**	61
Margaret Ford[4]	Senior Independent Director (until 19 April 2018), Chair of the Remuneration Committee (until 18 May 2017)	**23**	71
Martin Moore[5]	Senior Independent Director (since 19 April 2018)	**70**	55
Mark Robertshaw[6]		**35**	55
Doug Webb	Chair of the Audit Committee	**75**	65

1 Sue Clayton was appointed as a Director on 1 June 2018.

2 Carol Fairweather was appointed as a Director on 1 January 2018.

3 Christopher Fisher succeeded Margaret Ford as Chair of the Remuneration Committee on 18 May 2017.

4 Margaret Ford resigned as a Director on 19 April 2018.

5 Martin Moore succeeded Margaret Ford as Senior Independent Director on 19 April 2018.

6 Mark Robertshaw resigned as a Director on 31 July 2018.

BONUS PAYMENT 2018 (AUDITED)

For the Executive Directors, the 2018 Bonus comprised three equally weighted components: Adjusted Profit Before Tax (PBT); rent roll growth (RRG); and relative TPR.

- Profit – Adjusted PBT against target

For this element, a Bonus is earned for Adjusted PBT performance against target. 50 per cent is earned on achieving the threshold target (£222.1 million for 2018), rising to 100 per cent for achieving the maximum target (£238.8 million for 2018). 100 per cent of this element was achieved in 2018, with Adjusted PBT performance for bonus purposes of £246.1 million.

- Rent roll growth (RRG) against target

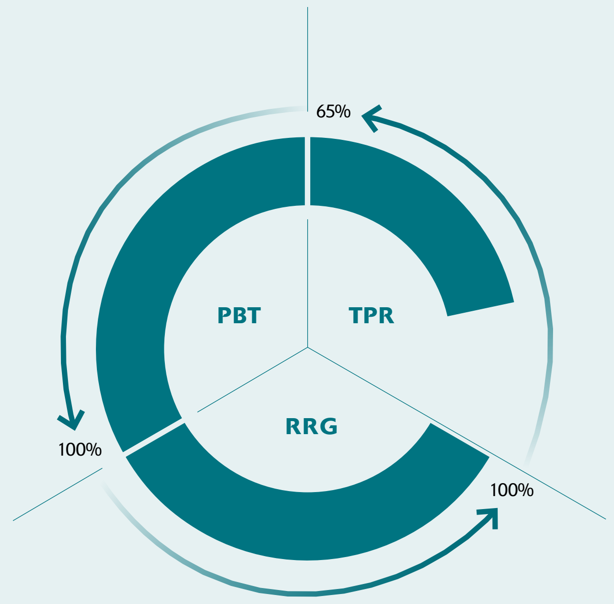
For this element, a Bonus is earned if the rent roll growth from the existing standing stock is positive (the threshold). Once the threshold is achieved, the Bonus is determined based on total RRG (existing standing stock plus the impact of development RRG), with a sliding pay-out scale rising from 0 per cent for flat total RRG through to 100 per cent for achieving the maximum increase (£40.3 million in 2018). In 2018, RRG from standing stock was positive, thus ensuring the threshold was achieved. Total RRG including the contribution from developments was £52.6 million for Bonus purposes and, accordingly, 100 per cent of this element was achieved.

Bonus targets for Adjusted PBT and RRG are set at the start of the year. The outturns were calculated using a consistent exchange rate and also include adjustments for specific items (including acquisitions and disposals) in accordance with the Bonus scheme rules as approved by the Committee.

- TPR – Relative TPR against the MSCI Benchmark

For this element, a Bonus is earned if the Company's TPR is in line with the TPR of a comparable externally calculated Benchmark, rising on a straight-line basis to 100 per cent when the Company's TPR exceeds the Benchmark by 1.5 per cent. The Company's TPR performance excludes land. The Benchmark is calculated by MSCI based on All Industrial Country benchmarks weighted to reflect the approximate mix of the Company's portfolio.

CHART 3: BONUS PAYMENT 2018



The actual TPR performance for the Company's assets for bonus purposes in 2018 was 16.8 per cent, being 17.6 per cent for the UK and 15 per cent for Continental Europe. At the date of this report the MSCI Benchmark was only available for the UK, at 16.4 per cent.

On the basis of the performance of the Company's assets against the MSCI TPR Benchmark as noted above, and for the purposes of this Report, the Committee has estimated that 65 per cent of the overall TPR will be achieved for 2018 Bonus payments. The TPR figures stated above are different to those stated in the KPIs on page 38, which relate to standing investments only.

The Adjusted PBT and RRG element of the 2018 Bonus will be paid in April 2019, less a 50 per cent deduction for the DSBP. Payment of the TPR element will be deferred until Summer 2019, when the European MSCI Benchmarks become available. Accordingly, the actual payment made under the TPR element of the 2018 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 2018 DSBP will be in April 2022, the third anniversary of the payment of the profit and RRG element of the 2018 Bonus. Any payments under the 2018 Bonus and any awards made under the DSBP will be made in accordance with the Remuneration Policy.

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BONUS PAYMENT 2017

Calculation of the TPR element of the Bonus payment is based on comparison with the MSCI Benchmark, the data for which was not available at the time of publication of the 2017 Annual Report. The Remuneration Committee estimated that 100 per cent of this element would be achieved and the actual TPR data confirmed that this was correct.

CHIEF EXECUTIVE SINGLE FIGURE

CHART 4: TEN-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 %
2018	David Sleath	3,596	88.3	100.0
2017	David Sleath	4,125[2]	100.0	100.0
2016	David Sleath	3,788	99.2	100.0
2015	David Sleath	2,388	100.0	42.3
2014	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[1]	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 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.

2 This figure has been updated since the 2017 Annual Report as some values were estimated. For further information see Chart 1.

CHARTS 5 AND 6: TSR CHARTS

Chart 5 shows TSR for the Company over the last ten financial years compared with the FTSE 350 REITs and the FTSE 100 Index. The Committee has determined that these indices provide useful comparators as the Company, or its peers, are constituents of them. Chart 6 shows TSR for the Company over the last seven financial years since the current strategy under David Sleath was adopted in 2011, compared with the same benchmarks as Chart 5.

CHART 5: COMPOSITE TEN-YEAR TSR CHART

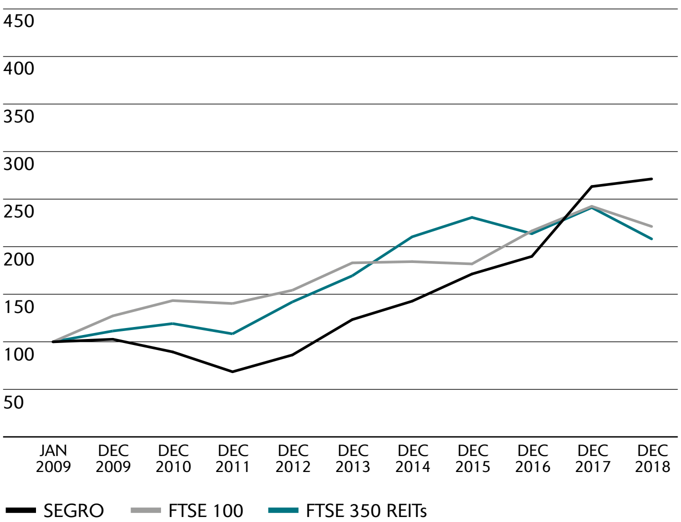

CHART 6: COMPOSITE SEVEN-YEAR TSR CHART

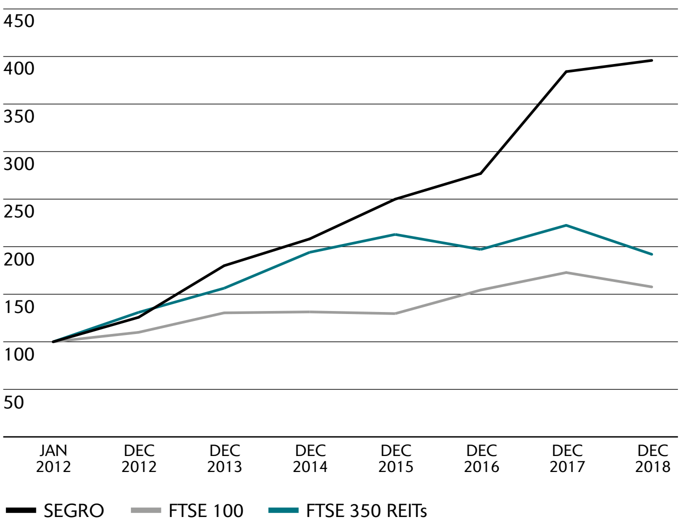

CHART 7: PERCENTAGE INCREASE IN CHIEF EXECUTIVE REMUNERATION COMPARED TO THE AVERAGE PER EMPLOYEE

	Chief Executive			Average per employee[1]		
	2018 £000	2017 £000	Increase %	**2018 £000**	2017 £000	Increase %
Salary received during year	**633**	615	3	**87**	83	5
Taxable benefits received during year	**20**	20	0	**9**	8	7
Annual variable pay received during year (Bonus and DSBP)	**845**	929	(9)	**42**	46	(8)
Total	**1,498**	1,564	(4)	**138**	137	1

1 Average per employee is based on UK employees who have been continually employed for the entirety of 2017 and 2018 and entitled to receive annual variable payment. UK employees represent approximately 54 per cent of the workforce.

CHART 8: CEO PAY RATIO

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2018	A	65:1	41:1	24:1

The Chief Executive's single total figure of remuneration for 2018 used for the calculation of the above ratios is detailed in Chart 1. The Committee has estimated the TPR element of the 2018 Bonus and the outturn of the 2015 LTIP Award, which will vest in 2019, as MSCI Benchmark data was not available at the date of the publication of the 2018 Annual Report.

CHART 9: RELATIVE IMPORTANCE OF SPEND ON PAY

Year	Total dividend paid (£m)	Total employee expenditure (£m)
2018 (2017 final and 2018 interim)	169.9	39.5
2017 (2016 final and 2017 interim)	145.7	37.6

DIRECTOR SHAREHOLDINGS (AUDITED)

The interests of the Directors and their immediate families in the ordinary shares of the Company at 1 January 2018 and 31 December 2018 were as set out below.

CHART 10: DIRECTORS' BENEFICIAL INTERESTS IN SHARES

	Beneficial interests[1]	
	31.12.2018 Ordinary 10p shares	01.01.2018 Ordinary 10p shares
Gerald Corbett	63,960	63,960
Sue Clayton[2]	–	–
Soumen Das	153,345	92,322
Carol Fairweather[3]	12,000	–
Christopher Fisher	20,592	20,592
Margaret Ford[4]	22,312	22,312
Andy Gulliford	481,809	340,815
Martin Moore	17,442	17,442
Phil Redding	345,094	318,865
Mark Robertshaw[5]	19,200	19,200
David Sleath	691,854	652,899
Doug Webb	26,541	25,922

1 Beneficial interests in Chart 10 above represent shares beneficially held by each Director, including any ordinary shares held beneficially by spouses as well as shares held on behalf of the Executive Directors by the Trustees of the SIP. Between 31 December 2018 and 14 February 2019 there were no changes in respect of the Directors' shareholdings. The Trustees of the SIP held a non-beneficial interest in 486,289 shares as at 1 January 2018, 472,175 shares as at 31 December 2018 (2017: 486,289) and 470,501 shares as at 14 February 2019. The Trustees of the 1994 SEGRO plc Employees' Benefit Trust held 665,653 shares as at 1 January 2018 and 432,924 shares as at 31 December 2018 (2017: 665,653 shares). There was no change in their holdings between 31 December 2018 and 14 February 2019. As with other employees, the Directors are deemed to have a potential interest in these shares, being beneficiaries under these two Trusts.

2 As a part-time Executive Director of CBRE, there is a restriction on Sue Clayton's ability to own shares in SEGRO plc. She is therefore exempt from the Non- Executive Directors' shareholding requirements until such time as this restriction no longer applies.

3 Carol Fairweather was appointed to the Board on 1 January 2018.

4 Margaret Ford retired from the Board on 19 April 2018. The figure in the table shows her holdings as at that date.

5 Mark Robertshaw retired from the Board on 31 July 2018. The figure in the table shows his holdings as at that date.

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CHART 11: EXECUTIVE DIRECTORS' OVERALL INTERESTS IN SHARES

	Beneficial interests (including SIP shares)	Subject to deferral under DSBP	Subject to achievement of performance conditions under LTIP	Options outstanding under Sharesave	Total as at 31.12.18
David Sleath	691,854	266,126	1,011,357	4,914	1,974,251
Soumen Das	153,345	171,007	667,400	4,914	996,666
Andy Gulliford	481,809	148,533	662,063	4,265	1,296,670
Phil Redding	345,094	148,533	662,063	3,616	1,159,306

POLICY ON SHAREHOLDING GUIDELINES (FROM 1 JANUARY 2019) (AUDITED)

Executive Directors are expected to build a shareholding equivalent to 250 per cent the value of their base salary calculated by reference to the share price as at 31 December 2018. The Chief Executive is expected to hold shares equivalent to 300 per cent his base salary. The number of shares held which contribute towards the shareholding requirement comprise beneficial interests including SIP shares held in trust and shares under award in the DSBP net of income tax and National Insurance, but excludes shares under award in the LTIP and outstanding Sharesave options.

Executive Directors are required to retain half of their LTIP and DSBP shares post vesting until the above guidelines have been met and maintained.

Non-Executive Directors are expected to own shares equivalent to 100 per cent of their annual fees calculated by reference to the share price as at 31 December 2018.

CHART 12: EXECUTIVE DIRECTORS' SHAREHOLDING AND SHAREHOLDING REQUIREMENTS

	Number of shares held as at 31.12.18[1]	Value of shares held as at 31.12.18[2]	Shareholding as a percentage of salary as at 31.12.18 (%)	Shareholding requirements met
David Sleath	832,900	4,902,499	768.9	✓
Soumen Das	243,978	1,436,055	303.1	✓
Andy Gulliford	560,531	3,299,285	790.3	✓
Phil Redding	423,816	2,494,581	597.6	✓

1 Comprised beneficial holdings and shares under award in the DSBP net of income tax and National Insurance.

2 Value of shares calculated using share price of 588.6p as at 31 December 2018.

CHART 13: NON-EXECUTIVE DIRECTORS' SHAREHOLDING AND SHAREHOLDING REQUIREMENTS

	Number of shares held as at 31.12.18	Value of shares held as at 31.12.18[1]	Shareholding as a percentage of annual fees as at 31.12.18 (%)	Shareholding requirements met
Gerald Corbett	63,960	376,469	150.6	✓
Sue Clayton[2]	–	–	–	n/a
Carol Fairweather	12,000	70,632	117.7	✓
Christopher Fisher	20,592	121,205	161.6	✓
Martin Moore	17,442	102,664	136.9	✓
Doug Webb	26,541	156,220	208.3	✓

1 Value of shares calculated using share price of 588.6p as at 31 December 2018.

2 As a part-time Executive Director of CBRE, there is a restriction on Sue Clayton's ability to own shares in SEGRO plc. She is therefore exempt from the Non-Executive Directors' shareholding requirements until such time as this restriction no longer applies.

EXECUTIVE DIRECTOR SHARE SCHEME HOLDINGS (AUDITED)

DSBP

The DSBP was implemented for the 2010 Bonus payment onwards for the Executive Directors and the Leadership team. Since 2013, the deferral percentage has been 50 per cent for Executive Directors. The shares held under the DSBP are shown in Chart 14 below. On vesting, the Committee may deliver shares or a cash equivalent to the value of the dividends that would have been paid over the three-year holding period.

CHART 14: DSBP AWARDS OUTSTANDING

	Date of grant	No. of shares under award 01.01.18	No. of shares over which awards granted during the year[1]	Share price of shares on grant (pence)[2]	Face value of award made in 2018 (£)	No. of shares released during the year	Share price on date of release (pence)	No. of shares under award 31.12.18	End of holding period
DAVID SLEATH									
2014 DSBP	30.06.15	72,617	–	408.0	–	72,617	647.0	–	28.04.18
2015 DSBP	26.05.16	105,935	–	432.1	–	–	–	105,935	28.04.19
2016 DSBP	28.06.17	90,271	–	495.5	–	–	–	90,271	28.04.20
2017 DSBP	28.06.18	–	69,920	664.0	464,269	–	–	69,920	28.04.21
TOTAL		**268,823**						**266,126**	
SOUMEN DAS[3]									
Replacement award	02.05.17	56,105	–	434.0	–	56,105	647.0	–	01.04.18
Replacement award	02.05.17	31,577	–	434.0	–	–	–	31,577	01.03.19
Replacement award	02.05.17	72,999	–	434.0	–	–	–	72,999	01.03.19
2016 DSBP	28.06.17	14,474	–	495.5	–	–	–	14,474	28.04.20
2017 DSBP	28.06.18	–	51,957	664.0	334,994	–	–	51,957	28.04.21
TOTAL		**175,155**						**171,007**	
ANDY GULLIFORD									
2014 DSBP	30.06.15	38,024	–	408.0	–	38,024	647.0	–	28.04.18
2015 DSBP	26.05.16	55,471	–	432.1	–	–	–	55,471	28.04.19
2016 DSBP	28.06.17	47,283	–	495.5	–	–	–	47,283	28.04.20
2017 DSBP	28.06.18	–	45,779	664.0	303,973	–	–	45,779	28.04.21
TOTAL		**140,778**						**148,533**	
PHIL REDDING									
2014 DSBP	30.06.15	38,024	–	408.0	–	38,024	647.0	–	28.04.18
2015 DSBP	26.05.16	55,471	–	432.1	–	–	–	55,471	28.04.19
2016 DSBP	28.06.17	47,283	–	495.5	–	–	–	47,283	28.04.20
2017 DSBP	28.06.18	–	45,779	664.0	303,973	–	–	45,779	28.04.21
TOTAL		**140,778**						**148,533**	

1 Awards are granted in the form of a provisional allocation of shares.

2 The share price of shares on grant is based on the mid-market quotation price for the day before the event, with the exception of the Replacement Awards granted to Soumen Das in 2017 where the share price on grant was determined by the Committee to reflect the fair value of the awards forfeited on leaving his previous employer.

3 In order to recruit Soumen Das, it was necessary to buy out his 2016 bonus entitlement and the share awards he forfeited upon leaving his previous employer. Further details are available on page 96 of the 2016 Annual Report.

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REMUNERATION
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LTIP

LTIP awards made after the 2017 AGM are subject to a three-year performance period and a two-year holding period. LTIP awards made before the 2017 AGM were subject to a four-year performance period. All LTIP awards are subject to TSR and TPR performance conditions, which are equally weighted and measured over the performance period:

- 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 TSR over the performance period 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 All Industrial Country benchmarks weighted to reflect the approximate geographical mix of the Group's portfolio. 25 per cent of this element vests if the Company's TPR over the performance period is in line with the MSCI Benchmark, rising on a straight-line basis to 100 per cent if the MSCI Benchmark is exceeded by 1.5 per cent per year.

The 2014 LTIP Award vested on 2 May 2018, subject to the TSR and TPR performance conditions over the four-year performance period to 31 December 2017. As previously reported, 100 per cent of the TSR element vested. The 2017 Remuneration Report estimated that the TPR element would vest at 100 per cent. The Company's actual TPR over the performance period was 17.1 per cent and the benchmark was 14.7 per cent. The Company's TPR outperformance of 2.1 per cent compared with the benchmark led to 100 per cent of the TPR element vesting. Overall, this resulted in a total payout of 100 per cent for the 2014 LTIP Award.

The 2015 LTIP Award will vest on 22 May 2019, subject to relative TSR and TPR over the four-year performance period to 31 December 2018. The Company's TSR over the performance period was 96.6 per cent and the benchmark TSR was -3.1 per cent. The Company's TSR outperformance of 19.3 per cent per annum compared with the benchmark will lead to 100 per cent of the TSR element vesting. As with the Bonus, the complete TPR data will not be available until after the date of this Report. For the purposes of the Director's single figure calculations (Chart 1), the performance for the TPR element has been estimated. The estimated calculation is based on the Company's actual annualised TPR between 2015 and 2018 of 16.3 per cent and an estimated MSCI Benchmark over the same period of 13.8 per cent. On this basis, the Company's four year TPR to 31 December 2018 has exceeded the estimated MSCI Benchmark by more than 1.5 per cent which would lead to 100 per cent of the TPR element vesting.

Vesting of the TPR element of the LTIP will be deferred until Summer 2019, when the European MSCI Benchmarks become available. Accordingly, the actual number of shares which will vest under the 2015 LTIP Award, may differ from the amount disclosed in this Report.

Details of the LTIP awards granted to the Executive Directors are set out in Chart 15. Any awards made under the LTIP in 2019 will be made in accordance with the Remuneration Policy.

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 2014 Award.

Dividends will accrue on LTIP shares which are released on vesting and may be paid in cash or shares.

CHART 15: LTIP AWARDS OUTSTANDING

	Date of grant	No. of shares under award 01.01.18	No. of shares over which awards granted during the year[1]	Share price of shares on grant (pence)[2]	Face value of award made in 2018 (£)	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 31.12.18	End of performance period over which performance conditions have to be met
DAVID SLEATH										
2014 LTIP	09.04.14	338,909	–	339.5	–	–	338,909	638.53	–	31.12.17
2015 LTIP	22.05.15	280,500	–	422.5	–	–	–	–	280,500	31.12.18
2016 LTIP	07.04.16	290,152	–	420.7	–	–	–	–	290,152	31.12.19
2017 LTIP	28.04.17	243,813	–	493.0	–	–	–	–	243,813	31.12.19[5]
2018 LTIP	26.04.18	–	196,892	628.8	1,238,057	–	–	–	196,892	31.12.20
TOTAL		**1,153,374**							**1,011,357**	
SOUMEN DAS[3]										
2014 LTIP	02.05.17	58,151	–	434.0	–	–	58,151	638.53	–	31.12.17
2015 LTIP	02.05.17	87,498	–	434.0	–	–	–	–	87,498	31.12.18
2016 LTIP	02.05.17	153,674	–	434.0	–	–	–	–	153,674	31.12.19
2017 LTIP	28.04.17	279,918[4]	–	493.0	–	–	–	–	279,918	31.12.19[5]
2018 LTIP	26.04.18	–	146,310	628.8	919,997	–	–	–	146,310	31.12.20
TOTAL		**579,241**							**667,400**	
ANDY GULLIFORD										
2014 LTIP	09.04.14	221,831	–	339.5	–	–	221,831	638.53	–	31.12.17
2015 LTIP	22.05.15	183,600	–	422.5	–	–	–	–	183,600	31.12.18
2016 LTIP	07.04.16	189,916	–	420.7	–	–	–	–	189,916	31.12.19
2017 LTIP	28.04.17	159,634	–	493.0	–	–	–	–	159,634	31.12.19[5]
2018 LTIP	26.04.18	–	128,913	628.8	810,605	–	–	–	128,913	31.12.20
TOTAL		**754,981**							**662,063**	
PHIL REDDING										
2014 LTIP	09.04.14	221,831	–	339.5	–	–	221,831	638.53	–	31.12.17
2015 LTIP	22.05.15	183,600	–	422.5	–	–	–	–	183,600	31.12.18
2016 LTIP	07.04.16	189,916	–	420.7	–	–	–	–	189,916	31.12.19
2017 LTIP	28.04.17	159,634	–	493.0	–	–	–	–	159,634	31.12.19[5]
2018 LTIP	26.04.18	–	128,913	628.8	810,605	–	–	–	128,913	31.12.20
TOTAL		**754,981**							**662,063**	

1 Awards are granted in the form of a provisional allocation of shares.

2 The share price of shares on grant is based on the mid-market quotation price for the day before the award, with the exception of the Replacement Awards granted to Soumen Das in 2017 where the share price on grant was determined by the Committee to reflect the fair value of the awards forfeited on leaving his previous employer.

3 In order to recruit Soumen Das it was necessary to buy out the share awards he forfeited upon leaving his previous employer. Further details are available on page 96 of the 2016 Annual Report. These awards are subject to the same performance conditions as the other LTIP Awards.

4 As part of his recruitment package, Soumen Das was awarded 300 per cent of salary in respect of the 2017 LTIP.

5 Following the approval of the Remuneration Policy at the 2017 AGM, LTIP awards made after the 2017 AGM are subject to a three-year performance period and a two-year holding period. Awards made before the 2017 AGM were subject to a four-year performance period.

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REMUNERATION
CONTINUED

SHARESAVE (AUDITED)

CHART 16: SHARESAVE OPTIONS OUTSTANDING

	Date of grant	No. of shares under option 01.01.18	Options granted during the year	Option price (pence)	Options exercised during the year	Options lapsed during the year	No. of shares under option at 31.12.18	Period in which options can be exercised
DAVID SLEATH								
2017 Sharesave	02.05.17	4,914	–	366.24	–	–	4,914	01.06.20 – 30.11.20
TOTAL		**4,914**					**4,914**	
SOUMEN DAS								
2017 Sharesave	02.05.17	4,914	–	366.24	–	–	4,914	01.06.20 – 30.11.20
TOTAL		**4,914**					**4,914**	
ANDY GULLIFORD								
2015 Sharesave	01.05.15	2,804	–	320.84	2,804	–	-	01.06.18 – 30.11.18
2017 Sharesave	02.05.17	2,457	–	366.24	–	–	2,457	01.06.20 – 30.11.20
2018 Sharesave	18.04.18	–	1,808	497.76	–	–	1,808	01.06.21 – 30.11.21
TOTAL		**5,261**					**4,265**	
PHIL REDDING								
2015 Sharesave	01.05.15	5,609	–	320.84	5,609	–	–	01.06.18 – 30.11.18
2018 Sharesave	18.04.18	–	3,616	497.76	–	–	3,616	01.06.21 – 30.11.21
TOTAL		**5,609**					**3,616**	

SIP

CHART 17: SIP SHARES HELD IN TRUST

	No. of shares in trust 01.01.18	Shares awarded during the year	No. of shares in trust 31.12.18
David Sleath	7,419	468	7,887
Soumen Das	–	468	468
Andy Gulliford	8,236	468	8,704
Phil Redding	7,372	468	7,840

Further information about the share schemes can be found in Note 19 to the Financial Statements on pages 159 to 161.

EXECUTIVE DIRECTORS' PENSION ARRANGEMENTS AND OTHER FEES (AUDITED)

CHART 18: DEFINED BENEFIT SCHEME

	Pension input amount, net of Directors' contributions, in the year ending 31.12.18 £	Defined benefit pension accrued at 31.12.18[2] £
David Sleath[1]	n/a	–
Andy Gulliford[3]	n/a	45,000
Phil Redding[3]	n/a	61,000

1 David Sleath left the SEGRO Pension Scheme on 17 April 2011. The defined benefit pension accrued at 31 December 2017 was £81,000 pa. During 2018, he transferred his pension to an external pension arrangement and has no further entitlement under the SEGRO Pension Scheme.

2 Pensions are payable from normal retirement age, which is 62, and can be taken earlier with appropriate reductions.

3 Andy Gulliford and Phil Redding left the SEGRO Pension Scheme on 31 March 2016 and receive a cash payment in lieu of pension contributions.

PENSION ENTITLEMENT IN THE EVENT OF SEVERANCE

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

FEES FOR EXTERNAL NON-EXECUTIVE APPOINTMENTS

Currently, none of the Executive Directors have an external non-executive appointment.

EXIT PAYMENTS AND ARRANGEMENTS (AUDITED)

No exit payments were made to Directors during the year.

FORMER DIRECTORS (AUDITED)

Ex gratia payments totalling £44,930 (2017: £54,517) were made during the year to three former Directors, who retired over 10 years ago. These payments were made under legacy arrangements which are no longer offered.

Justin Read, a former Director of the Company, was appointed as Chair of the Trustees of the SEGRO Pension Scheme on 21 March 2017. He receives a fee of £35,000 from the Company for this role.

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 invited the Chair of the Committee and the Group HR Director to interview potential advisers and make a recommendation for appointment. Following the process, the Committee appointed Korn Ferry to review the Executive Directors' remuneration and to assist with a consultation exercise with some of the Company's largest shareholders.

Korn Ferry provided advice on Executive Directors' remuneration, market and best practice guidance, including the new provisions of the New Code. Its total fees for advice to the Committee in 2018 were £106,983, calculated on a time-cost basis.

The Committee determined that Korn Ferry provided independent remuneration advice and does not have any connections with the Company or provide any other services which may impair its independence. Korn Ferry are a signatory to the Code of Conduct for Remuneration Consultants in the UK.

Kepler Associates, a brand of Mercer, provided benchmark information to the Committee and the Company about Non-Executive Director fees. Its total fees for advice to the Committee in 2018 were £18,820 (2017: £55,950), calculated on a time-cost basis. Aon and Lane Clark & Peacock 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 19 below shows the results of the advisory vote on the 2017 Remuneration Report at the Company's AGM on 19 April 2018, plus the binding vote on the Remuneration Policy at the Company's AGM on 20 April 2017.

CHART 19: SHAREHOLDER VOTING AT THE 2018 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 2017	798,471,164	97.42	21,139,253	2.58	819,610,417	168,304
To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report for the financial year ended 31 December 2016	753,070,320	94.41	44,582,288	5.59	797,652,608	1,041,367

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 14 February 2019 and signed on its behalf by

CHRISTOPHER FISHER
CHAIR OF THE REMUNERATION COMMITTEE

GOVERNANCE

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.

Changes to the Policy since approval at the 2017 AGM are outlined in the Chair's letter on pages 86 to 88 and are detailed below.

Subject to approval by shareholders at the 2019 AGM, this policy will be effective for the 2019 performance year and will apply to incentive awards with performance periods beginning on 1 January 2019.

CHANGES TO THE POLICY

If approved at the 2019 AGM the following changes will be made to the Policy approved in 2017:

- there will no longer be the opportunity to make maximum LTIP awards of 300 per cent of salary. The normal grant level will be 250 per cent of salary;
- greater flexibility on the performance conditions that can be set for LTIP awards is being introduced. Leading shareholders will be consulted before significant changes are made in the future;
- future Executive Directors will receive a pension benefit no higher than that provided (as a percentage of salary) to the majority of the UK workforce; and
- Non-Executive Directors may receive fees for additional roles they perform on behalf of the Board in their non-executive capacity.

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.	Currently, the Chief Executive receives a cash allowance of 30 per cent of salary in lieu of pension and other Executive Directors receive 20 per cent of salary. Future Executive Directors will receive the level received by the majority of the UK workforce (currently a contribution to their pension plan of 12 per cent of salary). The cash allowance for Directors is offered in lieu of membership of the defined contribution Group Personal Pension Plan.	None.

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
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 rules of the Bonus contain malus and clawback provisions.	The maximum Bonus opportunity for Executive Directors is 150 per cent 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: Adjusted PBT against budget including adjustments for acquisitions and disposals, constant foreign exchange rate and other adjustments allowed under the scheme rules, which supports the objective of delivering a sustainable, progressive dividend; relative TPR against an MSCI Benchmark which is the best and most important internal driver of TSR; and rent roll growth which focuses on driving the future rental income and Adjusted PBT of the business.
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 per cent 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, deliver shares or a cash sum equivalent to the value of the dividends that would have been paid over the three-year holding period. The rules of the DSBP contain malus and clawback provisions.	For Executive Directors, 50 per cent of the Bonus earned in respect of the previous year's performance.	Vesting of shares is dependent on continued employment or good leaver status.
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 dividends will accrue on the LTIP shares which are released on vesting and will be paid in shares or cash. 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 rules of the LTIP contain malus and clawback provisions.	The normal LTIP grant for Executive Directors is 250 per cent of salary in performance shares.	LTIP awards are subject to stretching performance conditions, which are measured over a three-year performance period. A two-year compulsory holding period applies to these LTIP shares after vesting and subject to payment of tax and statutory deductions. Awards to be granted in 2019 will be subject to equally weighted Total Shareholder Return, Total Property Return and Total Accounting Return performance conditions.
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 per cent discount to the market price.	Employees may save up to the HMRC limit across all Sharesave grants.	None.

REMUNERATION POLICY CONTINUED

Element	Strategic purpose	Operation	Maximum potential value	Performance metrics
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 pay and benefits 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 personal performance. 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: CHAIR 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 every two years taking into account relevant market data. Additional fees are payable to reflect the time commitments and additional responsibilities. The fee paid to the Chair 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 Chair or the Non-Executive Directors will be based upon changes in roles and responsibilities and market data.	–

POLICY ON SERVICE CONTRACTS
EXECUTIVE DIRECTORS

The Company may terminate the Executive Directors' service contract on up to 12 months notice, with no liquidated damages provisions.

NON-EXECUTIVE DIRECTORS

The Chair 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 Chair's contains a six-month notice period. Further details are set out in Chart 3.

CHART 3: DATES OF APPOINTMENT AND CONTRACTUAL NOTICE PERIOD

Name	Date of appointment	Notice period
Gerald Corbett[1]	1 March 2016	6 months
David Sleath[2]	1 January 2006	12 months by the Company, 6 months by the Director
Soumen Das	16 January 2017	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
Phil Redding	1 May 2013	12 months by the Company, 6 months by the Director
Sue Clayton	1 June 2018	3 months
Carol Fairweather	1 January 2018	3 months
Christopher Fisher	1 October 2012	3 months
Martin Moore	1 July 2014	3 months
Doug Webb	1 May 2010	3 months

1 Appointed as Chair on 22 April 2016.
2 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 per cent of salary
DSBP	The structure set out in the Remuneration Policy table will apply to new appointees	50 per cent 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	250 per cent of salary
Pension	New appointees will be offered membership of the SEGRO plc Group Personal Pension Plan or a cash alternative	The level provided to the majority of the UK workforce

REMUNERATION POLICY CONTINUED

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 end of the holding period, subject to the achievement of performance conditions, with any vesting pro-rated in accordance with the proportion of the vesting period served. 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 loss of office.

POLICY ON EXECUTIVE DIRECTORS' EXTERNAL APPOINTMENTS

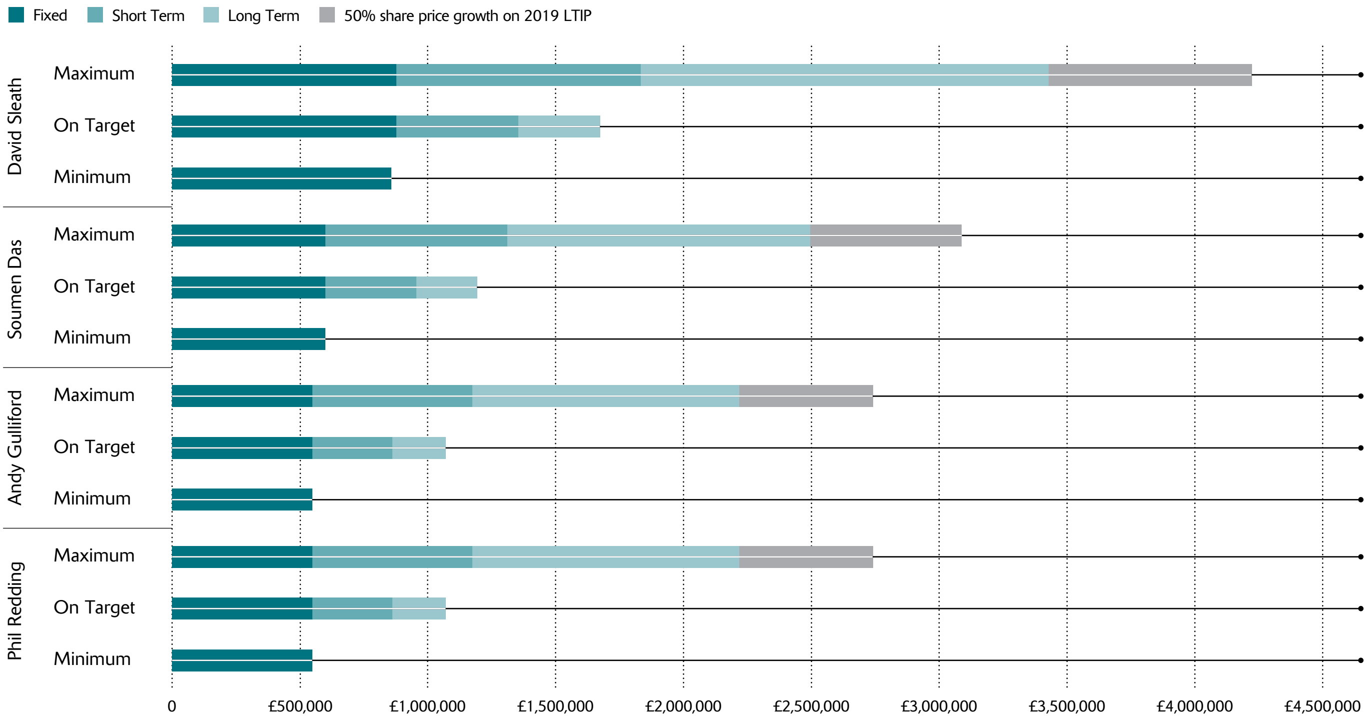
With the support of the Chair and Chief Executive, the Executive Directors may normally be permitted to take one non-executive directorship outside the Group, as these roles can broaden the experience brought to the Board. Such appointments require Board approval and the time commitment the appointment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

Any outstanding share awards made in accordance with a previous Remuneration Policy will remain in effect and will vest in accordance with the terms under which they were granted.

PERFORMANCE SCENARIOS

Chart 5 below sets out an indication of the level of remuneration that would be received by each Executive Director in accordance with the incentive opportunities outlined in the Remuneration Report for 2019 on the basis of the latest salary information.

CHART 5: INDICATION OF POTENTIAL REMUNERATION IN FIRST YEAR OF POLICY APPRECIATION



The minimum remuneration payable comprises salary payable during 2019, benefits and cash in lieu of pension contributions. The maximum payable assumes full pay-out under the Bonus and full vesting of the LTIP. On target remuneration assumes a pay-out of 50 per cent of the maximum Bonus and a 20 per cent vesting of the LTIP. The impact of a 50 per cent share price growth on the maximum available opportunity has been indicated for the 2019 LTIP, which will vest in 2022 and then be subject to a two-year holding period.

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE GROUP

The Remuneration Policy for the Executive Directors is designed with regard to the policy for the workforce as a whole. The Committee now approves the remuneration of the Executive Committee. 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 the 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 guidance of investor bodies and shareholder views. In 2019, it consulted with shareholders on the proposed changes to the 2019 Policy covered in the Chair's letter.

The Chair of the Remuneration Committee is available for meetings with shareholders should they have any concerns about remuneration matters which they wish to discuss.

GOVERNANCE

DIRECTORS' REPORT

SHARE CAPITAL

The issued share capital for the year is set out on page 159.

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 2019 AGM, a final dividend of 13.25 pence per share will be paid (2017: 11.35 pence) bringing the total dividend for 2018 to 18.8 pence (2017: 16.6 pence). The final dividend will be paid as a Property Income Distribution. The Board proposes to offer a scrip dividend option for the 2018 final dividend.

The ex-dividend date for the final dividend will be 21 March 2019, the record date will be 22 March 2019 and the payment date will be 2 May 2019.

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

The following major interests, amounting to 3 per cent or more of the ordinary issued share capital have been notified to the Company.

	As at 31 December 2018	
Shareholder	Number of shares	Percentage of Issued Share Capital
BlackRock Inc	100,873,625	9.95
APG Asset Management N.V.	59,909,091	5.91
State Street Corporation	45,527,985	4.49
The Vanguard Group, Inc	42,070,945	4.15
Artemis Investment Management	36,571,595	3.61
Legal & General Group	33,820,119	3.34

On 10 January 2019, the Company was notified by APG Asset Management N.V. that their holding in the Company had increased to 61,130,291 shares, 6.03 per cent of the issued share capital. No further announcements were made to the Company between 31 December 2018 and 14 February 2019.

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 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

A resolution to reappoint PricewaterhouseCoopers LLP as auditor of the Company is to be proposed at the 2019 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
14 FEBRUARY 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and Company Financial Statements in accordance with International Financial Reporting Standards (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 Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed for the Group and the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section of the Annual Report confirm that, to the best of their knowledge:

- The Group and Company Financial Statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

DAVID SLEATH
CHIEF EXECUTIVE
14 FEBRUARY 2019

SOUMEN DAS
CHIEF FINANCIAL OFFICER
14 FEBRUARY 2019

FINANCIAL STATEMENTS

In this section we present our Financial Statements for the year, presented in accordance with International Financial Reporting Standards, as adopted by the European Union.

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEGRO PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, SEGRO plc's Group Financial Statements and Company Financial Statements (the "Financial Statements"):

- Give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's Financial Statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

We have audited the Financial Statements, included within the Annual Report & Accounts 2018 (the 'Annual Report'), which comprise: the Group and Company Balance Sheets as at 31 December 2018; the Group Income Statement and the Group Statement of Comprehensive Income, the Group and Company Cash Flow Statements, and the Group and Company Statements of Changes in Equity for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

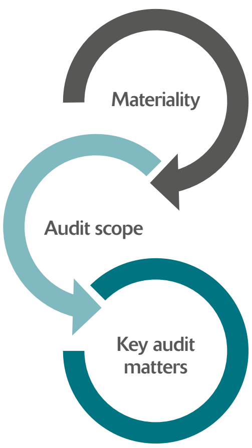
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in Note 6 to the Financial Statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview



- Overall Group materiality: £91.7 million (2017: £79.4 million), based on 1% of total assets.
- Overall Company materiality: £72.6 million (2017: £68.6 million), based on 1% of total assets.
- Group specific materiality: £12.1 (2017: 9.7 million), based on 5% of adjusted profit before tax, for items impacting adjusted profit before tax.

- Audit procedures on Rental Income and Valuation of Investment Properties are performed centrally by the Group audit team from the UK.
- Full scope audit of the SELP Joint Venture by local component auditors.
- Specified procedures performed by local auditors.
- Over 87% coverage of Assets, Liabilities, Income and Expenditure of the Group.

- Valuation of investment properties.
- Large and/or complex transactions.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and the Company and their industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Real Estate Investment Trust (REIT) status and SIIC regime (see page 138 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the financial statements of the Group and Company. We also considered those laws and regulations that have a direct impact on the financial statements of the Group and Company such as the Companies Act 2006, the UK tax legislation and equivalent local laws and regulations applicable to significant components of the Group. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the financial statements such as valuation of investment properties. The Group engagement team shared this risk assessment with the component auditors referred to in the scoping section of our report below, so that they could include appropriate audit procedures, where applicable, in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by internal audit;
- Understanding management's internal controls designed to prevent and detect irregularities;
- Assessment of matters, if any, reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Reviewing the Group's litigation register in so far as it related to non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the Board of Directors and the Audit Committee;
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing of expenses;
- Review of tax compliance with the involvement of our tax specialists in the audit;
- Procedures relating to the valuation of investment properties described in the related key audit matter below; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by users posting a low amount of journals in the period.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEGRO PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties – Group Refer to page 81 (Audit Committee Report) and the Financial Statements (including notes to the Financial Statements; Note 1, Significant accounting policies; Note 13, Properties; and Note 27, Property valuation techniques and related quantitative information). The Group's investment properties were carried at £7,801 million as at 31 December 2018 and a total (realised and unrealised) property gain of £853 million was recognised in the Group income statement. We focused on this area due to the existence of significant judgement, coupled with the fact that only small differences in individual property valuations when aggregated could result in material misstatement. The portfolio includes warehouses and light industrial buildings, including warehouses used as data centres and for logistics operations. These are concentrated in the UK, France, Germany, and Poland. The remainder of the portfolio is located across other European countries including Spain, the Netherlands and the Czech Republic. The portfolio includes completed investments and properties under construction. The methodology applied in determining the valuation is set out in Notes 13 and 27 of the Financial Statements. The valuation of the Group's portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. For developments, factors include projected costs to complete, time until practical completion and the ability to let if no pre-let agreement is in place. Valuations are carried out by third party valuers, CBRE Ltd (the 'Valuers'). The Valuers were engaged by the Directors, and performed their work in accordance with the Royal Institute of Chartered Surveyors ('RICS') Valuation – Professional Standards. The Valuers used by the Group have considerable experience of the markets in which the Group operates. The valuations take into account the property-specific information referred to above (including the current tenancy agreements and rental income, condition and location of the property, and future rental prospects), as well as prevailing market yields and market transactions.	**Assessing the Valuers' expertise and objectivity** We assessed the Valuers' qualifications and expertise 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 upon their work. We also considered fees and other contractual arrangements that might exist between the Group and the Valuers. We found no evidence to suggest that the objectivity of the Valuers was compromised. **Testing the valuations** ***Assumptions and capital movement:*** Our work covered the valuation of every material property in the Group. We obtained and read the CBRE valuation reports covering every property. We held meetings with management and the Valuers, at which the valuations and the key assumptions therein were discussed, focusing on the largest properties and any outliers (where the assumptions used and/or year on year capital value movement are out of line with externally published market data for the relevant sector). To verify that the valuation approach was suitable for use in determining the carrying value for investment properties in the Financial Statements, we: – Confirmed that the valuation approach was in accordance with RICS standards; – Obtained valuation details of every property held by the Group and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. Compared the investment yields used by the Valuers to the expected range of yields and the year on year capital movement to our expected range; – Assessed the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value; and, – Verified where there could be alternative use opportunities, that this had been appropriately taken into account. Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuers and obtained evidence to support explanations received. The supporting evidence and valuation commentaries provided by the Valuers, enabled us to consider the property specific factors that had or may have had an impact on value, including recent comparable transactions where appropriate. **Information and standing data:** We tested the standing data the Group provided to the Valuers for use in the performance of the valuation. This involved re-performing controls on a sample basis over the input of lease data for leases and testing the accuracy of lease and other property information. For development properties, we also confirmed that the supporting information for construction contracts and budgets was consistent with the Group's records, for example by inspecting original construction contracts. For developments, capitalised expenditure was tested on a sample basis to invoices, and budgeted costs to complete were compared to supporting evidence (for example construction contracts) to support the inputs included within their valuation at the year end. We agreed the amounts per the valuation reports to the accounting records and from there we agreed the related balances through to the Financial Statements. **Overall outcome** Based on the work performed we found that the assumptions were supported by evidence we obtained.

Key audit matter	How our audit addressed the key audit matter
Large and/or complex transactions – Group Refer to page 81 (Audit Committee Report) and the Financial Statements (including notes to the Financial Statements; Note 1, Significant accounting policies and Note 13, Properties). There were a number of transactions during the year which warranted particular additional audit focus due to the magnitude of the transactions and/or the potential for complex contractual terms that introduce judgement into how they were accounted for. Key transactions subject to additional audit focus were: – Acquisition of investment property assets for £194 million; and – Disposal of investment property assets of £432 million.	For each large and/or complex transaction, we made inquiries with management in order to understand their nature and obtained supporting documentation as necessary to verify the transactions. We assessed the proposed accounting treatment in relation to the Group's accounting policies and relevant IFRSs. **Acquisitions and disposals** We tested acquisitions and disposals of investment properties by examining: – Sale and Purchase Agreements and completion statements; and – Bank statements to agree consideration received or paid. **Overall outcome** No material issues were identified as a result of our testing.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group's reportable segments are the geographical Business Units: Greater London, Thames Valley, National Logistics, Northern Europe, Southern Europe and Central Europe. We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates a common IT environment, processes and controls for rental income and payroll across all its reported segments. The Group's valuation and treasury functions are also based at the corporate centre in the UK. The related balances were therefore audited by the Group audit team from the UK, using Computer Assisted Audit Techniques for the work on rental income. Additional specified procedures were performed by audit teams on location in each business unit, such that the total testing programme provided sufficient audit evidence over all financial statement line items.

The SELP Joint Venture was included as being in scope for a full scope audit, with the work on rental income and valuation of investment properties for the Joint Venture performed by the Group audit team.

Throughout the audit process, the Group audit team has had various interactions with the audit teams on location in each business unit to oversee the audit process. Taking into account the components and Joint Ventures subject to a full scope audit, the centralised and other testing performed, coverage over the Group Balance Sheet and Group Income Statement was as follows:

Assets	98% coverage
Liabilities	97% coverage
Income	99% coverage
Expenditure	87% coverage

The audit of the Company Financial Statements was performed entirely by the Group audit team in the UK, leveraging on the work performed on the Group audit where appropriate with additional audit procedures performed on other Company specific balances.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEGRO PLC CONTINUED

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Company Financial Statements
Overall materiality	£91.7 million (2017: £79.4 million).	£72.6 million (2017: £68.6 million).
How we determined it	1% of total assets.	1% of total assets.
Rationale for benchmark applied	The primary measurement attribute of the Group is the carrying value of property investments. On this basis, we set an overall Group materiality level based on total assets.	The primary measurement attribute of the Company is the carrying value of investments in subsidiaries. On this basis, we set an overall Company materiality level based on total assets.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £35.0 million and £82.5 million. In addition, we set a specific overall materiality level of £12.1 million (2017: £9.7 million), equating to 5 per cent of adjusted profit before tax, for items impacting adjusted profit before tax. In arriving at this judgement we had regard to the fact that the adjusted profit before tax is a secondary financial indicator of the Group (refer to Note 2 of the Financial Statements on pages 128 and 129 where the term is defined in full). Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £4.6 million (Group audit) (2017: £4.0 million) or £1.0 million (2017: £1.0 million) in the case of misstatements impacting adjusted profit before tax, and £3.6 million (Company audit) (2017: £3.4 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 60 to 108) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 60 to 108) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a Corporate Governance Statement has not been prepared by the Company. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 53 of the Annual Report 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 in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 55 of the Annual Report 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 have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 108, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 79 to 83 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEGRO PLC CONTINUED

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 108, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 22 April 2016 to audit the Financial Statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2016 to 31 December 2018.

CRAIG HUGHES (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
LONDON
14 FEBRUARY 2019

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018 £m**	2017 £m
Revenue	4	**369.0**	334.7
Gross rental income	4	**297.7**	272.9
Property operating expenses	5	**(50.1)**	(52.2)
Net rental income		**247.6**	220.7
Joint venture fee income	4	**44.9**	24.3
Administration expenses	6	**(44.1)**	(39.7)
Pension buy-out costs	2, 18	**(51.8)**	–
Share of profit from joint ventures after tax	7	**124.2**	108.1
Realised and unrealised property gain	8	**852.6**	889.0
Goodwill and other amounts written off on acquisitions and amortisation of intangibles		**–**	(0.6)
Operating profit		**1,173.4**	1,201.8
Finance income	9	**33.4**	40.6
Finance costs	9	**(107.7)**	(266.1)
Profit before tax		**1,099.1**	976.3
Tax	10	**(33.0)**	(20.0)
Profit after tax		**1,066.1**	956.3
Attributable to equity shareholders		**1,062.6**	952.7
Attributable to non-controlling interests		**3.5**	3.6
Earnings per share (pence)			
Basic	12	**105.4**	98.5
Diluted	12	**104.8**	97.9

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**2018 £m**	2017 £m
Profit for the year		**1,066.1**	956.3
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on defined benefit pension schemes	18	**11.0**	(16.2)
		11.0	(16.2)
Items that may be reclassified subsequently to profit or loss			
Foreign exchange movement arising on translation of international operations		**29.4**	27.3
Fair value movements on derivatives and borrowings in effective hedge relationships		**(12.6)**	(6.4)
		16.8	20.9
Tax on components of other comprehensive income		**–**	–
Other comprehensive profit before transfers		**27.8**	4.7
Transfer to income statement of amount realised on fair value of interest rate swaps and derivatives		**–**	3.1
Total comprehensive profit for the year		**1,093.9**	964.1
Attributable to equity shareholders		**1,090.5**	960.6
Attributable to non-controlling interests		**3.4**	3.5

FINANCIAL STATEMENTS

BALANCE SHEETS

AS AT 31 DECEMBER 2018

	Notes	GROUP 2018 £m	GROUP 2017 £m	COMPANY 2018 £m	COMPANY 2017 £m
Assets					
Non-current assets					
Intangible assets		**3.9**	4.0	**–**	–
Investment properties	13	**7,801.4**	6,745.4	**–**	–
Other interests in property		**15.4**	13.4	**–**	–
Plant and equipment		**13.3**	14.7	**0.9**	1.4
Investments in subsidiaries	7	**–**	–	**7,188.1**	6,672.9
Investments in joint ventures	7	**999.9**	792.0	**–**	–
Other investments	8	**23.6**	–	**–**	–
Other receivables	14	**26.8**	–	**–**	–
Derivative financial instruments	17	**25.7**	60.7	**25.7**	60.7
Pension assets	18	**–**	38.7	**–**	38.7
		8,910.0	7,668.9	**7,214.7**	6,773.7
Current assets					
Trading properties	13	**51.7**	12.5	**–**	–
Trade and other receivables	14	**128.7**	141.8	**5.2**	6.3
Derivative financial instruments	17	**11.7**	2.6	**11.7**	2.6
Cash and cash equivalents	16	**66.5**	109.3	**32.3**	76.4
		258.6	266.2	**49.2**	85.3
Total assets		**9,168.6**	7,935.1	**7,263.9**	6,859.0
Liabilities					
Non-current liabilities					
Borrowings	16	**2,243.5**	2,063.5	**2,240.3**	2,061.6
Deferred tax liabilities	10	**26.9**	34.6	**–**	–
Trade and other payables	15	**26.2**	–	**1,688.6**	1,442.4
Derivative financial instruments	17	**2.9**	–	**2.9**	–
		2,299.5	2,098.1	**3,931.8**	3,504.0
Current liabilities					
Trade and other payables	15	**261.9**	247.5	**26.1**	51.3
Derivative financial instruments	17	**2.8**	4.0	**2.8**	4.0
Tax liabilities	10	**40.4**	1.3	**–**	–
		305.1	252.8	**28.9**	55.3
Total liabilities		**2,604.6**	2,350.9	**3,960.7**	3,559.3
Net assets		**6,564.0**	5,584.2	**3,303.2**	3,299.7
Equity					
Share capital	19	**101.3**	100.3	**101.3**	100.3
Share premium	20	**2,047.7**	1,998.6	**2,047.7**	1,998.6
Capital redemption reserve	20	**113.9**	113.9	**113.9**	113.9
Own shares held	21	**(2.0)**	(3.3)	**(2.0)**	(3.3)
Other reserves	20	**246.2**	225.7	**223.8**	223.3
Retained earnings brought forward		**3,150.2**	2,363.4	**866.9**	517.7
Profit for the year attributable to owners of the parent		**1,062.6**	952.7	**108.8**	518.5
Other movements		**(155.9)**	(165.9)	**(157.2)**	(169.3)
Retained earnings		**4,056.9**	3,150.2	**818.5**	866.9
Total equity attributable to owners of the parent		**6,564.0**	5,585.4	**3,303.2**	3,299.7
Non-controlling interests		**–**	(1.2)	**–**	–
Total equity		**6,564.0**	5,584.2	**3,303.2**	3,299.7
Net assets per ordinary share (pence)					
Basic	12	**648**	557		
Diluted	12	**644**	554		

The Financial Statements of SEGRO plc (registered number 167591) on pages 117 to 174 were approved by the Board of Directors and authorised for issue on 14 February 2019 and signed on its behalf by:

DJR SLEATH DIRECTOR **S DAS** DIRECTOR

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Balance 1 January 2018 £m	Exchange movement £m	Retained earnings £m	Items taken to other comprehensive income £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2018 £m
Ordinary share capital	100.3	–	–	–	0.2	–	0.8	–	101.3
Share premium	1,998.6	–	–	–	0.4	–	48.7	–	2,047.7
Capital redemption reserve[1]	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(3.3)	–	–	–	–	(1.1)	–	2.4	(2.0)
Other reserves:									
Share-based payments reserve	18.7	–	–	–	–	10.3	–	(6.7)	22.3
Translation, hedging and other reserves	37.9	29.5	–	(12.6)	–	–	–	–	54.8
Merger reserve[1]	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	225.7	29.5	–	(12.6)	–	10.3	–	(6.7)	246.2
Retained earnings	3,150.2	–	1,062.6	11.0	–	(1.3)	(169.9)	4.3	4,056.9
Total equity attributable to owners of the parent	5,585.4	29.5	1,062.6	(1.6)	0.6	7.9	(120.4)	–	6,564.0
Non-controlling interests[2]	(1.2)	(0.1)	3.5	–	–	(2.2)	–	–	–
Total equity	5,584.2	29.4	1,066.1	(1.6)	0.6	5.7	(120.4)	–	6,564.0

FOR THE YEAR ENDED 31 DECEMBER 2017

Group	Balance 1 January 2017 £m	Exchange movement £m	Retained earnings £m	Items taken to other comprehensive income £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2017 £m
Ordinary share capital	83.0	–	–	–	16.7	–	0.6	–	100.3
Share premium	1,431.1	–	–	–	540.5	–	27.0	–	1,998.6
Capital redemption reserve[1]	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(5.5)	–	–	–	–	(6.7)	–	8.9	(3.3)
Other reserves:									
Share-based payments reserve	13.5	–	–	–	–	10.3	–	(5.1)	18.7
Fair value reserve for AFS	(0.2)	–	–	–	–	–	–	0.2	–
Translation, hedging and other reserves	13.8	27.4	–	(6.4)	–	3.1	–	–	37.9
Merger reserve[1]	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	196.2	27.4	–	(6.4)	–	13.4	–	(4.9)	225.7
Retained earnings	2,363.4	–	952.7	(16.2)	–	–	(145.7)	(4.0)	3,150.2
Total equity attributable to owners of the parent	4,182.1	27.4	952.7	(22.6)	557.2	6.7	(118.1)	–	5,585.4
Non-controlling interests[2]	(1.2)	(0.1)	3.6	–	–	(3.5)	–	–	(1.2)
Total equity	4,180.9	27.3	956.3	(22.6)	557.2	3.2	(118.1)	–	5,584.2

1 See Note 20.

2 Non-controlling interests relate to Vailog S.r.l.

FINANCIAL STATEMENTS

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

Company	Balance 1 January 2018 £m	Retained earnings £m	Items taken to other comprehensive income £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2018 £m
Ordinary share capital	**100.3**	**–**	**–**	**0.2**	**–**	**0.8**	**–**	**101.3**
Share premium	**1,998.6**	**–**	**–**	**0.4**	**–**	**48.7**	**–**	**2,047.7**
Capital redemption reserve[1]	**113.9**	**–**	**–**	**–**	**–**	**–**	**–**	**113.9**
Own shares held	**(3.3)**	**–**	**–**	**–**	**(1.1)**	**–**	**2.4**	**(2.0)**
Other reserves:								
Share-based payments reserve	**6.8**	**–**	**–**	**–**	**4.6**	**–**	**(4.1)**	**7.3**
Translation hedging and other reserves	**47.4**	**–**	**–**	**–**	**–**	**–**	**–**	**47.4**
Merger reserve[1]	**169.1**	**–**	**–**	**–**	**–**	**–**	**–**	**169.1**
Total other reserves	**223.3**	**–**	**–**	**–**	**4.6**	**–**	**(4.1)**	**223.8**
Retained earnings	**866.9**	**108.8**	**11.0**	**–**	**–**	**(169.9)**	**1.7**	**818.5**
Total equity attributable to equity shareholders	**3,299.7**	**108.8**	**11.0**	**0.6**	**3.5**	**(120.4)**	**–**	**3,303.2**

FOR THE YEAR ENDED 31 DECEMBER 2017

Company	Balance 1 January 2017 £m	Retained earnings £m	Items taken to other comprehensive income £m	Shares issued £m	Other £m	Dividends £m	Transfers £m	Balance 31 December 2017 £m
Ordinary share capital	83.0	–	–	16.7	–	0.6	–	100.3
Share premium	1,431.1	–	–	540.5	–	27.0	–	1,998.6
Capital redemption reserve[1]	113.9	–	–	–	–	–	–	113.9
Own shares held	(5.5)	–	–	–	(6.7)	–	8.9	(3.3)
Other reserves:								
Share-based payments reserve	4.0	–	–	–	4.3	–	(1.5)	6.8
Translation hedging and other reserves	47.4	–	–	–	–	–	–	47.4
Merger reserve[1]	169.1	–	–	–	–	–	–	169.1
Total other reserves	220.5	–	–	–	4.3	–	(1.5)	223.3
Retained earnings	517.7	518.5	(16.2)	–	–	(145.7)	(7.4)	866.9
Total equity attributable to equity shareholders	2,360.7	518.5	(16.2)	557.2	(2.4)	(118.1)	–	3,299.7

1 See Note 20.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	GROUP 2018 £m	GROUP 2017 £m	COMPANY 2018 £m	COMPANY 2017 £m
Cash flows from operating activities	26(i)	**235.1**	189.9	**(5.8)**	(30.8)
Interest received		**44.1**	61.2	**140.2**	189.6
Dividends received		**28.6**	26.6	**145.8**	678.0
Interest paid		**(99.2)**	(140.6)	**(99.2)**	(140.6)
Cost of early close out of interest rate derivatives and new derivatives transacted		**–**	(50.9)	**–**	(45.6)
Proceeds from early close out of interest rate derivatives		**–**	34.8	**–**	34.8
Cost of early close out of debt		**(5.7)**	(140.4)	**(5.7)**	(140.4)
Tax paid		**(2.6)**	(4.9)	**–**	–
Net cash received/(used in) from operating activities		**200.3**	(24.3)	**175.3**	545.0
Cash flows from investing activities					
Purchase and development of investment properties		**(637.1)**	(457.9)	**–**	–
Acquisition of APP assets[1]		**–**	(217.2)	**–**	–
Sale of investment properties		**480.4**	317.2	**–**	–
Acquisition of other interest in property		**(2.0)**	(3.8)	**–**	–
Purchase of plant and equipment and intangibles		**(1.6)**	(2.0)	**(0.9)**	(0.3)
Acquisition of other investments		**(18.6)**	–	**–**	–
Sale of available-for-sale investments		**–**	0.6	**–**	–
Investment in subsidiary undertakings		**–**	–	**(132.4)**	(124.7)
Loan advances paid to subsidiary undertakings		**–**	–	**(121.0)**	(1,192.8)
Investment in joint ventures		**(200.2)**	(137.8)	**–**	–
Divestment in joint ventures		**101.0**	166.2	**–**	–
Net cash used in investing activities		**(278.1)**	(334.7)	**(254.3)**	(1,317.8)
Cash flows from financing activities					
Dividends paid to ordinary shareholders		**(120.4)**	(118.1)	**(120.4)**	(118.1)
Proceeds from borrowings		**264.1**	1,342.1	**264.1**	1,342.1
Repayment of borrowings		**(102.0)**	(1,274.5)	**(102.0)**	(883.8)
Settlement of foreign exchange derivatives		**(6.4)**	(63.4)	**(6.4)**	(63.4)
Proceeds from issue of ordinary shares		**0.6**	557.2	**0.6**	557.2
Purchase of ordinary shares		**(1.1)**	(6.7)	**(1.1)**	(6.7)
Net cash generated from financing activities		**34.8**	436.6	**34.8**	827.3
Net (decrease)/increase in cash and cash equivalents		**(43.0)**	77.6	**(44.2)**	54.5
Cash and cash equivalents at the beginning of the year		**109.3**	32.0	**76.4**	22.1
Effect of foreign exchange rate changes		**0.2**	(0.3)	**0.1**	(0.2)
Cash and cash equivalents at the end of the year	16	**66.5**	109.3	**32.3**	76.4

1 Acquisition of APP assets during 2017 includes £1.2 million of transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 12 to 21.

These Financial Statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates and is the functional currency of the Company.

Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRS Interpretations Committee (IFRS IC) interpretations, and the Companies Act 2006 applicable to companies reporting under IFRS. The Group's Financial Statements also comply with Article 4 of the EU IAS Regulations. In addition, the Group has also disclosed additional measures relating to the Best Practice Recommendations Guidelines issued by the European Public Real Estate Association (EPRA) as appropriate, as discussed further in Note 2.

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

The Directors have taken advantage of the exemption offered by section 408 of the Companies Act 2006 not to present a separate income statement 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 and certain financial assets and liabilities including derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

New and amended standards adopted by the Group

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 2018.

The following standards and amendments have been adopted by the Group and the Company for the first time for the financial year beginning on 1 January 2018:

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from contracts with customers'
- Amendments to IAS 40, 'Investment property' relating to transfers of investment property
- Annual improvements to IFRSs 2014-2016 Cycle
- IFRIC 22 'Foreign currency transactions and advance consideration'
- Amendments to IFRS 2, 'Share-based payments', on clarifying how to account for certain types of share-based payment transactions

The Group and the Company had to update its accounting policies following the adoption of IFRS 9 and 15 but there were no retrospective adjustments following the adoption. This is disclosed further below. The other amendments did not have any impact on the amounts recognised in prior period and are not expected to significantly affect the current or future periods.

IFRS 9 Financial Instruments

IFRS 9 replaces the provision of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liability, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 January 2018 resulted in no adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions, comparative figures have not been restated.

a) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The Group did not hold assets classified as 'held to maturity' or 'available for sale' under IAS 39 at 1 January 2018 and as a result there was no reclassification of these financial assets on adoption of IFRS 9. The other financial assets held in the current or previous reporting period have not been reclassified upon adoption of IFRS 9. See Note 17.

b) Derivatives and hedging activity

The designated foreign exchange contracts and cross currency swap contracts in place as at 31 December 2017 qualified as net investment hedges under IFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirement of IFRS 9 and these relationships are therefore treated as continuing hedges. The Group has not changed the designation of derivative instruments used as part of its risk management strategy as hedging relationships under IFRS 9.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

c) Impairment of financial assets

The Group's significant financial assets that are subject to IFRS 9's new expected credit loss model are trade receivables from the leasing of investment properties. Based on the reasons set out in the credit risk management section in Note 17 the credit risk associated with unpaid rent is deemed to be low. The Group was required to revise its impairment methodology under IFRS 9. This did not result in a material change in the loss allowance recognised under IFRS 9 compared to the previous impairment provision held under IAS 39. Note 17 provides further details on the measurement of the loss allowance and amount recognised at 31 December 2018.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company holds intercompany loan and receivables balances with the subsidiaries of the Group as disclosed in Note 7. There is no material impact on the Company only Financial Statements from the recognition of loss allowance for the loans and receivables under IFRS 9 compared to the previous impairment provision held under IAS 39.

IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018.

IFRS 15 does not apply to rental income which makes up over 80 per cent of total revenue of the Group, but does apply to other non-core revenue streams; service charge income, management and performance fees and proceeds from the sale of trading properties. IFRS 15 did not have a material impact on the timing of revenue recognition for the non-core income streams.

There were no adjustments to the amounts recognised in the financial statements and no restatement of the comparative for the 2017 financial year. The wording of the accounting policies for 'Service charges and other recoveries from tenants' and 'Sale of trading properties' have been updated in line with the new IFRS 15 requirements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these Financial Statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	IFRS 16 Leases
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet for a lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	Details of the operating leases held by the Group at 31 December 2018 is shown in Note 24. Management have performed an assessment of the impact of bringing the existing operating leases held by the Group on balance sheet under IFRS 16. It is not estimated that IFRS 16 will have a material impact on the gross and net asset position of the Group upon transition and the Income Statement for the year ending 31 December 2019.
Date of adoption by Group	Mandatory for financial years commencing on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Amendments to IFRS 3 Business Combinations (subject to EU endorsement) and effective for financial years commencing on or after 1 January 2020 provides a revised framework for evaluating a business and introduces and optional 'concentration test'. The amendment will impact the assessment and judgements used in determining whether future property transactions represent an asset acquisition or business combination. As a result of the amendment it is expected that future transactions are more likely to be treated as an asset acquisition.

There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future reporting periods and on the foreseeable future transactions.

Basis of consolidation

The consolidated Financial Statements comprise the Financial Statements of the Company and the Subsidiaries "the Group", plus the Group's share of the results and net assets of the joint ventures.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Joint ventures

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.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment on the asset transferred.

The Company holds investments in subsidiaries and joint ventures at cost less accumulated impairment losses.

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 at 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 IFRS 9, as appropriate, with the corresponding gain or loss being recognised in the Income Statement.

Foreign currency transactions

Foreign currency transactions are translated to the respective functional currency of Group entities at the foreign exchange rate 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 Income Statement. The exception is for foreign currency loans and derivatives that hedge investments in foreign subsidiaries, where exchange differences are booked in equity until the investment is realised.

Consolidation of foreign entities

Assets and liabilities of foreign entities are translated into sterling at exchange rates ruling at the Balance Sheet date. Their income, expenses and cash flows are translated at the average rate for the period or at spot rate for significant items. Resultant exchange differences are booked in other comprehensive income and recognised in the Group Income Statement when the operation is sold.

The principal exchange rates used to translate foreign currency denominated amounts in 2018 are:

Balance Sheet: £1 = €1.11 (31 December 2017: £1 = €1.13). Income Statement: £1= €1.13 (2017: £1 = €1.14).

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. 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.

Investment properties are transferred to trading properties when there is a change in use and the property ceases to meet the definition of investment property.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Other interests in property
Other interests in property include the cost and related fees in respect of land options, which are initially capitalised and regularly tested for impairment. The impairment review includes consideration of the resale value of the option and likelihood of achieving planning consent.

Other investments
Other investments includes an equity investment in an entity whose primary business activity is property investment. The investments are initially measured at cost, and then revalued to fair value. Gains and losses arising from valuation are recognised in the Income Statement within realised and unrealised property gain.

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 usually 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 control of ownership and as disposed when transferred to the buyer. Generally this would occur on completion of contract. Any gains or loss arising on de-recognition of the property, which is calculated as the difference between the net disposal proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period, 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 and performance fee income, income from service charges and proceeds from the sale of trading properties.

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'). 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 providing services is recognised in the accounting period in which the services are rendered. Revenue from services is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided and recognised over time. Where the Group acts as an agent, service charge income is netted against the relevant property operating expenses.

Joint venture management and performance fees
Joint venture management and performance fees are recognised as income in the period to which they relate. Management fees are recognised in the accounting period in which the services are rendered. Revenue from services is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided and recognised over time. Performance fees are recognised at the end of the performance period to the extent that it is highly probable there will not be a significant future reversal and the fee can be reliably estimated.

Sale of trading properties
Proceeds from the sale of trading properties are recognised at the point in time at which control of the property has been transferred to the purchaser. Therefore, revenue is recognised at a point in time and generally occurs on completion of the contract.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Plant and equipment

Plant and equipment is stated at historic cost less accumulated depreciation. Cost includes purchase price and any directly attributable costs.

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
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.

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 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, forward foreign exchange contracts and interest caps) 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 (fair value through profit or loss 'FVPL'). 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 within the Statement of Comprehensive Income (fair value through other comprehensive income 'FVOCI').

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. 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.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ('ECLs') which uses a lifetime expected loss allowance for all trade receivables. Note 17 details the Group's calculation for measuring ECL's.

Pensions – Defined benefit scheme

The Scheme's 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 other comprehensive income within 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 either through a cash refund or reduction in future payments is available. Professional actuaries are used in relation to defined benefit schemes and the assumptions made are outlined in Note 18.

Share-based payments

The cost of granting share options and other share-based remuneration is measured at their fair value at the grant date. The costs are expensed straight-line over the vesting period in the Income Statement, 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 the Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity within the share based payment reserve.

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Shares held by Estera Trust (Jersey) Limited and Equiniti Limited to satisfy various Group share schemes are disclosed as own shares held and deducted from contributed equity.

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. Current tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income.

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.

Significant areas of estimation uncertainty

Property valuations

Valuation of property is a central component of the business. In estimating the fair value, the Group engage a third party qualified valuer 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 27 property valuation techniques and related quantitative information.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Significant areas of judgements in applying the Group's accounting policies

Accounting for significant property transactions

Property transactions are complex in nature. Management considers each material transaction separately, with an assessment carried out to determine the most appropriate accounting treatment and judgements applied. The judgements include whether the transaction represents an asset acquisition or business combination and the cut off for property transactions on recognition of property assets and revenue recognition. In making its judgement over the cut-off for property transactions, management considers whether the control of ownership of the assets acquired or disposed of has transferred to or from the Group (this consideration includes the revenue recognition criteria set out in IFRS 15 Revenue for the sale of trading properties). In making its judgement on whether the acquisition of property through the purchase of a corporate vehicle represents an asset acquisition or business combination, management consider whether the integrated set of assets and activities acquired contain both input and processes along with the ability to create outputs.

REIT Status

The Company has elected for UK REIT and French SIIC status. To continue to benefit from these tax regimes, the Group is required to comply with certain conditions as outlined in Note 10. Management intends that the Group should continue as a UK REIT and a French SIIC for the foreseeable future.

Other less significant judgements and sources of uncertainty relate to estimating the fair value of financial instruments and the judgement applied in determining the accounting treatment of the pension buy-out costs detailed further in Note 18.

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 Guidelines 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, unusual or significant by virtue of size and nature. In the period to 31 December 2018, £51.8 million of pension buy-out costs incurred in respect of the SEGRO Pension Scheme following the commitment to buy-out the scheme during the period, were excluded from the calculation of Adjusted profit, see Note 18 for further details. There is no tax effect of this item in the period to 31 December 2018. No non-EPRA adjustments to underlying profit were made in 2017.

2. ADJUSTED PROFIT CONTINUED

	2018 £m	2017 £m
Gross rental income	**297.7**	272.9
Property operating expenses	**(50.1)**	(52.2)
Net rental income	**247.6**	220.7
Joint venture fee income	**44.9**	24.3
Administration expenses	**(44.1)**	(39.7)
Share of joint ventures' Adjusted profit after tax[1]	**39.0**	47.6
Adjusted operating profit before interest and tax	**287.4**	252.9
Net finance costs (including adjustments)	**(45.9)**	(58.7)
Adjusted profit before tax	**241.5**	194.2
Adjustments to reconcile to IFRS:		
Adjustments to the share of profit from joint ventures after tax[1]	**85.2**	60.5
Profit on sale of investment properties	**56.5**	17.0
Valuation surplus on investment properties	**791.4**	872.4
Loss on sale of trading properties	**–**	(0.4)
Valuation surplus on other investments	**4.7**	–
Goodwill and other amounts written off on acquisitions and amortisation of intangibles	–	(0.6)
Cost of early close out of bank debt	**(6.4)**	(145.3)
Net fair value loss on interest rate swaps and other derivatives	**(22.0)**	(21.5)
Pension buy-out costs[2]	**(51.8)**	–
Total adjustments	**857.6**	782.1
Profit before tax	**1,099.1**	976.3
Tax		
On Adjusted profit	**(4.4)**	(1.2)
In respect of adjustments	**(28.6)**	(18.8)
Total tax adjustments	**(33.0)**	(20.0)
Profit after tax before non-controlling interests	**1,066.1**	956.3
Non-controlling interests:		
Less: share of adjusted profit attributable to non-controlling interests	**(0.6)**	(0.2)
: share of adjustments attributable to non-controlling interests	**(2.9)**	(3.4)
Profit after tax and non-controlling interests	**1,062.6**	952.7
Of which:		
Adjusted profit after tax and non-controlling interests	**236.5**	192.8
Total adjustments after tax and non-controlling interests	**826.1**	759.9
Profit attributable to equity shareholders	**1,062.6**	952.7

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 the third paragraph above.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SEGMENTAL ANALYSIS

The Group's reportable segments are the geographical Business Units: Greater London, Thames Valley, National Logistics (UK), 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.

In 2018, as a result of the growth and the importance of the UK Big Box Logistics Warehouses to SEGRO's portfolio and the acquisition of the Roxhill management platform in the period the new distinct Business Unit 'National Logistics' has been identified and separately reported to the Board. This has resulted in the segment reported in the Annual Report and Accounts 2017 'Thames Valley and National Logistics' being separated into two separate segments 'Thames Valley' and 'National Logistics'.

31 December 2018	**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**
Thames Valley	**70.1**	**65.1**	**–**	**65.1**	**1,638.5**	**–**	**20.3**
National Logistics	**31.0**	**29.2**	**(0.2)**	**29.0**	**999.0**	**3.7**	**170.1**
Greater London	**127.4**	**118.7**	**–**	**118.3**	**3,724.5**	**–**	**50.4**
Northern Europe	**21.7**	**14.0**	**22.7**	**41.3**	**505.7**	**507.2**	**79.2**
Southern Europe	**39.6**	**30.8**	**20.3**	**53.3**	**837.2**	**611.8**	**348.7**
Central Europe	**7.9**	**4.8**	**18.8**	**28.2**	**148.2**	**397.0**	**31.2**
Other[1]	**–**	**(15.0)**	**(22.6)**	**(47.8)**	**–**	**(519.8)**	**1.6**
Total	**297.7**	**247.6**	**39.0**	**287.4**	**7,853.1**	**999.9**	**701.5**

31 December 2017	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
Thames Valley (represented)	70.1	64.6	–	64.6	1,474.5	–	103.0
National Logistics (represented)	29.1	27.3	(0.1)	27.1	806.4	7.5	38.5
'Thames Valley and National Logistics'[3]	99.2	91.9	(0.1)	91.7	2,280.9	7.5	141.5
Greater London	112.4	101.8	(1.8)	108.3	3,227.6	–	1,174.9
Northern Europe	24.8	15.4	21.5	40.6	409.2	474.0	55.6
Southern Europe	30.6	22.0	16.2	40.4	729.9	386.8	212.9
Central Europe	5.9	3.1	17.9	24.3	110.3	356.5	15.3
Other[1]	–	(13.5)	(6.1)	(52.4)	–	(432.8)	2.0
Total	272.9	220.7	47.6	252.9	6,757.9	792.0	1,602.2

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. This includes the bonds held by SELP Finance S.à r.l, a Luxembourg entity.

2 Capital expenditure includes additions and acquisitions of investment and trading properties but does not include tenant incentives, letting fees and rental guarantees. 2017 comparatives includes the APP asset acquisition. The 'Other' category includes non-property related spend, primarily IT.

3 Segment 'Thames Valley and National Logistics' as reported in the Annual Report & Accounts 2017.

Revenues from the most significant countries within the Group were UK £236.8 million (2017: £229.6 million), France £31.5 million (2017: £29.8 million), Germany £25.7 million (2017: £27.0 million) and Poland £16.3 million (2017: £12.0 million).

4. REVENUE

	2018 £m	2017 £m
Rental income from investment and trading properties	**282.8**	259.6
Rent averaging	**12.5**	11.8
Management fees	**1.3**	1.1
Surrender premiums and dividend income from property related investments	**1.1**	0.4
Gross rental income	**297.7**	272.9
Joint venture fees – management fees	**18.7**	16.8
– performance and other fees[1]	**26.2**	7.5
Joint venture fee income	**44.9**	24.3
Service charge income	**25.5**	23.8
Proceeds from sale of trading properties	**0.9**	13.7
Total revenue	**369.0**	334.7

1 Performance and other fees of £26.2 million in 2018 was received from the SELP joint venture (See Note 7(ii) for further details).

5. PROPERTY OPERATING EXPENSES

	2018 £m	2017 £m
Vacant property costs	**5.1**	7.6
Letting, marketing, legal and professional fees	**8.0**	8.4
Loss allowance and impairment of receivables	**0.3**	0.9
Other expenses, net of service charge income[1]	**10.3**	10.2
Property management expenses	**23.7**	27.1
Property administration expenses[2]	**31.0**	29.3
Costs capitalised[3]	**(4.6)**	(4.2)
Total property operating expenses	**50.1**	52.2

1 Total Other expenses were £35.8 million (2017: £34.0 million) and are presented net of service charge income of £25.5 million (2017: £23.8 million) in the table above.

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

3 Costs capitalised primarily relate to internal employee staff costs directly involved in developing the property portfolio.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

6. ADMINISTRATION EXPENSES

6(i) – Total administration expenses

	2018 £m	2017 £m
Directors' remuneration	**9.0**	9.1
Depreciation	**2.9**	1.9
Other administration expenses	**32.2**	28.7
Total administration expenses	**44.1**	39.7

Other administration expenses include the cost of services of the Group's auditors', as described below.

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

	2018 £m	2017 £m
Audit services:		
Parent company	**0.5**	0.5
Subsidiary undertakings	**0.2**	0.3
Total audit fees	**0.7**	0.8
Audit related assurance services	**0.1**	0.1
Audit and audited related assurance services	**0.8**	0.9
Other fees:		
Other[1]	**–**	0.4
Total other fees	**–**	0.4
Total fees in relation to audit and other services	**0.8**	1.3

1 Other services in 2017 principally relate to the role of reporting accountant for the Rights Issue and bond issue.

In addition to the above the Group's auditors were paid £630,000 being £477,000 in respect of the audit of SEGRO European Logistics Partnership (SELP) for the year ended 31 December 2018 (2017: £415,000) and £153,000 of other fees in respect of SELP (2017: £89,000).

6(iii) – Staff costs

The table below presents staff costs of the Group (including Directors) which are recognised in both property operating expenses and administration expenses in the Income Statement.

	2018 £m	2017 £m
Wages and salaries	**34.0**	32.4
Social security costs	**5.5**	5.2
Pension costs	**1.4**	1.6
Share scheme costs	**11.1**	10.0
Termination benefits	**–**	0.3
Total	**52.0**	49.5
Average number of Group employees	**308**	293
– Direct property	**195**	184
– Indirect property and administration	**113**	109

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 Conduct Authority are included on pages 84 to 99 in the Remuneration Report and form part of these Financial Statements.

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. Roxhill operates in the UK and develops big box logistics assets and SELP is incorporated in Luxembourg and owns logistics property assets in Continental Europe. The Group holds 50 per cent of the share capital and voting rights in the joint ventures.

	SEGRO European Logistics Partnership £m	Roxhill £m	At 100% 2018 £m	At 100% 2017[1] £m	At 50% 2018 £m	At 50% 2017 £m
Gross rental income	**150.9**	**–**	**150.9**	147.4	**75.5**	73.7
Property operating expenses:						
– underlying property operating expenses	**(8.0)**	**(0.1)**	**(8.1)**	(6.1)	**(4.1)**	(3.0)
– vacant property costs	**(1.8)**	**–**	**(1.8)**	(1.9)	**(0.9)**	(0.9)
– property management fees	**(13.9)**	**–**	**(13.9)**	(14.0)	**(7.0)**	(7.0)
– performance and other fees	**(26.2)**	**–**	**(26.2)**	(8.5)	**(13.1)**	(4.3)
Net rental income	**101.0**	**(0.1)**	**100.9**	116.9	**50.4**	58.5
Administration expenses	**(2.5)**	**(0.1)**	**(2.6)**	(1.7)	**(1.3)**	(0.9)
Net finance costs (including adjustments)	**(15.1)**	**(0.2)**	**(15.3)**	(12.4)	**(7.6)**	(6.2)
EPRA profit/(loss) before tax	**83.4**	**(0.4)**	**83.0**	102.8	**41.5**	51.4
Tax	**(5.0)**	**–**	**(5.0)**	(7.5)	**(2.5)**	(3.8)
Adjusted profit/(loss) after tax	**78.4**	**(0.4)**	**78.0**	95.3	**39.0**	47.6
Adjustments:						
Profit on sale of investment properties	**15.2**	**–**	**15.2**	1.6	**7.6**	0.8
Valuation surplus on investment properties	**187.0**	**–**	**187.0**	153.7	**93.5**	76.9
Cost of early close out of bank debt	**–**	**–**	**–**	(3.7)	**–**	(1.9)
Net fair value loss on interest rate swaps and other derivatives	**–**	**–**	**–**	(6.2)	**–**	(3.1)
Tax in respect of adjustments	**(31.7)**	**–**	**(31.7)**	(24.4)	**(15.9)**	(12.2)
Total adjustments	**170.5**	**–**	**170.5**	121.0	**85.2**	60.5
Profit/(loss) after tax	**248.9**	**(0.4)**	**248.5**	216.3	**124.2**	108.1
Other comprehensive income	**–**	**–**	**–**	6.2	**–**	3.1
Total comprehensive income/(loss) for the year	**248.9**	**(0.4)**	**248.5**	222.5	**124.2**	111.2

1 On 9 March 2017 SEGRO acquired the remaining 50 per cent interest in the Airport Property Partnership (APP) joint venture property portfolio it did not already own. Consequently, the APP share of profit is only included in the table above to 9 March 2017 (the date of acquisition) and no balance sheet in respect of APP is included at 31 December 2017.

Trading properties held by joint ventures were externally valued resulting in no increase in provision (2017: £nil). Based on the fair value at 31 December 2018, the Group's share of joint ventures' trading property portfolio has unrecognised surplus of £0.9 million (2017: £nil). Other comprehensive income at share of £nil is included in the Group Statement of Comprehensive Income (2017: £3.1 million loss in respect of fair value of derivatives in effective hedge relationships).

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 60 per cent of its assets. Any potential or proposed changes to the SPPICAV legislation are monitored.

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FOR THE YEAR ENDED 31 DECEMBER 2018

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	Roxhill £m	Other £m	At 100% 2018 £m	At 100% 2017 £m	At 50% 2018 £m	At 50% 2017 £m
Investment properties[1]	**3,133.9**	**–**	**–**	**3,133.9**	2,560.4	**1,566.9**	1,280.2
Other interests in property	**1.3**	**9.6**	**–**	**10.9**	16.1	**5.4**	8.1
Total non-current assets	**3,135.2**	**9.6**	**–**	**3,144.8**	2,576.5	**1,572.3**	1,288.3
Trading properties	**–**	**3.7**	**1.1**	**4.8**	1.1	**2.4**	0.6
Other receivables	**153.3**	**5.2**	**1.4**	**159.9**	82.1	**80.0**	41.1
Cash and cash equivalents	**45.3**	**2.3**	**–**	**47.6**	39.9	**23.8**	20.0
Total current assets	**198.6**	**11.2**	**2.5**	**212.3**	123.1	**106.2**	61.7
Total assets	**3,333.8**	**20.8**	**2.5**	**3,357.1**	2,699.6	**1,678.5**	1,350.0
Borrowings	**(1,120.4)**	**–**	**–**	**(1,120.4)**	(926.9)	**(560.2)**	(463.5)
Deferred tax	**(123.5)**	**–**	**–**	**(123.5)**	(104.2)	**(61.8)**	(52.1)
Other liabilities	**–**	**–**	**–**	**–**	(8.5)	**–**	(4.3)
Total non-current liabilities	**(1,243.9)**	**–**	**–**	**(1,243.9)**	(1,039.6)	**(622.0)**	(519.9)
Other liabilities	**(99.3)**	**(13.5)**	**(0.6)**	**(113.4)**	(76.1)	**(56.6)**	(38.1)
Total current liabilities	**(99.3)**	**(13.5)**	**(0.6)**	**(113.4)**	(76.1)	**(56.6)**	(38.1)
Total liabilities	**(1,343.2)**	**(13.5)**	**(0.6)**	**(1,357.3)**	(1,115.7)	**(678.6)**	(558.0)
Net assets	**1,990.6**	**7.3**	**1.9**	**1,999.8**	1,583.9	**999.9**	792.0

1 Investment properties held by SELP include assets held for sale of £nil million (at 100%) at 31 December 2018 (2017: £48.0 million).

The external borrowings of the joint ventures are non-recourse to the Group. At 31 December 2018, the fair value of £1,120.4 million (2017: £926.9 million) of borrowings was £1,104.3 million (2017: £938.6 million). This results in a fair value adjustment increase in EPRA triple net asset value of £16.1 million (2017: £11.7 million decrease), at share £8.0 million (2017: £5.9 million decrease), see Note 12.

SEGRO provides certain services, including venture advisory and asset management to the SELP joint venture and receives fees for doing so. Performance fees are payable from SELP to SEGRO based on its IRR subject to certain hurdle rates. The first calculation and payment was on the fifth anniversary of the inception of SELP, being October 2018, but 50 per cent of this is subject to clawback based on performance over the period to the tenth anniversary, October 2023. If performance has improved at this point, additional fees might be triggered.

The first fee paid by SELP in October 2018 including the amount subject to clawback, was £52.4 million. Only £26.2 million representing the 50 per cent of the performance fee paid not subject to future claw back has been recognised by SEGRO in the 2018 Income Statement (see Note 4). The 50 per cent subject to clawback has been recognised as a contract liability within Trade and other payables at 31 December 2018 (see Note 15). SELP has recognised a corresponding performance fee expense of £26.2 million (at share £13.1 million) and deferred expense of £26.2 million (at share £13.1 million) in other receivables shown in the table above.

The net profit before tax impact on the SEGRO 2018 Group Income Statement of the performance fee is a £13.1 million profit and the net profit after tax impact is a £12.3 million profit.

A double tax treaty between France and Luxembourg has been signed but the ratification process has not yet completed, and is consequently not yet substantially enacted. The impact of the treaty has therefore not been recognised in the reported SELP results, however had this been the case, the deferred tax liability is estimated to increase by around £54.0 million (£27.0 million at share) at 31 December 2018.

7. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES CONTINUED

7(iii) – Investments by the Group

	2018 £m	2017 £m
Cost or valuation at 1 January	**792.0**	1,066.2
Exchange movement	**17.4**	24.9
Additions	**99.2**	51.7
Disposals and net divestments[1]	**(4.3)**	(435.4)
Dividends received	**(28.6)**	(26.6)
Share of profit after tax	**124.2**	108.1
Items taken to other comprehensive income	**–**	3.1
Cost or valuation at 31 December	**999.9**	792.0

1 Net divestments represents the net movement of loans held with joint ventures.

Dividends received were £28.6 million (2017: £26.6 million), of which £28.6 million (2017: £19.6 million) was from SELP (2017: £7.0 million was received from APP).

7(iv) – Investments by the Company

	Investments		Loans		Total	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Cost or valuation of subsidiaries at 1 January	**2,349.6**	2,403.1	**4,323.3**	2,988.1	**6,672.9**	5,391.2
Exchange movement	**–**	–	**12.2**	30.0	**12.2**	30.0
Additions	**132.4**	124.7	**–**	–	**132.4**	124.7
Loan movement	**–**	–	**339.9**	1,155.2	**339.9**	1,155.2
Decrease/(increase) in provision for investments in and loans to subsidiaries	**2.2**	(178.2)	**28.5**	150.0	**30.7**	(28.2)
Cost or valuation of subsidiaries at 31 December	**2,484.2**	2,349.6	**4,703.9**	4,323.3	**7,188.1**	6,672.9

Subsidiary entities are detailed in Note 28.

In measuring expected credit losses ('ECLs') of the intercompany loans under IFRS 9 the ability of each subsidiary to repay the loan at the reporting date if demanded by the Company is assessed. For the purpose of the impairment review the manner for recovering the loan is assumed to be through the sale of the investment properties held by the subsidiary. Investment properties are held at fair value at each reporting date and the assumptions and inputs used in determining their fair value are shown in Note 27. Therefore the net asset value of the subsidiary is considered to be a reasonable approximation of the available assets that could be realised to recover the loan balance and the requirement to recognise expected credit losses.

The adoption of IFRS 9 did not result in a material change in the loss allowance and the impairments recognised for intercompany loans under IFRS 9 compared to that held under IAS 39.

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8. REALISED AND UNREALISED PROPERTY GAIN

	2018 £m	2017 £m
Profit on sale of investment properties	**56.5**	17.0
Valuation surplus on investment properties	**791.4**	872.4
Loss on sale of trading properties	–	(0.4)
Valuation surplus on other investments[1]	**4.7**	–
Total realised and unrealised property gain	**852.6**	889.0

1 On 16 January 2018 SEGRO acquired 19.39 per cent of the share capital of Sofibus Patrimoine ("Sofibus"), an entity listed on the Euronext stock exchange in France. The investment of £23.6 million is held within Other Investments on the Balance Sheet (2017: £nil). The investment in Sofibus has been fair valued at 31 December 2018 resulting in a valuation surplus of £4.7 million being recognised in the Income Statement (2017: £nil).

9. NET FINANCE COSTS

Finance income	2018 £m	2017 £m
Interest received on bank deposits and related derivatives	**29.9**	34.7
Fair value gain on interest rate swaps and other derivatives	**2.6**	4.5
Net interest income on defined benefit asset	**0.9**	1.3
Exchange differences	–	0.1
Total finance income	**33.4**	40.6

Finance costs	2018 £m	2017 £m
Interest on overdrafts, loans and related derivatives	**(82.3)**	(98.8)
Cost of early close out of debt	**(6.4)**	(145.3)
Amortisation of issue costs	**(3.4)**	(2.6)
Total borrowing costs	**(92.1)**	(246.7)
Less amounts capitalised on the development of properties	**9.2**	6.6
Net borrowing costs	**(82.9)**	(240.1)
Fair value loss on interest rate swaps and other derivatives	**(24.6)**	(26.0)
Exchange differences	**(0.2)**	–
Total finance costs	**(107.7)**	(266.1)
Net finance costs	**(74.3)**	(225.5)

Net finance costs (including adjustments) in Adjusted profit (Note 2) are £45.9 million (2017: £58.7 million). This excludes net fair value gains and losses on interest rate swaps and other derivatives of £22.0 million loss (2017: £21.5 million loss) and the cost of early close out of debt of £6.4 million (2017: £145.3 million).

The interest capitalisation rates for 2018 ranged from 2.5 per cent to 3.0 per cent (2017: 3.0 per cent to 4.0 per cent). Interest is capitalised gross of tax relief. Further analysis of exchange differences is given in Note 17 within the foreign exchange and currency swap contracts section.

10. TAX

10(i) – Tax on profit

	2018 £m	2017 £m
Tax:		
On Adjusted profit	**(4.4)**	(1.2)
In respect of adjustments	**(28.6)**	(18.8)
Total tax charge	**(33.0)**	(20.0)
Current tax		
Overseas		
Current tax charge	**(40.5)**	(1.9)
Adjustments in respect of earlier years	**(0.6)**	–
	(41.1)	(1.9)
Total current tax charge	**(41.1)**	(1.9)
Deferred tax		
Origination and reversal of temporary differences	**(1.6)**	(1.3)
Released in respect of property disposals in the year	**20.5**	1.0
On valuation movements	**(9.9)**	(18.1)
Total deferred tax in respect of investment properties	**9.0**	(18.4)
Other deferred tax	**(0.9)**	0.3
Total deferred tax credit/(charge)	**8.1**	(18.1)
Total tax charge on profit on ordinary activities	**(33.0)**	(20.0)

The tax liability of £40.4 million (2017: £1.3 million) held on the Balance Sheet primarily relates to capital gains tax arising following the disposal of assets in Italy.

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

The tax charge is lower than (2017: lower than) the standard rate of UK corporation tax. The differences are:

	2018 £m	2017 £m
Profit on ordinary activities before tax	**1,099.1**	976.3
Exclude valuation surplus in respect of UK properties not taxable	**(687.9)**	(742.3)
	411.2	234.0
Multiplied by standard rate of UK corporation tax of 19.0 per cent (2017: 19.25 per cent)	**(78.1)**	(45.0)
Effects of:		
REIT & SIIC exemption on income and gains	**38.5**	18.7
Non-deductible items	**(0.1)**	(1.5)
Joint venture tax adjustment	**23.6**	21.6
Higher tax rates on international earnings	**(15.8)**	(17.3)
Adjustment in respect of prior years	**(0.4)**	(0.3)
Adjustment in respect of assets not recognised	**(0.7)**	3.8
Total tax charge on profit on ordinary activities	**(33.0)**	(20.0)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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10. TAX CONTINUED

10(iii) – REIT and SIIC 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 95 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.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience.

10(iv) – Deferred tax liabilities

Movement in deferred tax was as follows:

Group – 2018	**Balance 1 January £m**	**Exchange movement £m**	**Acquisitions/ disposals £m**	**Recognised in income £m**	**Balance 31 December £m**
Valuation surpluses and deficits on properties/accelerated tax allowances	**33.0**	**0.4**	**(0.1)**	**(8.1)**	**25.2**
Deferred tax asset on revenue losses	**(1.2)**	**(0.1)**	**0.1**	**(0.2)**	**(1.4)**
Others	**2.8**	**0.1**	**–**	**0.2**	**3.1**
Total deferred tax liabilities	**34.6**	**0.4**	**–**	**(8.1)**	**26.9**

Group – 2017	Balance 1 January £m	Exchange movement £m	Acquisitions/ disposals £m	Recognised in income £m	Balance 31 December £m
Valuation surpluses and deficits on properties/accelerated tax allowances	14.3	1.0	(1.0)	18.7	33.0
Deferred tax asset on revenue losses	(0.3)	–	–	(0.9)	(1.2)
Others	2.3	0.2	–	0.3	2.8
Total deferred tax liabilities	16.3	1.2	(1.0)	18.1	34.6

The Group has recognised revenue tax losses of £1.4 million (2017: £1.2 million) available for offset against future profits. Further unrecognised tax losses of £790.9 million also exist at 31 December 2018 (2017: £813.0 million) of which £41.3 million (2017: £48.6 million) expires within nine years. The majority of the unrecognised tax loss balance relates to historic capital losses that arose on property disposals and on losses generated from debt close-out costs.

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 corporate income taxes on the fair value changes of the investment properties on disposal.

10(v) – 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 to 17 per cent by 2020. This is unlikely to significantly impact the Group's tax charge.

11. DIVIDENDS

	2018 £m	2017 £m
Ordinary dividends paid		
Interim dividend for 2018 @ 5.55 pence per share	**56.1**	–
Final dividend for 2017 @ 11.35 pence per share	**113.8**	–
Interim dividend for 2017 @ 5.25 pence per share	**–**	52.7
Final dividend for 2016 @ 10.70 pence per share[1]	**–**	93.0
Total dividends	**169.9**	145.7

1 After applying a bonus adjustment of 1.046 following a rights issue in March 2017.

The Board recommends a final dividend for 2018 of 13.25 pence which is estimated to result in a distribution of up to £134.3 million. The total dividend paid and proposed per share in respect of the year ended 31 December 2018 is 18.8 pence (2017: 16.6 pence). For details on scrip dividends see Note 19 and 20.

12. 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 0.7 million shares (2017: 1.2 million) being the average number of shares held on trust for employee share schemes and net assets per share calculations exclude 0.7 million shares (2017: 0.9 million) being the actual number of shares held on trust for employee share schemes at year end.

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

	2018			2017		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic EPS	**1,062.6**	**1,008.6**	**105.4**	952.7	967.3	98.5
Dilution adjustments:						
Share and save as you earn schemes	**–**	**5.8**	**(0.6)**	–	5.5	(0.6)
Diluted EPS	**1,062.6**	**1,014.4**	**104.8**	952.7	972.8	97.9
Basic EPS	**1,062.6**	**1,008.6**	**105.4**	952.7	967.3	98.5
Adjustments to profit before tax[1]	**(857.6)**		**(85.0)**	(782.1)		(80.9)
Tax in respect of Adjustments	**28.6**		**2.8**	18.8		1.9
Non-controlling interest on adjustments	**2.9**		**0.2**	3.4		0.4
Adjusted EPS[2]	**236.5**	**1,008.6**	**23.4**	192.8	967.3	19.9

1 Details of adjustments are included in Note 2.

2 Based on basic number of shares.

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12. EARNINGS AND NET ASSETS PER SHARE CONTINUED

12(ii) – Net assets per share (NAV)

	2018			2017		
	Equity attributable to ordinary shareholders £m	Shares million	Pence per share	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**6,564.0**	**1,012.8**	**648**	5,585.4	1,002.0	557
Dilution adjustments:						
Share and save as you earn schemes	**–**	**5.9**	**(4)**	–	5.7	(3)
Diluted NAV	**6,564.0**	**1,018.7**	**644**	5,585.4	1,007.7	554
Fair value adjustment in respect of interest rate derivatives – Group	**(35.0)**		**(3)**	(60.7)		(6)
Fair value adjustment in respect of trading properties – Group	**2.2**		**–**	–		–
Fair value adjustment in respect of trading properties – Joint ventures	**0.9**		**–**	–		–
Deferred tax in respect of depreciation and valuation surpluses – Group	**26.4**		**3**	30.7		3
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**61.8**		**6**	52.3		5
EPRA NAV	**6,620.3**	**1,018.7**	**650**	5,607.7	1,007.7	556
Fair value adjustment in respect of debt – Group	**(17.4)**		**(1)**	(163.5)		(16)
Fair value adjustment in respect of debt – Joint ventures	**8.0**		**1**	(5.9)		(1)
Fair value adjustment in respect of interest rate swap derivatives – Group	**35.0**		**3**	60.7		6
Deferred tax in respect of depreciation and valuation surpluses – Group	**(26.4)**		**(3)**	(30.7)		(3)
Deferred tax in respect of depreciation and valuation surpluses – Joint ventures	**(61.8)**		**(6)**	(52.3)		(5)
EPRA triple net NAV (NNNAV)	**6,557.7**	**1,018.7**	**644**	5,416.0	1,007.7	537

13. PROPERTIES

13(i) – Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2017	4,045.2	597.7	4,642.9
Exchange movement	25.3	10.1	35.4
Property acquisitions	1,130.0	82.2	1,212.2
Additions to existing investment properties	19.7	367.8	387.5
Disposals	(393.5)	(86.3)	(479.8)
Transfers on completion of development	306.2	(306.2)	–
Revaluation surplus during the year	759.2	113.2	872.4
At 31 December 2017	5,892.1	778.5	6,670.6
Add tenant lease incentives, letting fees and rental guarantees	74.8	–	74.8
Total investment properties	5,966.9	778.5	6,745.4

	Completed £m	**Development £m**	**Total £m**
At 1 January 2018	**5,892.1**	**778.5**	**6,670.6**
Exchange movement	**20.0**	**5.9**	**25.9**
Property acquisitions	**73.5**	**120.2**	**193.7**
Additions to existing investment properties	**23.9**	**461.8**	**485.7**
Disposals	**(385.7)**	**(45.8)**	**(431.5)**
Transfers on completion of development	**506.6**	**(506.6)**	**–**
Transfer to trading properties	**–**	**(19.3)**	**(19.3)**
Revaluation surplus during the year	**697.4**	**94.0**	**791.4**
At 31 December 2018	**6,827.8**	**888.7**	**7,716.5**
Add tenant lease incentives, letting fees and rental guarantees	**84.9**	**–**	**84.9**
Total investment properties	**6,912.7**	**888.7**	**7,801.4**

Investment properties are stated at fair value as at 31 December 2018 based on external valuations performed by professionally qualified valuers. The Group's wholly-owned and joint venture property portfolio is valued by CBRE Ltd on a half yearly basis (apart from one asset valued by Knight Frank). 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 valuers consider the highest and best use of the properties. There has been no change to the valuation technique during the year.

Fees payable to CBRE Ltd for the valuation of the Group's wholly-owned properties are based on a fixed percentage of the property portfolio's valuation. CBRE Ltd also undertakes some professional and agency work on behalf of the Group, although this is limited relative to the activities provided to the Group as a whole. The firm advises us that the total fees paid by the Group represent less than 5 per cent of its 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.

During 2018 a plot of land with a carrying value of £19.3 million was transferred to trading properties following the agreement in the year to develop and sell the asset on completion (2017: £nil). No trading properties were transferred to investment properties during 2018 (2017: £nil).

Long-term leasehold values within investment properties amount to £120.3 million (2017: £60.8 million). All other properties are freehold.

The 2017 property acquisitions include £1,112.6 million in respect of the APP property portfolio acquisition.

Further details on property valuation techniques and related quantitative information is set out in Note 27.

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13. PROPERTIES CONTINUED

13(ii) – Trading properties

	Completed £m	Development £m	Total £m
At 1 January 2017	15.1	9.9	25.0
Exchange movement	0.3	0.4	0.7
Additions	–	0.5	0.5
Disposals	(11.7)	(2.0)	(13.7)
At 31 December 2017	3.7	8.8	12.5
Add tenant lease incentives, letting fees and rental guarantees	–	–	–
Total trading properties	3.7	8.8	12.5

	Completed £m	**Development £m**	**Total £m**
At 1 January 2018	**3.7**	**8.8**	**12.5**
Exchange movement	**–**	**0.3**	**0.3**
Additions	**–**	**20.5**	**20.5**
Disposals	**–**	**(0.9)**	**(0.9)**
Transfer from investment properties	**–**	**19.3**	**19.3**
At 31 December 2018	**3.7**	**48.0**	**51.7**
Add tenant lease incentives, lettings fees and rental guarantees	**–**	**–**	**–**
Total trading properties	**3.7**	**48.0**	**51.7**

Trading properties were externally valued, as detailed in Note 13(i), resulting in no increase in the provision for impairment (2017: £nil). Based on the fair value at 31 December 2018, the portfolio has unrecognised surplus of £2.2 million (2017: £nil). Further information on valuation techniques and related quantitative information is given in Note 27.

14. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Current				
Trade receivables	**25.6**	26.7	**–**	–
Other receivables[1]	**75.8**	92.1	**5.0**	5.5
Prepayments	**12.5**	8.8	**0.2**	0.8
Amounts due from related parties	**14.8**	14.2	**–**	–
Total current trade and other receivables	**128.7**	141.8	**5.2**	6.3
Non-current				
Other receivables[2]	**26.8**	–	**–**	–
Total non-current other receivables	**26.8**	–	**–**	–

1 Group other current receivables mainly includes VAT recoverable and tenant deposits. Also included is tax recoverable of £0.3 million (2017: £0.3 million).

2 Group non-current other receivables relates to an advance payment for the future acquisition of land.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Due within one year				
Trade payables	**2.0**	8.1	**–**	–
Other payables	**47.9**	48.6	**2.2**	1.0
Non-capital accruals[1]	**59.7**	64.8	**23.9**	23.2
Capital creditors and capital accruals	**94.5**	70.2	**–**	–
Rent in advance	**57.8**	55.8	**–**	–
Loans due to subsidiaries[2]	**–**	–	**–**	27.1
Total trade and other payables due within one year	**261.9**	247.5	**26.1**	51.3
Due after one year				
Contract liabilities[3]	**26.2**	–	**–**	–
Loans due to subsidiaries[2]	**–**	–	**1,688.6**	1,442.4
Total other payables due after one year	**26.2**	–	**1,688.6**	1,442.4

1 Includes accrued interest payable on borrowings for Group and Company of £21.0 million (2017: £20.9 million).

2 Loans due to subsidiaries are unsecured and incur interest at market rates.

3 Contract liabilities relate to amounts received in respect of the performance fee from SELP (see Note 7 for further details).

16. NET BORROWINGS

16(i) – Net borrowings by type

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Secured borrowings:				
Euro mortgages	**3.2**	3.6	**–**	–
Total secured (on land, buildings and other assets)	**3.2**	3.6	**–**	–
Unsecured borrowings:				
Bonds				
6.0% bonds 2019	**–**	101.0	**–**	102.7
5.625% bonds 2020	**250.0**	249.1	**250.0**	249.1
6.75% bonds 2021	**79.3**	79.3	**79.3**	79.3
7.0% bonds 2022	**39.1**	39.1	**39.1**	39.1
6.75% bonds 2024	**81.7**	81.6	**81.7**	81.6
2.375% bonds 2029	**346.4**	346.0	**346.4**	346.0
5.75% bonds 2035	**198.5**	198.4	**198.5**	198.4
2.875% bonds 2037	**394.8**	394.5	**394.8**	394.5
	1,389.8	1,489.0	**1,389.8**	1,490.7
Private placement notes				
1.77% notes 2027	**359.6**	353.2	**359.6**	353.2
1.82% notes 2028	**89.7**	–	**89.7**	–
2.00% notes 2029	**134.9**	132.4	**134.9**	132.4
2.27% notes 2032	**89.9**	88.3	**89.9**	88.3
2.37% notes 2033	**179.4**	–	**179.4**	–
	853.5	573.9	**853.5**	573.9
Bank loans and overdrafts	**(3.0)**	(3.0)	**(3.0)**	(3.0)
Total unsecured	**2,240.3**	2,059.9	**2,240.3**	2,061.6
Total borrowings	**2,243.5**	2,063.5	**2,240.3**	2,061.6
Cash and cash equivalents	**(66.5)**	(109.3)	**(32.3)**	(76.4)
Net borrowings	**2,177.0**	1,954.2	**2,208.0**	1,985.2

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FOR THE YEAR ENDED 31 DECEMBER 2018

16. NET BORROWINGS CONTINUED

The maturity profile of borrowings is as follows:

Maturity profile of borrowings	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
In one year or less	–	–	–	–
In more than one year but less than two	**250.0**	104.6	**250.0**	102.7
In more than two years but less than five	**115.9**	364.5	**115.4**	364.5
In more than five years but less than ten	**533.8**	434.8	**531.1**	434.8
In more than ten years	**1,343.8**	1,159.6	**1,343.8**	1,159.6
In more than one year	**2,243.5**	2,063.5	**2,240.3**	2,061.6
Total borrowings	**2,243.5**	2,063.5	**2,240.3**	2,061.6
Cash and cash equivalents	**(66.5)**	(109.3)	**(32.3)**	(76.4)
Net borrowings	**2,177.0**	1,954.2	**2,208.0**	1,985.2

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 32.

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

During the year the Group undertook a debt refinancing exercise including issuing €300 million of US Private Placement notes and repurchasing £102 million of shorter dated sterling bonds all stated at face value. The debt refinancing is discussed in more detail in the Finance Review on page 31.

Maturity profile of undrawn borrowing facilities	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
In one year or less	**14.0**	5.0	**9.0**	–
In more than one year but less than two	–	–	–	–
In more than two years but less than five	**1,097.3**	1,077.9	**1,097.3**	1,077.9
Total available undrawn borrowing facilities	**1,111.3**	1,082.9	**1,106.3**	1,077.9

16. NET BORROWINGS CONTINUED

16(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	**2018** **Fixed rate %**	**Fixed period years**	**Fixed debt £m**	**Capped strike %**	**Capped debt £m**	**Variable debt/cash £m**	**Total £m**
Borrowings	**Weighted average after derivative instruments**						
Sterling	**4.72**	**35.3**	**380.9**	**2.00**	**150.0**	**228.7**	**759.6**
Euros	**1.91**	**10.2**	**583.2**	**1.00**	**225.2**	**675.5**	**1,483.9**
Total borrowings	**3.02**	**20.1**	**964.1**	**1.40**	**375.2**	**904.2**	**2,243.5**
Cash and cash equivalents							
Sterling						**(59.4)**	**(59.4)**
Euros						**(6.6)**	**(6.6)**
US dollars						**(0.5)**	**(0.5)**
Total cash and cash equivalents						**(66.5)**	**(66.5)**
Net borrowings			**964.1**		**375.2**	**837.7**	**2,177.0**

Interest rate profile – Group	2017 Fixed rate %	Fixed period years	Fixed debt £m	Capped strike %	Capped debt £m	Variable debt/cash £m	Total £m
Borrowings	Weighted average after derivative instruments						
Sterling	5.01	29.2	480.0	2.00	150.0	125.3	755.3
Euros	1.90	11.2	573.9	1.00	221.2	517.8	1,312.9
US dollars	–	–	–	–	–	(4.7)	(4.7)
Total borrowings	3.32	19.4	1,053.9	1.41	371.2	638.4	2,063.5
Cash and cash equivalents							
Sterling						(102.2)	(102.2)
Euros						(6.9)	(6.9)
US dollars						(0.2)	(0.2)
Total cash and cash equivalents						(109.3)	(109.3)
Net borrowings			1,053.9		371.2	529.1	1,954.2

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16. NET BORROWINGS CONTINUED

Interest rate profile – Company	2018 Fixed rate %	Fixed period years	Fixed debt £m	Capped strike %	Capped debt £m	Variable debt/cash £m	Total £m
Borrowings	**Weighted average after derivative instruments**						
Sterling	**4.72**	**35.3**	**380.9**	**2.00**	**150.0**	**228.7**	**759.6**
Euros	**1.91**	**10.2**	**583.2**	**1.00**	**225.2**	**672.3**	**1,480.7**
Total borrowings	**3.02**	**20.1**	**964.1**	**1.40**	**375.2**	**901.0**	**2,240.3**
Cash and cash equivalents							
Sterling						**(32.3)**	**(32.3)**
Total cash and cash equivalents						**(32.3)**	**(32.3)**
Net borrowings			**964.1**		**375.2**	**868.7**	**2,208.0**

Interest rate profile – Company	2017 Fixed rate %	Fixed period years	Fixed debt £m	Capped strike %	Capped debt £m	Variable debt/cash £m	Total £m
Borrowings	Weighted average after derivative instruments						
Sterling	5.00	29.1	481.7	2.00	150.0	125.3	757.0
Euros	1.90	11.2	573.9	1.00	221.2	514.2	1,309.3
US dollars	–	–	–	–	–	(4.7)	(4.7)
Total borrowings	3.31	19.4	1,055.6	1.41	371.2	634.8	2,061.6
Cash and cash equivalents							
Sterling						(75.4)	(75.4)
Euros						(1.0)	(1.0)
Total cash and cash equivalents						(76.4)	(76.4)
Net borrowings			1,055.6		371.2	558.4	1,985.2

17. FINANCIAL INSTRUMENTS AND FAIR VALUES

17(i) Derivative instruments

The Group and Company holds the following derivative instruments:

Derivative assets

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Current				
Fair value of interest rate swaps – non-hedge	**9.3**	–	**9.3**	–
Fair value of forward foreign exchange contracts and currency swap contracts – non-hedge	**2.0**	0.9	**2.4**	2.6
Fair value of forward foreign exchange and currency swap contracts – hedge	**0.4**	1.7	**–**	–
Total current derivative assets	**11.7**	2.6	**11.7**	2.6
Non-current				
Fair value of interest rate swaps – non-hedge	**24.5**	58.2	**24.5**	58.2
Fair value of interest rate caps – non-hedge	**1.2**	2.5	**1.2**	2.5
Total non-current derivative assets	**25.7**	60.7	**25.7**	60.7

Derivative liabilities

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Current				
Fair value of forward foreign exchange and currency swap contracts – non-hedge	**2.2**	3.4	**2.8**	4.0
Fair value of forward foreign exchange and currency swap contracts – hedge	**0.6**	0.6	**–**	–
Total current derivative liabilities	**2.8**	4.0	**2.8**	4.0
Non-current				
Fair value of forward foreign exchange and currency swap contracts – non-hedge	**2.9**	–	**2.9**	–
Total non-current derivative liabilities	**2.9**	–	**2.9**	–

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FOR THE YEAR ENDED 31 DECEMBER 2018

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

17(ii) Carrying amount and fair values of financial assets and liabilities

The Group and Company holds the following financial instruments:

		Group		Company	
	Notes	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Financial assets					
Financial assets at amortised cost					
Loans due from subsidiaries	7	**–**	–	**4,703.9**	4,323.3
Trade receivables	14	**25.6**	26.7	**–**	–
Other current receivables[1]	14	**57.2**	55.8	**5.0**	5.5
Other non-current receivables	14	**26.8**	–	**–**	–
Cash and cash equivalents	16	**66.5**	109.3	**32.3**	76.4
Financial assets at fair value through profit or loss (FVPL)					
Other investments	8	**23.6**	–	**–**	–
Derivative financial instruments					
Used for hedging at FVOCI	17	**0.4**	1.7	**–**	–
Non-hedge at FVPL	17	**37.0**	61.6	**37.4**	63.3
		237.1	255.1	**4,778.6**	4,468.5
Financial liabilities					
Liabilities at amortised cost					
Trade and other payables[1]	15	**230.3**	191.7	**1,714.7**	1,493.7
Borrowings	16	**2,243.5**	2,063.5	**2,240.3**	2,061.6
Derivative financial instruments					
Used for hedging at FVOCI	17	**0.6**	0.6	**–**	–
Non-hedge at FVPL	17	**5.1**	3.4	**5.7**	4.0
		2,479.5	2,259.2	**3,960.7**	3,559.3

1 Group excludes non-financial assets of £45.9 million (2017: £59.3 million) included within total other receivables per Note 14 and non-financial liabilities of £57.8 million (2017: £55.8 million) included within total other payables per Note 15.

The carrying values of these financial assets and liabilities approximate their fair value, with the exception of unsecured bond issues and unsecured US Private Placement notes classified as borrowings. At 31 December 2018, the fair value of £1,389.8 million of unsecured bonds issued was £1,463.0 million (2017: £1,489.0 million compared with £1,680.4 million fair value). At 31 December 2018, the fair value of £853.5 million of unsecured US Private Placement notes was £797.7 million (2017: £573.9 million compared with £546.0 million fair value).

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

- Forward foreign exchange contracts are measured using quoted exchange rates and yield curves derived from quoted interest rates with maturities matching the contracts.
- Interest rate swaps, currency swap contracts and interest rate caps 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.
- Financial guarantees are issued by the Company to support bank borrowings of 100 per cent owned subsidiary companies domiciled overseas.

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 listed equity investments, forward exchange and currency swap contracts, interest rate swaps and interest rate caps as detailed above. Investments in equity securities traded in active liquid markets are classified as level 1. All other 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.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

17(iii) 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 in keeping with our long-term mid-cycle LTV target of 40 per cent. 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 19 to 21. Debt primarily comprises long-term debt issues and drawings against medium-term committed revolving credit facilities from banks as disclosed in Note 16.

The Group is not subject to externally imposed capital requirements.

17(iv) Foreign currency risk management

The Group's transactional foreign exchange exposures mainly arise as a result of treasury financing and hedging activities. These activities are carried out in SEGRO plc on behalf of the Group and the resulting exposures to euro or US dollar are not routinely hedged. The Group does not have any regular transactional foreign currency exposures resulting from cross border flows. The business does however 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 Risk section in the Financial Review on page 33.

The Group's and Company's Balance Sheet translation exposure (including the impact of derivative financial instruments) is summarised below:

	2018			2017		
	Euros £m	**US Dollars £m**	**Total £m**	Euros £m	US Dollars £m	Total £m
Group						
Gross currency assets	**2,770.2**	**0.5**	**2,770.7**	2,242.6	35.7	2,278.3
Gross currency liabilities	**(1,850.6)**	**–**	**(1,850.6)**	(1,547.2)	(21.2)	(1,568.4)
Net exposure	**919.6**	**0.5**	**920.1**	695.4	14.5	709.9
Company						
Gross currency assets	**1,197.1**	**–**	**1,197.1**	1,182.5	25.9	1,208.4
Gross currency liabilities	**(1,879.9)**	**–**	**(1,879.9)**	(1,683.4)	(47.1)	(1,730.5)
Net exposure	**(682.8)**	**–**	**(682.8)**	(500.9)	(21.2)	(522.1)

2018 Group gross currency liabilities include €758.0 million (£682.9 million) designated as net investment hedges.

2017 Group gross currency liabilities include €567.2 million (£502.0 million) and USD 28.6 million (£21.3 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 sensitivity of the net assets of the Group to a 10 per cent change in the value of sterling against the relevant currencies is £83.6 million (2017: £64.5 million), with a sensitivity of £83.6 million against the euro (2017: £63.2 million) and £nil against the US dollar (2017: £1.3 million).

The 10 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 10 per cent change in the value of sterling against the relevant currencies.

For the Company, the sensitivity of the net assets to a 10 per cent change in the value of sterling against the relevant currencies is £62.1 million (2017: £47.4 million) with a sensitivity of £62.1 million against the euro (2017: £45.5 million) and £nil million against the US dollar (2017: £1.9 million).

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17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

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 £11.7 million exchange gains (2017: £30.0 million gain) arising on intercompany debt funding arrangements discussed above resulting in a loss on exchange differences of £0.2 million (2017: £0.1 million gain) within net finance costs in Note 9.

The Group's translation exposure risk management policy is that between 29 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 predominantly 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 Risk section of the Financial Review on page 33.

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	
	2018	2017	2018 m	2017 m	2018 £m	2017 £m	2018 £m	2017 £m
Group								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.12**	1.13	**638.4**	525.1	**571.1**	463.6	**(4.3)**	(1.3)
Buy euros (sell sterling)	**1.12**	1.13	**215.9**	120.4	**193.3**	106.8	**1.2**	(0.1)
Buy US dollars (sell sterling)	**–**	1.30	**–**	35.0	**–**	26.9	**–**	(1.1)
Net investment hedges								
Sell euros (buy sterling)	**1.11**	1.13	**273.7**	426.3	**246.4**	377.8	**(0.2)**	0.9
Sell US dollars (buy sterling)	**–**	1.35	**–**	28.6	**–**	21.3	**–**	0.2
Total							**(3.3)**	(1.4)
Company								
Economic cash flow hedges								
Sell euros (buy sterling)	**1.12**	1.13	**912.1**	951.4	**817.4**	841.4	**(4.5)**	(0.4)
Buy euros (sell sterling)	**1.12**	1.13	**215.9**	120.4	**193.3**	106.8	**1.2**	(0.1)
Buy US dollars (sell sterling)	**–**	1.30	**–**	35.0	**–**	26.9	**–**	(1.1)
Sell US dollars (buy sterling)	**–**	1.35	**–**	28.6	**–**	21.3	**–**	0.2
Total							**(3.3)**	(1.4)

Effects of net investment hedge accounting on financial position and performance

The effects of the foreign currency related hedging instruments on the Group's financial position and performance is detailed below.

Forward foreign exchange contracts

The Group designated US dollar and euro denominated forward foreign exchange contracts as net investment hedges during 2018, but no contracts were outstanding at the Balance Sheet date.

There was no ineffectiveness to be recorded from net investments in foreign entity hedges in 2018 and 2017 where the hedging instrument was forward foreign exchange contracts. This is because the critical terms of both the net investment in foreign entity and the hedging instrument match, and at each Balance Sheet date both are revalued to the closing spot rate. Any forward points in the foreign exchange contract are taken to the Income Statement.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

Euro forward foreign exchange

	Group 2018 £m	Group 2017 £m
Carrying amount – asset	**–**	–
Notional amount	**–**	–
Maturity date	**–**	–
Hedge ratio	**–**	–
Change in discounted spot value of hedging instruments since 1 January – (loss)	**(5.5)**	–
Change in value of hedged item used to determine hedge effectiveness – gain	**5.5**	–
Weighted average hedged rate for the year (including forward points)	**1.13**	–

US dollar forward foreign exchange

	Group 2018 £m	Group 2017 £m
Carrying amount – asset	**–**	0.2
Notional amount	**–**	21.3
Maturity date	**–**	Jun 2018
Hedge ratio	**–**	1:1
Change in discounted spot value of hedging instruments since 1 January – (loss)/gain	**(1.0)**	2.1
Change in value of hedged item used to determine hedge effectiveness – gain/(loss)	**1.0**	(2.1)
Weighted average hedged rate for the year (including forward points)	**1.33**	1.29

Currency swap contracts

The Group uses cross currency swaps with two floating legs as designated net investment hedges. Although these instruments are expected to have a high degree of effectiveness, some ineffectiveness may arise due to the hedging instrument having periodic interest payments, which net investment does not. The ineffectiveness recorded from net investments in foreign entity hedges in 2018 and 2017 from currency swap contracts is shown in the table below.

Euro currency swaps

	Group 2018 £m	Group 2017 £m
Carrying amount – (liability)/asset	**(0.2)**	0.9
Notional amount	**246.4**	377.8
Maturity date	**Jan and Jun 2019**	May and Jun 2018
Hedge ratio	**1:1**	1:1
Change in discounted spot value of hedging instruments since 1 January – (loss)	**(2.4)**	(8.5)
Change in value of hedged item used to determine hedge effectiveness – gain	**2.4**	8.5
Weighted average hedged rate for the year (including forward points)	**1.13**	1.15

US private placement notes

There was no ineffectiveness to be recorded from net investments in foreign entity hedges in 2018 and 2017 where the hedging instrument was US private placement notes. This is because the critical terms of both the net investment in foreign entity and the hedging instrument match, and at each balance sheet date both are revalued to the closing spot rate.

Private placement notes

	Group 2018 £m	Group 2017 £m
Carrying amount of Private placement notes (Note 16)	**853.5**	573.9
Carrying amount of Private placement notes designated as net investment hedging instruments	**436.5**	124.2
Hedge ratio	**1:1**	1:1
Change in carrying amount of USPP notes as a result of foreign currency movement since 1 January, recognised in OCI – (loss)	**(3.7)**	–
Change in value of hedged item used to determine hedge effectiveness – gain	**3.7**	–
Weighted average hedged rate for the year (including forward points)	**1.12**	1.13

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17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

17(v) 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 approval 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 2018 would decrease/increase by £10.7 million (2017: decrease/increase by £5.8 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits. Fixed rate debt issues are held at amortised cost and are not re-valued in the Balance Sheet to reflect interest rate movements.

Interest rate swap contracts

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

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

	Average contract – fixed interest rate		Notional principal amount		Fair value	
	2018 %	2017 %	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Receive fixed, pay floating contracts:						
Group						
In one year or less	**6.41**	–	**181.0**	–	**9.3**	–
In more than one year but less than two	**5.63**	6.41	**250.0**	181.0	**3.5**	16.6
In more than two years but less than five	**2.61**	3.52	**578.0**	828.0	**18.8**	41.6
In more than five years	**2.19**	–	**270.3**	–	**2.2**	–
Total			**1,279.3**	1,009.0	**33.8**	58.2
Company						
In one year or less	**6.41**	–	**181.0**	–	**9.3**	–
In more than one year but less than two	**5.63**	6.41	**250.0**	181.0	**3.5**	16.6
In more than two years but less than five	**2.61**	3.52	**578.0**	828.0	**18.8**	41.6
In more than five years	**2.19**	–	**270.3**	–	**2.2**	–
Total			**1,279.3**	1,009.0	**33.8**	58.2

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.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

Interest rate cap contracts

Under interest rate caps, the Group agrees to receive floating rate interest amounts calculated on agreed notional principal amounts, should prevailing market rates rise above a specified strike rate.

Such contracts enable the Group to manage the interest rate risk of the Group's floating rate borrowings. The fair value of interest rate caps 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 cap contracts, based on their contractual maturities, outstanding as at the reporting date:

	Average strike price		Notional principal amount		Fair value	
	2018 %	2017 %	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Group						
In one year or less	**–**	–	**–**	–	**–**	–
In more than one year but less than two	**–**	–	**–**	–	**–**	–
In more than two years but less than five	**1.40**	1.40	**375.2**	371.2	**1.2**	2.5
In more than five years	**–**	–	**–**	–	**–**	–
Total			**375.2**	371.2	**1.2**	2.5
Company						
In one year or less	**–**	–	**–**	–	**–**	–
In more than one year but less than two	**–**	–	**–**	–	**–**	–
In more than two years but less than five	**1.40**	1.40	**375.2**	371.2	**1.2**	2.5
In more than five years	**–**	–	**–**	–	**–**	–
Total			**375.2**	371.2	**1.2**	2.5

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 caps settle on either a three-month or six-month basis based on the EURIBOR or sterling LIBOR rate for the relevant period. The Group will receive the difference between the floating rate and the specified strike rate.

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17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

17(vi) 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 2018 and at 31 December 2017. 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 trade but not impaired receivables were as follows:

	2018 £m	2017 £m
0–30 days	**1.5**	2.1
30–60 days	**0.8**	1.0
60–90 days	**0.5**	0.1
90–180 days	**0.8**	1.0
>180 days	**0.4**	0.7
Past due	**4.0**	4.9
Not due	**21.6**	21.8
Total trade receivables	**25.6**	26.7

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ('ECLs') which uses a lifetime expected loss allowance for all trade receivables (IAS 39 was applied at 31 December 2017). To measure ECLs trade receivables have been grouped by geographic Business Unit to reflect the shared credit risk characteristics. Expected loss rates are based on the historic credit loss experienced for each Business Unit and adjusted for current and forward information affecting the ability of the individual customers to settle receivables. The adoption of IFRS 9 did not result in a material change in the loss allowance and impairments recognised under IFRS 9 compared to that held under IAS 39. Trade receivables are written off when there is no reasonable expectation of recovery.

The Group held a loss allowances for trade receivables as at 31 December 2018 of £2.5 million (2017: £3.7 million). Loss allowances, amounts written off and recoveries of amounts previously written off are accounted in property operating expenses within operating profit, these amounts were not material in 2018 and 2017 (see Note 5).

No other financial assets 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.

17(vii) 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 Review on page 31.

17. FINANCIAL INSTRUMENTS AND FAIR VALUES CONTINUED

Liquidity and interest risk tables

The following tables detail the Group's and Company'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 and the Company can be required to pay. The tables include both interest and principal cash flows.

	2018						2017					
	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[1]		**183.1**	**–**	**26.2**	**–**	**209.3**		170.8	–	–	–	170.8
Fixed rate debt instruments	**3.4**	**76.1**	**325.2**	**288.9**	**1,975.5**	**2,665.7**	3.6	76.2	180.2	541.1	2,049.5	2,847.0
Derivative financial instruments:												
Gross settled foreign exchange												
– Forward and currency swap contracts												
– Inflowing		**(536.6)**	**–**	**–**	**–**	**(536.6)**		(589.2)	–	–	–	(589.2)
– Outflowing		**542.8**	**–**	**–**	**–**	**542.8**		592.0	–	–	–	592.0
Total		**265.4**	**325.2**	**315.1**	**1,975.5**	**2,881.2**		249.8	180.2	541.1	2,049.5	3,020.6

	2018						2017					
	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[1]		**5.1**	**1,688.6**	**–**	**–**	**1,693.7**		30.4	1,442.4	–	–	1,472.8
Fixed rate debt instruments	**3.4**	**76.1**	**325.1**	**288.2**	**1,972.5**	**2,661.9**	3.7	76.1	176.5	541.1	2,049.5	2,843.2
Derivative financial instruments:												
Gross settled foreign exchange												
– Forward and currency swap contracts												
– Inflowing		**(536.6)**	**–**	**–**	**–**	**(536.6)**		(589.2)	–	–	–	(589.2)
– Outflowing		**542.8**	**–**	**–**	**–**	**542.8**		592.0	–	–	–	592.0
Total		**87.4**	**2,013.7**	**288.2**	**1,972.5**	**4,361.8**		109.3	1,618.9	541.1	2,049.5	4,318.8

1 Trade and other payables disclosed as financial liabilities in Note 17(ii) includes accrued interest of £21.0 million (2017: £20.9 million). Accrued interest is shown in fixed rate debt instruments in the table above.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

18. RETIREMENT BENEFIT SCHEMES

Background

The Group has one defined benefit pension scheme, the SEGRO Pension Scheme ("the Scheme"), a trust-based scheme. This arrangement is now closed to new entrants and to future accrual of benefits. In this arrangement, the assets of the Scheme are invested separately from those of the Group and the Scheme is run by an independent Trustee Board. The Trustee Board of the 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 employer. There is a requirement for the Trustee Board to have member representation, with the other Trustees being Company appointed.

The Trustee Board is responsible for the investment policy in respect of the assets of the relevant fund, although the Company must be consulted on this and typically has some input into the investment decisions. Other than market and demographic risks, which are common to most retirement benefit schemes, there are no specific risks in the Scheme which the Group considers to be significant or unusual.

During 2018, and following approval from the SEGRO plc Board, the Trustees of the Scheme contracted to buy-out the Scheme. The Trustees decided to insure members' benefits with a third party specialist insurance company, and the terms and conditions of the buy-out were agreed on 6 December 2018 subject to true-up following a data verification exercise expected to be completed during 2019. At this point the final settlement of the Scheme will be triggered, the buy-out complete and the Scheme, ultimately, wound-up. The transaction, which has been funded from the assets of the Scheme, will de-risk this scheme and reduce the administrative burden of managing it. In 2018, pension buy-out costs of £51.8 million (2017: £nil) have been recognised in the Income Statement in conjunction with this process, as shown in Note 2.

Cash contributions payable to the Scheme are reviewed at least every three years as part of an actuarial valuation. Following each actuarial valuation the Company agrees a deficit recovery plan with the Trustee Board if necessary. SEGRO and the Trustee Board are required to agree prudent assumptions for the actuarial valuation, which differs to the corporate bond yield based discount rate and best estimate assumptions required to measure the Scheme's obligations under IAS 19 for the purpose of our Company financial statements. This is the main reason why the IAS 19 position disclosed in recent financial statements, prior to the buy-out process, is a surplus, whereas the Scheme's most recent actuarial valuation at 31 March 2016 revealed a deficit of £17.7 million. Historically, to meet this deficit, SEGRO agreed to pay annual contributions of £7.24 million, payable in monthly instalments over the period up to February 2018 which, together with a prudent allowance for investment returns, was expected to remove the deficit. As a result, the Company paid contributions of £1.2 million in 2018 (2017: £7.9 million). In 2018, in addition to the pension buy-out costs discussed above, costs of £0.4 million were recognised within administration expenses (2017: £0.5 million). The Scheme's funding position and cash contributions will be reviewed as part of the next actuarial valuation due to take place as at 31 March 2019.

The IAS 19 valuation of the Scheme has been based on the most recent actuarial valuation at 31 March 2016 and updated by the independent actuary to 31 December 2018.

The Scheme's insured pensions are valued by an actuary and the asset value is equal to the corresponding benefit obligation. All other asset fair values were provided by the relevant fund managers. As, prior to the transaction discussed above, the Scheme mostly invested in pooled funds, the asset fair values reflected the fund managers' valuations, rather than quoted prices in active markets. However, the fund values were all based on the prices of the underlying investments within each fund. The Schemes assets do not include any financial instruments or property owned by the Group.

By undertaking a buy-out process to fully insure member benefits, the Company has sought to mitigate the requirement to make additional contributions to recover any deficit that arises.

18. RETIREMENT BENEFIT SCHEMES CONTINUED

The major assumptions used were as follows:	2018 %	2017 %
Discount rate for scheme liabilities	**2.8**	2.4
Rate of inflation (RPI/CPI)	**3.4/2.3**	3.4/2.3
Rate of increase to pensions in payment in excess of Guaranteed Minimum Pension (GMP):		
Before April 2003	**4.3**	4.3
From April 2003 to October 2005	**3.2**	3.2
After October 2005	**2.1**	2.1

Composition of schemes' assets	Analysis of assets 2018 £m	Analysis of assets 2017 £m
EQUITIES		
UK	**–**	1.2
US	**–**	11.1
Europe	**–**	3.0
Japan	**–**	1.8
Other	**–**	2.2
LIABILITY DRIVEN INVESTMENT PORTFOLIO		
Gilts, leveraged gilt funds and swaps	**–**	140.2
Corporate bonds	**–**	99.8
OTHER ASSETS		
Diversified Growth Funds	**–**	23.2
Cash	**–**	1.5
Insured Pensions	**235.6**	21.8
TOTAL	**235.6**	305.8

The life expectancies at age 65 are as follows:

	2018		2017	
	Male	Female	Male	Female
Current pensioners	**24.8**	**25.9**	24.7	25.8
Future pensioners (in 20 years' time)	**27.0**	**28.2**	26.9	28.1

Both life expectancy estimates use the standard S2PA (2017: S2PA) base tables with a scaling factor of 80 per cent for males and 90 per cent for females (2017: 80 per cent and 90 per cent respectively). Future improvements to the life expectancy are in line with CMI 2014 projections with an assumed long-term rate of improvement of one and a half per cent p.a. (2017: one and a half per cent p.a.).

(Charges)/credits on the basis of the assumptions were:		2018 £m	2017 £m
(Charge)/credit to Group Income Statement			
Operating profit:	Current service cost	**–**	–
	Past service costs	**–**	–
	Buy-out costs of insurance contract	**(51.8)**	–
Net finance costs:	Net interest income	**0.9**	1.3
Net (charge)/credit to the Group Income Statement		**(50.9)**	1.3
Credit/(charge) to Group Statement of Comprehensive Income		**11.0**	(16.2)

All actuarial gains and losses are recognised immediately and relate to continuing operations. The cumulative recognised actuarial losses are £19.3 million (2017: £30.3 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

18. 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 assets in respect of its defined benefit retirement schemes is as follows:

		2018 £m	2017 £m
Movement in assets			
1 January		**305.8**	309.2
Interest on scheme assets		**7.1**	7.4
Actuarial gains		**(7.1)**	28.2
Employer cash contributions		**1.2**	7.9
Benefits paid		**(19.6)**	(20.9)
Buy-out of the SEGRO Scheme		**(51.8)**	–
Settlement of Bilton scheme		**–**	(26.0)
31 December		**235.6**	305.8
Movement in liabilities			
1 January		**267.1**	263.5
Interest cost		**6.2**	6.1
Actuarial (gains)/losses	• changes in demographic assumptions	**–**	6.0
	• changes in financial assumptions	**(17.0)**	17.5
	• changes due to liability experience	**(1.1)**	20.9
Benefits paid		**(19.6)**	(20.9)
Settlement of Bilton scheme		**–**	(26.0)
31 December		**235.6**	267.1
Analysis of net assets:			
Market value of schemes' assets		**235.6**	305.8
Present value of funded schemes' liabilities		**235.6**	267.1
Retirement benefit asset recognised in Pension assets in the Balance Sheet		**–**	38.7

The actual return on the Scheme assets in the period was a gain of £nil (2017: £35.6 million).

The average duration of the benefit obligations at the end of the reporting period is 18 years (2017: 21 years) for the Scheme. As the Scheme has closed to future benefit accrual, there are no active members within the Scheme. The liabilities are split 32 per cent (2017: 42 per cent) to deferred and 68 per cent (2017: 58 per cent) to retired members.

The expected employer's contributions to be paid in the year ending 31 December 2019 are £nil (2018: £1.2 million).

The Group also has a number of defined contribution schemes for which £1.4 million has been recognised as an expense (2017: £1.6 million).

Sensitivities

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation and assuming no other changes in market conditions at the accounting date. By undertaking the buy-out process, the value of the assets held by the Scheme will move by the same amount.

Assumption	Change in assumption	Impact on SEGRO scheme liabilities
Discount rate	Increase/decrease by 0.5%	(Decrease)/increase by (£18.4m)/£21.0m
Life expectancy	Increase/decrease by 1 year	Increase/(decrease) by £10.0m/(£10.0m)
Rate of inflation (CPI and RPI)	Increase/decrease by 0.5%	Increase/(decrease) by £8.3m/(£7.8m)

No separate sensitivity has been provided for the pensions in payment assumptions as these are not distinct assumptions in their own right, but dependent on market changes to inflation. This sensitivity is included within the overall inflation assumption sensitivity shown, which allows for the corresponding change in pension increases that would be caused by a change in inflation.

19. 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 2018	**1,002.9**	**100.3**
Issue of shares – scrip dividend	**8.2**	**0.8**
Issue of shares – other	**2.4**	**0.2**
Ordinary shares of 10p each at 31 December 2018	**1,013.5**	**101.3**

Share-based payments
The Group operates the share-based payments schemes set out below.

19(i) – Deferred Share Bonus Plan (DSBP)
The DSBP is for Executive Directors and the Leadership team. 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. This scheme is detailed in the Remuneration Report on page 95. If a participant ceases to be employed by the Group, the award will lapse unless the participant is deemed to be a Good Leaver, in which case the award will be released on the vesting date.

	2018 number	2017 number
At 1 January	**1,169,064**	942,254
Shares granted DSBP	**478,295**	628,415
Adjustment – 2017 Rights Issue	**–**	56,024
Shares vested	**(324,592)**	(457,629)
Shares lapsed	**(24,974)**	–
At 31 December	**1,297,793**	1,169,064

The 2017 DSBP grant was made on 28 June 2018, based on a 27 June 2018 closing mid-market share price of 664.0 pence.

19(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 96 to 97. If a participant ceases to be employed by the Group, the award will lapse, unless the participant is deemed to be a Good Leaver, in which case the award will be reduced pro-rata on length of employment in relation to the award date. From 2017 onwards, a mandatory two-year holding period after vesting was introduced for the Executive Directors.

	2018 number	2017 number
At 1 January	**7,860,391**	7,516,984
Shares granted LTIP	**1,382,474**	2,145,438
Adjustment – 2017 Rights Issue	**–**	342,245
Shares vested	**(2,190,430)**	(1,763,884)
Shares expired/lapsed	**(340,752)**	(380,392)
At 31 December	**6,711,683**	7,860,391

The 2018 LTIP award was made on 26 April 2018. The calculation of the award was based on a share price of 628.8 pence, the closing mid-market share price on 25 April 2018. No consideration was paid for the grant of any award.

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19. SHARE CAPITAL AND SHARE-BASED PAYMENTS 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	9 Apr 2014	22 May 2015	7 April 2016	28 April 2017	26 April 2018
Market price used for award	339.5p	422.5p	420.7p	493.0p	**628.8p**
Risk-free interest rate	1.3%	1.0%	0.5%	0.1%	**0.9%**
Dividend yield	4.4%	3.6%	3.7%	3.3%	**2.6%**
Volatility	24.0%	20.0%	19.0%	21.5%	**20.6%**
Term	4 years	4 years	4 years	3 years	**3 years**
Fair value per share	285.1p	366.1p	362.6p	446.1p	**580.8p**

19(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 2018, 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 deemed to be a Good Leaver, in which case the shares will be transferred out of the trust to the participant.

	2018 number	2017 number
At 1 January	**474,360**	484,145
Shares granted	**69,732**	84,180
Adjustment – 2017 Rights Issue	**–**	7,513
Shares released	**(63,277)**	(84,317)
Shares forfeited	**(12,705)**	(17,161)
At 31 December	**468,110**	474,360

As at 31 December 2018, 472,175 shares (2017: 486,289 shares) are held in the SIP trust. 246,801 of these shares have been held by the SIP Trust on behalf of employees for over three years.

19(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 the 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 deemed to be a Good Leaver. Shares in respect of the GSIP are held in the SEGRO plc Employees Benefit Trust.

	2018 number	2017 number
At 1 January	**167,295**	154,924
Shares granted	**50,076**	70,150
Adjustment – 2017 Rights Issue	**–**	6,851
Shares released	**(45,817)**	(38,142)
Shares forfeited	**(20,422)**	(26,488)
At 31 December	**151,132**	167,295

19. SHARE CAPITAL AND SHARE-BASED PAYMENTS CONTINUED

19(v) – Sharesave

The Group operates an HMRC approved all-employee savings related share option plan for UK-based employees. For 2018, a three-year period was offered to employees and if they remain in employment, employees can purchase shares in the Company at a price which is fixed at the start of the saving period. The price is usually set at a 20 per cent discount to the market price. If a participant ceases to be employed by the Group, in certain circumstances the participant may be able to exercise their options within a fixed period from the date of leaving. During 2018, the movements in Sharesave options were as follows:

	2018		2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price[1]
At 1 January	**306,908**	**339.1p**	319,589	293.9p
Options granted	**110,617**	**497.8p**	137,420	366.2p
Adjustment – 2017 Rights Issue	**–**	**–**	14,461	293.7p
Options exercised	**(103,383)**	**320.8p**	(144,047)	295.6p
Options expired/lapsed	**(10,378)**	**355.2p**	(20,515)	207.0p
At 31 December	**303,764**	**398.9p**	306,908	339.1p

1 Weighted average exercise price for shares under option on 28 March 2017 were adjusted for by a factor of 1.046 to reflect the dilutive effects of the 2017 Rights Issue.

The consideration received by the Company from options exercised during the year was £331,694 (2017: £377,185). 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
1 May 2016[1]	65,561	411.9p	315.0p	0.5%	3.8%	19.0%	2019	70p
2 May 2017	128,923	457.8p	366.2p	0.09%	4.0%	21.5%	2020	79p
18 April 2018	109,280	622.2p	497.8p	0.9%	2.7%	20.6%	2021	128p
Total	303,764							

1 Exercise prices were adjusted for by a factor of 1.046 to reflect the dilutive effects of the 2017 Rights Issue.

A total of 303,764 (2017: 306,908) options exist at 31 December 2018 in relation to the Sharesave with a weighted average remaining contractual life of 2.17 years (2017: 2.04 years).

20. SHARE PREMIUM AND OTHER RESERVES

GROUP AND COMPANY	**2018 £m**	2017 £m
Balance at 1 January	**1,998.6**	1,431.1
Premium arising on the issue of shares – scrip dividend	**48.7**	27.0
Premium arising on the issue of shares – equity placing	**–**	539.9
Premium arising on the issue of shares – other	**0.4**	0.6
Balance at 31 December	**2,047.7**	1,998.6

The capital redemption reserve of £113.9 million arose in 2009 where shares were reclassified, cancelled and consolidated in connection with a Rights Issue.

The merger reserve of £169.1 million also arose in 2009 in connection with the acquisition of Brixton plc where the Group acquired 100 per cent of the voting equity of Brixton plc in a share for share exchange.

The translation, hedging and other reserve comprises all foreign exchange differences arising from the translation of the Financial Statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in foreign denominated subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

21. OWN SHARES HELD

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Balance at 1 January	**3.3**	5.5	**3.3**	5.5
Shares purchased	**1.1**	6.7	**1.1**	6.7
Disposed of on exercise of options	**(2.4)**	(8.9)	**(2.4)**	(8.9)
Balance at 31 December	**2.0**	3.3	**2.0**	3.3

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

22. COMMITMENTS

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

GROUP	**2018 £m**	2017 £m
Properties	**189.1**	200.1

In addition, commitments in the Group's joint ventures at 31 December 2018 (at share) amounted to £36.6 million (2017: £50.2 million). The Group also has a £7.8 million commitment to a property related investment fund at 31 December 2018 (2017: £nil).

23. CONTINGENT LIABILITIES

The Group has given performance guarantees to third parties amounting to £32.2 million (2017: £47.4 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 guarantees, representations and warranties in relation to developments and 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 2018 in relation to the representations and warranties provided.

24. OPERATING LEASES

The Group as a lessor

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

	Group £m	**Joint ventures at share £m**	**2018 £m**	2017 £m
Not later than one year	**260.5**	**73.2**	**333.7**	305.1
Later than one year but not later than five years	**773.9**	**217.9**	**991.8**	858.0
Later than five years	**1,140.7**	**127.5**	**1,268.2**	1,154.7
Balance at 31 December	**2,175.1**	**418.6**	**2,593.7**	2,317.8

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:

	2018 £m	2017 £m
Not later than one year	**2.5**	2.1
Later than one year but not later than five years	**2.4**	3.0
Total	**4.9**	5.1

The expense in respect of lessee charges was £2.4 million (2017: £2.3 million).

The above table excludes ground lease payments which are directly recovered from the tenant. These amounts do not materially impact the Income Statement in 2018 and 2017.

The ground rent charge was £3.4 million (2017: £2.3 million) and the expiry of the leases are between 11 to 47 years.

25. RELATED PARTY TRANSACTIONS

Group

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

	2018 £m	2017 £m
Dividends received	**28.6**	26.6
Assets sold to joint ventures[1]	**242.0**	52.9
Management and performance fee income	**44.9**	24.3

1 During the year investment properties with a carrying value of £242.0 million was sold to SELP. Total proceeds received for the sale was £251.6 million.

Amounts due from Joint Ventures are disclosed in Note 14.

Transactions between the Company and its subsidiaries eliminate on consolidation and are not disclosed in this note.

Transactions between the Group and the pension scheme are set out in Note 18.

Company

Amounts due from subsidiaries are disclosed in Note 7 and amounts due to subsidiaries are disclosed in Note 15.

None of the above Group or Company balances are secured.

Remuneration of key management personnel

Key management personnel comprise Executive and Non-Executive Directors, as outlined in the Governance Report on pages 62 to 76. Key management personnel compensation is shown in the table below:

	2018 £m	2017 £m
Salaries and short-term benefits	**5.2**	5.3
Post-employment benefits	**0.4**	0.4
Share-based payments	**3.4**	3.4
Total remuneration	**9.0**	9.1

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 84 to 99.

26. NOTES TO THE CASH FLOW STATEMENTS

26(i) – Reconciliation of cash generated from operations

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Operating profit	**1,173.4**	1,201.8	**107.3**	622.4
Adjustments for:				
Depreciation of property, plant and equipment	**2.9**	1.9	**1.4**	0.2
Share of profit from joint ventures after tax	**(124.2)**	(108.1)	**–**	–
Profit on sale of investment properties	**(56.5)**	(17.0)	**–**	–
Goodwill and other amounts written off on acquisitions and amortisation of intangibles	**–**	0.6	**–**	–
Revaluation surplus on investment properties	**(791.4)**	(872.4)	**–**	–
Valuation gain on other investments	**(4.7)**	–	**–**	–
Dividends and other income	**–**	–	**(145.8)**	(678.0)
Pension buy-out costs (see Note 18)	**51.8**	–	**51.8**	–
Other provisions	**6.1**	2.1	**3.0**	(3.3)
(Decrease)/increase in impairment of subsidiaries	**–**	–	**(30.7)**	28.2
	257.4	208.9	**(13.0)**	(30.5)
Changes in working capital:				
(Increase)/decrease in trading properties	**(19.5)**	13.6	**–**	–
(Increase)/decrease in debtors and tenant incentives	**(13.7)**	(16.5)	**5.1**	(1.8)
Increase/(decrease) in creditors	**10.9**	(16.1)	**2.1**	1.5
Net cash inflow/(outflow) generated from operations	**235.1**	189.9	**(5.8)**	(30.8)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

26. NOTES TO THE CASH FLOW STATEMENTS CONTINUED

26(ii) – Deposits

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

26(iii) – Analysis of net debt

Management define net debt as total borrowing less cash and cash equivalents.

	At 1 January 2018 £m	Cash movements: Cash inflow[2] £m	Cash movements: Cash outflow[3] £m	Non-cash movements: Exchange movement £m	Non-cash movements: Fair value changes £m	Non-cash movements: Cost of early close out of debt £m	Non-cash movements: Other non-cash adjustments[1] £m	At 31 December 2018 £m
Group								
Bank loans and loan capital	2,081.4	264.1	(107.7)	16.2	–	5.7	–	2,259.7
Capitalised finance costs	(17.9)	–	(2.4)	–	–	0.7	3.4	(16.2)
Total borrowings	**2,063.5**	**264.1**	**(110.1)**	**16.2**	**–**	**6.4**	**3.4**	**2,243.5**
Cash in hand and at bank	(109.3)	–	43.0	(0.2)	–	–	–	(66.5)
Net debt	**1,954.2**	**264.1**	**(67.1)**	**16.0**	**–**	**6.4**	**3.4**	**2,177.0**
Company								
Bank loans and loan capital	2,078.4	264.1	(107.7)	16.2	–	5.7	–	2,256.7
Capitalised finance costs	(16.8)	–	(2.4)	–	–	–	2.8	(16.4)
Total borrowings	**2,061.6**	**264.1**	**(110.1)**	**16.2**	**–**	**5.7**	**2.8**	**2,240.3**
Cash in hand and at bank	(76.4)	–	44.2	(0.1)	–	–	–	(32.3)
Net debt	**1,985.2**	**264.1**	**(65.9)**	**16.1**	**–**	**5.7**	**2.8**	**2,208.0**

1 The other non-cash adjustment relates to the amortisation of issue costs. See Note 9.

2 Proceeds from borrowings of £264.1 million.

3 Group and Company cash outflow of £110.1 million, comprises the repayment of borrowings of £102.0 million, cash settlement for early repayment of debt of £5.7 million and capitalised issue costs of £2.4 million.

26(iv) – Analysis of financial liabilities and assets arising from financing activities

For the year ended 31 December 2018

Group	At 1 January 2018 £m	Cash movements: Cash inflow £m	Cash movements: Cash outflow £m	Non-cash movements: Exchange Movement[1] £m	Non-cash movements: Fair value changes[2] £m	Non-cash movements: Cost of early close out of debt £m	Non-cash movements: Other non-cash adjustments £m	At 31 December 2018 £m
Total borrowings (Note 16)	2,063.5	264.1	(110.1)	16.2	–	6.4	3.4	**2,243.5**
Derivatives: (Net) Fair value of forward foreign exchange and currency swap contracts (Note 17)	1.4	–	(6.4)	8.3	–	–	–	**3.3**
Total net financial liabilities arising from financing activities	**2,064.9**	**264.1**	**(116.5)**	**24.5**	**–**	**6.4**	**3.4**	**2,246.8**

1 Exchange movement of £24.5 million from borrowings and forward foreign exchange and currency swap contracts consists of: foreign exchange losses on effective hedge relationships recognised in OCI of £12.6 million and foreign exchange losses recognised within the Income Statement of £11.9 million. See Note 17.

2 Total net fair value loss of £22.0 million arising from derivatives per Note 9 also includes fair value losses from interest rate swaps and caps of £22.0 million.

26. NOTES TO THE CASH FLOW STATEMENTS CONTINUED

For the year ended 31 December 2017

Group	At 1 January 2017 £m	Acquired £m	Cash movements: Cash Inflow[3] £m	Cash movements: Cash Outflow[4] £m	Non-cash movements: Exchange Movement[5] £m	Non-cash movements: Fair value changes[6] £m	Non-cash movements: Cost of early close out of debt £m	Non-cash movements: Other non-cash adjustments £m	At 31 December 2017 £m
Total borrowings (Note 16)	1,630.4	390.4	1,342.1	(1,427.9)	(19.4)	–	145.3	2.6	2,063.5
Derivatives: (Net) Fair value of forward foreign exchange and currency swap contracts (Note 17)	9.6	–	–	(63.4)	55.7	(0.5)	–	–	1.4
Total net financial liabilities arising from financing activities	1,640.0	390.4	1,342.1	(1,491.3)	36.3	(0.5)	145.3	2.6	2,064.9

3 Proceeds from borrowings of £1,342.1 million.

4 Cash outlflow of £1,427.9 million arising from borrowings comprises the repayment of borrowings of £1,274.5 million, cash settlement for early repayment of debt of £140.4 million and capitalised finance costs of £13.0 million.

5 Exchange movement of £36.3 million from borrowing and forward foreign exchange and currency swap contracts consists of: foreign exchange losses on effective hedge relationships recognised in OCI of £6.4 million and foreign exchange losses recognised within the Income Statement of £29.9 million. See Note 17.

6 Total net fair value loss of £21.5 million arising from derivatives per Note 9 also includes fair value losses from interest rate swaps and caps of £22.0 million.

Company

The Company's financial liabilities and assets arising from financing activities are materially the same as those shown for the Group for the year ended 31 December 2018.

For the year ended 31 December 2017 the repayment of borrowings shown in the Company cash flow statement of £883.8 million differs from the Group equivalent primarily because it excludes the repayment of the APP loan acquired for £390.4 million.

27. 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 2018 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 different approaches for different properties, 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 similar assets.

For properties under construction and the majority of 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. Other land is also valued on this comparative basis, the ranges for which are (per hectare) £0.1 million – £2.6 million (2017: £0.1 million – £3.6 million) for the UK and £0.1 million – £4.1 million (2017: £0.1 million – £2.6 million) for Continental Europe.

An increase/decrease to ERV will increase/decrease valuations, while an increase/decrease to yield will decrease/increase valuations. A sensitivity analysis showing the impact on valuations of changes in yields and ERV on the property portfolio (including joint ventures at share) is shown below.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

27. PROPERTY VALUATION TECHNIQUES AND RELATED QUANTITATIVE INFORMATION CONTINUED

Sensitivity analysis

	Group total completed property portfolio £m	Impact on valuation of 25bp change in nominal equivalent yield: Increase £m	Decrease £m	Impact on valuation of 5% change in estimated rental value (ERV): Increase £m	Decrease £m
2018	8,349.4	(394.4)	393.6	314.4	(312.0)
2017	7,160.4	(346.1)	383.3	272.1	(266.0)

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 impact 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. The below table includes the Group's wholly-owned and joint venture assets at share in order to include the entire portfolio. The equivalent analysis for the range of inputs on a wholly-owned basis would not be significantly different.

The Group portfolio by asset type classification has been revised in 2018 compared to that disclosed in Annual Report and Accounts 2017 and shown in the 2017 comparatives. This classification change is to better highlight SEGRO's differentiated portfolio of big box and urban warehouses. To provide comparison the second table below shows the 2018 Group portfolio split by asset type as reported in the Annual Report and Accounts 2017 and comparatives.

	Valuation			Inputs			
2018 By asset type	**Completed £m**	**Land & development[1] £m**	**Combined property portfolio £m**	**ERV[2] £ per sq m**	**ERV range[2] £ per sq m**	**Net true equivalent yield[3] %**	**Net true equivalent yield range %**
Big box warehouses > 35,000 sq m	**1,075.0**		**1,075.0**	**48.7**	**32.4–147.5**	**5.3**	**4.1–6.9**
Big box warehouses < 35,000 sq m	**1,528.3**		**1,528.3**	**51.8**	**32.4–127.1**	**5.4**	**4.3–7.1**
Urban warehouses > 3,500 sq m	**3,173.1**		**3,173.1**	**103.9**	**27.0–280.2**	**5.0**	**3.9–10.6**
Urban warehouses < 3,500 sq m	**2,352.8**		**2,352.8**	**155.0**	**54.0–279.9**	**4.5**	**3.9–8.3**
High value and other uses of industrial land[4]	**220.2**		**220.2**	**117.2**	**36.5–226.0**	**6.2**	**4.6–9.9**
	8,349.4	**1,073.0**	**9,422.4**	**74.4**	**27.0–280.2**	**5.1**	**3.9–10.6**
By ownership							
Wholly-owned[5]	**6,916.4**	**936.7**	**7,853.1**	**108.2**	**27.0–280.2**	**5.0**	**3.9–10.6**
Joint ventures	**1,433.0**	**136.3**	**1,569.3**	**45.6**	**32.4–97.3**	**5.6**	**4.4–7.1**
Group Total	**8,349.4**	**1,073.0**	**9,422.4**	**74.4**	**27.0–280.2**	**5.1**	**3.9–10.6**

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.

4 High value and other uses of industrial land includes offices and retail uses, such as trade counters, car showrooms and self-storage facilities.

5 Included in the completed portfolio, the wholly owned assets are: Big box > 35,000 sq m £481.8 million; big box < 35,000 sq m £729.6 million; urban warehouses > 3,500 sq m £3,132.0 million; urban warehouses < 3,500 sq m £2,352.8 million; and other uses £220.2 million.

The table below shows the 2018 split by asset type as shown in the year ended 31 December 2017 comparatives.

	Valuation			Inputs			
2018 By asset type	**Completed £m**	**Land & development[1] £m**	**Combined property portfolio £m**	**ERV[2] £ per sq m**	**ERV range[2] £ per sq m**	**Net true equivalent yield[3] %**	**Net true equivalent yield range %**
Big box warehouses > 10,000 sq m	**3,374.6**		**3,374.6**	**54.6**	**32.4–272.1**	**5.2**	**3.9–10.6**
Urban warehouses and light industrial buildings	**4,191.9**		**4,191.9**	**115.8**	**27.0–280.2**	**4.8**	**3.9–9.4**
Urban warehouses used as data centres	**434.1**		**434.1**	**193.4**	**104.9–236.8**	**4.9**	**4.0–4.9**
Higher value uses[4]	**348.8**		**348.8**	**159.7**	**54.1–247.8**	**5.8**	**3.9–9.9**
Group Total	**8,349.4**	**1,073.0**	**9,422.4**	**74.4**	**27.0–280.2**	**5.1**	**3.9–10.6**

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.

4 Higher value includes offices and retail uses, such as trade counters, car showrooms and self-storage facilities.

5 Included in the completed portfolio, the wholly owned assets are: Big box £1,999.8 million (2017: £1,791.8 million); light industrial £4,133.9 million (2017: £3,514.7 million); data centres £434.1 million (2017: £371.8 million); and higher value uses £348.6 million (2017: £292.3 million including offices).

27. PROPERTY VALUATION TECHNIQUES AND RELATED QUANTITATIVE INFORMATION CONTINUED

2018 By geography	Valuation			Inputs			
	Completed £m	Land & development £m	Combined property portfolio £m	ERV[1] £ per sq m	ERV range[1] £ per sq m	Net true equivalent yield[2] %	Net true equivalent yield range %
Greater London	**3,585.5**	**139.0**	**3,724.5**	**150.6**	**45.8–280.2**	**4.6**	**3.9–9.4**
Thames Valley	**1,526.2**	**112.3**	**1,638.5**	**143.5**	**61.9–236.8**	**5.0**	**4.5–6.6**
National Logistics	**662.1**	**338.7**	**1,000.8**	**72.4**	**57.6–127.1**	**5.2**	**4.8–6.0**
Northern Europe							
Germany/Austria	**799.4**	**140.7**	**940.1**	**56.6**	**32.4–137.7**	**5.3**	**4.3–8.3**
Belgium/Netherlands	**101.8**	**18.7**	**120.5**	**52.9**	**36.5–90.7**	**5.9**	**5.0–10.6**
Southern Europe							
France	**812.7**	**32.9**	**845.6**	**55.6**	**33.1–119.8**	**5.5**	**4.5–9.5**
Italy/Spain	**322.0**	**256.0**	**578.0**	**45.2**	**27.0–72.1**	**5.7**	**4.6–9.9**
Central Europe							
Poland	**472.2**	**23.1**	**495.3**	**41.9**	**32.4–140.2**	**6.7**	**6.2–7.0**
Other	**67.5**	**11.6**	**79.1**	**50.5**	**45.1–91.9**	**6.0**	**5.6–6.2**
Group Total	**8,349.4**	**1,073.0**	**9,422.4**	**74.4**	**27.0–280.2**	**5.1**	**3.9–10.6**

Investment properties – Group (Note 13(i))	7,801.4
Investment properties – Joint ventures (Note 7(ii))	1,566.9
Trading properties – Group (Note 13(ii))	51.7
Trading properties – Joint ventures (Note 7(ii))	2.4
	9,422.4

1 On a fully occupied basis.

2 In relation to the completed properties only.

2017 By asset type	Valuation			Inputs			
	Completed £m	Land & Development[1] £m	Combined property portfolio £m	ERV[2] £ per sq m	ERV range[2] £ per sq m	Net true equivalent yield[3] %	Net true equivalent yield range %
Big box warehouses > 10,000 sq m	2,928.3		2,928.3	51.3	22.6–251.1	5.5	4.3–10.4
Urban warehouses and light industrial buildings	3,565.5		3,565.5	111.4	26.5–280.2	5.1	4.1–9.5
Urban warehouses used as data centres	371.8		371.8	185.4	99.0–231.7	5.1	4.5–5.1
Higher value uses[4]	294.8		294.8	159.6	53.1–236.8	5.9	4.3–8.3
	7,160.4	878.3	8,038.7	70.5	22.6-280.2	5.3	4.1-10.4
By ownership							
Wholly-owned	5,970.6	787.3	6,757.9	99.3	22.6–280.2	5.1	4.1–10.4
Joint ventures	1,189.8	91.0	1,280.8	43.7	31.9–112.4	6.0	4.6–7.3
Group Total	7,160.4	878.3	8,038.7	70.5	22.6–280.2	5.3	4.1–10.4

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.

4 Higher value includes offices and retail uses, such as trade counters, car showrooms and self-storage facilities.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

27. PROPERTY VALUATION TECHNIQUES AND RELATED QUANTITATIVE INFORMATION CONTINUED

	Valuation			Inputs			
2017 By geography	Completed £m	Land & development £m	Combined property portfolio £m	ERV[1] £ per sq m	ERV range[1] £ per sq m	Net true equivalent yield[2] %	Net true equivalent yield range %
Greater London	3,022.5	205.1	3,227.6	141.3	45.8–280.2	4.8	4.1–8.2
Thames Valley	1,374.5	100.0	1,474.5	137.4	61.8–236.8	5.2	4.8–6.6
National Logistics	661.7	146.5	808.2	72.3	56.5–127.1	5.3	4.9–6.2
Northern Europe							
Germany/Austria	651.4	145.8	797.2	51.3	31.9–138.1	5.4	4.5–6.9
Belgium/Netherlands	109.2	21.6	130.8	48.4	35.6–91.0	6.4	5.3–10.4
Southern Europe							
France	558.0	108.4	666.4	51.7	32.5–115.0	6.1	4.9–9.5
Italy/Spain	332.4	110.8	443.2	38.4	22.6–70.8	5.9	5.1–9.4
Central Europe							
Poland	401.0	26.4	427.4	40.3	31.9–127.4	6.9	6.2–7.3
Czech Republic/Hungary	49.7	13.7	63.4	48.1	42.3–90.3	6.4	6.2–6.6
Group Total	7,160.4	878.3	8,038.7	70.5	22.6–280.2	5.3	4.1–10.4

Investment properties – Group (Note 13(i))	6,745.4
Investment properties – Joint ventures (Note 7(ii))	1,280.2
Trading properties – Group (Note 13(ii))	12.5
Trading properties – Joint ventures (Note 7(ii))	0.6
	8,038.7

1 On a fully occupied basis.

2 In relation to the completed properties only.

28. RELATED UNDERTAKINGS

A list of the Group's related undertakings as at 31 December 2018 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. The Group's related undertakings also include its joint ventures primarily SELP and Roxhill.

Audit exemption taken for subsidiaries

Certain UK subsidiaries are exempt from the requirement of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of Section 479A of the Act. These subsidiaries are depicted by ** in the table below.

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
Airport Property GP (No. 2) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Airport Property H1 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Airport Property Partnership	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Allnatt London Properties PLC[2]**	England & Wales		Direct	Cunard House, 15 Regent Street, London SW1Y 4LR
Amdale Holdings Limited NV	Belgium		Indirect	Louizalaan 331 – 333, 1050 Elsene, Belgium
Beira Investments Sp. z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
Big Box GP Limited[5]	England & Wales		Indirect	55 Baker Street, London W1U 7EU
Bilton Homes Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Bilton p.l.c.	England & Wales		Direct	Cunard House, 15 Regent Street, London SW1Y 4LR
Bonsol S.R.L.	Italy	90	Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
Brixton (Axis Park) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton (Fairways Units 7-11) 1 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton (Great Western, Southall) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton (Hatton Cross) 1 Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton (Heathrow Estate) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton (Metropolitan Park) 1 Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton (Origin) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Asset Management UK Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Equiton Limited[5]	England & Wales		Indirect	55 Baker Street, London W1U 7EU
Brixton Greenford Park Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Limited	England & Wales		Direct	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Nominee 26 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 27 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 38 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 39 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 40 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 41 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 8 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee 9 (Jersey) Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Axis Park 1 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Axis Park 2 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Polar Park 1 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Polar Park 2 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Premier Park 1 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Nominee Premier Park 2 Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Brixton Northfields (Wembley 1) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Northfields (Wembley) Holdings Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Northfields (Wembley) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Northfields 1 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Northfields 2 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Northfields 3 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Northfields 4 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Northfields 5 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR

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FOR THE YEAR ENDED 31 DECEMBER 2018

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
Brixton Northfields 6 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Premier Park Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Properties Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Sub-Holdings Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Brixton Woodside Limited[5]	England & Wales		Indirect	55 Baker Street, London W1U 7EU
B-Serv Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
CHR Holdings LLC	Delaware		Indirect	2711, 400 Centerville Road, Wilmington, New Castle, Delaware, 19808 United States
CHR Holdings II LLC	Delaware		Indirect	1209 Orange Street, Wilmington, United States
De Hoek-Noord S-Park B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
Devon Nominees (No. 1) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Devon Nominees (No. 2) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Devon Nominees (No. 3) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Europa Magnesium S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
Granby Investments Sp. z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
GrontFour s.r.o.	Czech Republic		Indirect	Praha 1, Na Příkopě 9/392 a 11/393, PSČ 110 00, Czech Republic
Helios Northern Limited[1]**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
HelioSlough Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
HEREF Disribution Limited	Jersey		Indirect	3rd Floor, One The Esplanade, St Helier, JE2 3QA, Jersey
Holbury Investments Sp. z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
Howbury GP Limited	England & Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
Howbury SPV Limited	England & Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
IFP S.R.L.	Italy	90	Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
IMPIANTI FTV S.R.L.	Italy	90	Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
Karnal Investments Sp. z.o.o.	Poland		Indirect	Zielna 37, 00-108 Warszawa Mazowieckie, Poland
LIACOM-A Ingatlanforgalmazó Felelösségü Társaság	Hungary		Indirect	1024 Budapest, Lövőház u. 39, Hungary
Lynford Investments Sp. z.o.o.	Poland		Indirect	Zielna 37, 00-108 Warszawa Mazowieckie, Poland
M0M4 Üzleti Park Ingatlanfejlesztö Korlátolt Felelösségü Társaság	Hungary		Indirect	1024 Budapest, Lövőház u. 39, Hungary
Nivindus NV	Belgium	50	Indirect	Louizalaan 331 – 333, 1050 Elsene, Belgium
Novara Logistics Park SARL	Italy	90	Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
Özarow Biznes Park Sp. z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
Premier Greenford GP Limited[1]	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Roxhill (Coventry M6 J2) Limited	England & Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
Roxhill (Coventry) Limited	England & Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
Roxhill (Junction 15) Limited	England & Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
Roxhill (Maidstone) Limited	England & Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
Roxhill Management Rugby Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Roxhill Warth 3 Limited	England & Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
Roxhill-SEGRO (Rugby Gateway) LLP[1]	England & Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
SEGRO (225 Bath Road) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Acton Park) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (BA World Cargo) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Barking) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London, SW1Y 4LR

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO (Barking 1) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Barking 2) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Barking 3) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Blanc Mesnil) SARL	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO (Bonded Stores) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Brackmills) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Bracknell) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Burton upon Trent) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Colnbrook) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Crick) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Den Bosch) B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO (Deptford Trading Estate) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (D-Link House) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (East Plus) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (East Plus) Trading Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (EMG Management Company) Limited[3]	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (EMG Unit 1) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (EMG Unit 2) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (EMG Unit 4) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (EMG) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Faggs Road) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Fairways Industrial Estate) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Gatwick) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Grange Park) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Great Cambridge Industrial Estate) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Hatton Farm Site A) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Hatton Farm Site B) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Hatton Farm Site C) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Hayes) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Heathrow Cargo Area) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Heathrow International) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Heathrow Park) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Howbury) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Kettering) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Lee Park Distribution) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Loop) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Lutterworth) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Nelson Trade Park) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (New Cross Business Centre) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Newport Pagnell) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (NFTE & Mercury) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Parc des Damiers) SAS	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO (Poyle 14) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Purfleet) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Rainham 1) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Rainham 2) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Rainham, Enterprise 1) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Rainham, Enterprise 2) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Reading) Limited[2]	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Rockware Avenue) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Rugby Gateway 1) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR

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28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO (Rugby Gateway 2) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Rugby Gateway 3) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Rugby Gateway 4) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Rugby Gateway 5) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Rushden) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Skyline) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Spaceway Park) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Stansted Cargo) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Stansted Fedex) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Stockley Close) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (The Portal) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Tilbury 2) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Trilogy) Management Company Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Tudor) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (UK Logistics) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Victoria Industrial Estate) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Watchmoor) Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (Welham Green) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO (West Zaan) B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO (Westway Estate) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO Achte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Achtzehnte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Administration Limited	England & Wales		Direct	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO APP 1 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO APP 2 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO APP 3 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO APP 4 Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO APP Management Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO Asset Management Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Belgium NV	Belgium		Indirect	Louizalaan 331 – 333, 1050 Elsene, Belgium
SEGRO Benelux B.V.[4]	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO CHUSA Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO Communities Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO Czech Republic s.r.o.	Czech Republic		Indirect	Praha 1, Na Příkopě 9/392 a 11/393, PSČ 110 00, Czech Republic
SEGRO De Hoek B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Drancy (SCI)	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Dreiundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Dreizehnte Grundbesitz GmbH	Germany	94	Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Dritte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Einundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Elfte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Erste Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Europe Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO European Logistics Partnership S.á r.l.	Luxembourg	50	Indirect	35-37 avenue de la Liberté, L-1931 Luxembourg
SEGRO Finance plc	England & Wales		Direct	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO France SA	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Fünfte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO Fünfundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Fünfzehnte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Gennevilliers (SCI)	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Germany GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Glinde B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Holdings France SAS	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Industrial Estates Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO Industrial Nederlands B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Insurance Limited	Isle of Man		Direct	Third Floor, St George's Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man
SEGRO Investment Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO Investments Spain, SL	Spain		Direct	Avenida Diagonal, 467, 6°2°, 08036 Barcelona, Spain
SEGRO Italy S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
SEGRO Logistics Park Aulnay SCI	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Luge S.á r.l.	Luxembourg		Indirect	5 rue Guillaume Kroll, L-1822 Luxembourg
SEGRO Luxembourg S.á r.l.	Luxembourg		Indirect	35-37 avenue de la Liberté, L-1931 Luxembourg
SEGRO Lyon 1 SCI	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Lyon 2 SCI	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Lyon Holdings SCI	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Management Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO Management NV	Belgium		Indirect	Louizalaan 331 – 333, 1050 Elsene, Belgium
SEGRO Netherlands B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Netherlands Holdings B.V.	Netherlands		Indirect	Gustav Mahlerplein 62, ITO-toren, 8th Floor, 1082MA Amsterdam, Netherlands
SEGRO Neunte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Neunzehnte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Overseas Holdings Limited	England & Wales		Direct	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO Pension Scheme Trustees Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO plc French Branch	France		Direct	20, rue Brunel, 75017 Paris, France
SEGRO Plessis (SCI)	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Poland Sp. z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
SEGRO Properties Limited	England & Wales		Direct	Cunard House, 15 Regent Street, London SW1Y 4LR
SEGRO Properties Spain, SL	Spain		Direct	Avenida Diagonal, 467, 6°2°, 08036 Barcelona, Spain
SEGRO Reisholz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Sechste Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Sechzehnte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Siebte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Siebzehnte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Spain Management, SL	Spain		Indirect	Avenida Diagonal, 467, 6°2°, 08036 Barcelona, Spain
SEGRO Spain Spare 1 S.L.U.	Spain		Direct	Avenida Diagonal, 467, 6°2°, 08036 Barcelona, Spain
SEGRO Spain Spare 2 S.L.U.	Spain		Direct	Avenida Diagonal, 467, 6°2°, 08036 Barcelona, Spain
SEGRO Spain Spare 3 S.L.U.	Spain		Direct	Avenida Diagonal, 467, 6°2°, 08036 Barcelona, Spain
SEGRO Trading (France) SNC	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Vierte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Vierundzwansigste Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Vierzehnte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Wissous (SCI)	France		Indirect	20, rue Brunel, 75017 Paris, France
SEGRO Zehnte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Zwanzigste Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Zweite Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

28. RELATED UNDERTAKINGS CONTINUED

Company Name	Jurisdiction	% effective holding if not 100%	Direct/ Indirect	Registered Office
SEGRO Zweiundzwanzigste Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
SEGRO Zwölfte Grundbesitz GmbH	Germany		Indirect	Fichentraße 33, Düsseldorf 40233, Germany
Sell Invest Italy S.R.L.[5]	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
SELP (Alpha JV) S.á r.l.	Luxembourg	50	Indirect	35-37 avenue de la Liberté, L-1931 Luxembourg
SELP Finance S.á r.l.	Luxembourg	50	Indirect	35-37 avenue de la Liberté, L-1931 Luxembourg
SELP Investments S.á r.l.	Luxembourg	50	Indirect	35-37 avenue de la Liberté, L-1931 Luxembourg
SELP Management Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
SG Austria Brunnerstrasse GmbH	Austria		Indirect	c/o ECOVIS Austrail Wirtschaftsprüfungs, und Steuerberatungsgesellschaft m.b.H., 1060 Wien, Schmalzhofgasse 4, Austria
Slough Trading Estate Limited	England & Wales		Direct	Cunard House, 15 Regent Street, London SW1Y 4LR
Tenedor S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
The Howbury Park Limited Partnership	England & Wales	50	Indirect	Lumonics House Valley Drive, Swift Valley, Rugby, Warwickshire, CV21 1TQ
The UK Logistics (Nominee 1) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
The UK Logistics (Nominee 2) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
The UK Logistics General Partner Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
The UK Logistics Limited Partnership	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Trafford Park Estates Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
UK Logistics Fund Unit Trust	Jersey		Indirect	Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
UK Logistics Properties No 1 Unit Trust	Jersey		Indirect	Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
UK Logistics Properties No 2 Unit Trust	Jersey		Indirect	Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey
Unitair General Partner Limited**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Unitair Limited Partnership**	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Vailog Bonneuil SARL	France	90	Indirect	47 rue de Ponthieu, 75008 Paris, France
Vailog Collecteno S.R.L.	Italy	90	Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
Vailog Energy 1 S.R.L.	Italy	90	Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
Vailog Energy 2 S.R.L.	Italy	90	Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
Vailog Energy 3 S.R.L.	Italy	90	Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
Vailog Holding France	France	90	Indirect	47 rue de Ponthieu, 75008 Paris, France
Vailog S.R.L.	Italy	90	Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
Valipar B.V.	Netherlands	90	Indirect	Herengracht 289d, 1016 BL Amsterdam, Netherlands
Warth Park (No. 1) Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Woodside GP Limited	England & Wales		Indirect	Cunard House, 15 Regent Street, London SW1Y 4LR
Wroclaw Industrial Park Sp. z.o.o.	Poland		Indirect	Pl. Andersa 3, 61-894 Poznań, Poland
ZINC FIVE S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
ZINC FOUR S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
ZINC ONE S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
ZINC SEVEN S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
ZINC SIX S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
ZINC THREE S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy
ZINC TWO S.R.L.	Italy		Indirect	Strada 3 Palazzo B3, 20090 Assago (Milano) Italy

1 Ownership held in class A and B shares

2 Ownership held in class of ordinary and deferred shares

3 Ownership held in class of A shares

4 Ownership held in class of G shares, K shares, S shares and preference shares

5 Company in liquidation

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS

Table 1: EPRA performance measures summary

		2018		2017	
	Notes	£m	Pence per share	£m	Pence per share
EPRA Earnings	Table 4	**184.7**	**18.3**	192.8	19.9
EPRA NAV	Table 3	**6,620.3**	**650**	5,607.7	556
EPRA NNNAV	12	**6,557.7**	**644**	5,416.0	537
EPRA net initial yield	Table 5		**3.9%**		4.3%
EPRA topped-up net initial yield	Table 5		**4.3%**		4.8%
EPRA vacancy rate	Table 6		**5.2%**		4.0%
EPRA cost ratio (including vacant property costs)	Table 7		**36.9%**		24.6%
EPRA cost ratio (excluding vacant property costs)	Table 7		**35.3%**		22.1%

Table 2: Income Statement, proportionally consolidated

		2018			2017		
	Notes	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Gross rental income	2,7	**297.7**	**75.5**	**373.2**	272.9	73.7	346.6
Property operating expenses	2,7	**(50.1)**	**(5.0)**	**(55.1)**	(52.2)	(3.9)	(56.1)
Net rental income		**247.6**	**70.5**	**318.1**	220.7	69.8	290.5
Joint venture fee income[1]	2	**44.9**	**(20.1)**	**24.8**	24.3	(11.3)	13.0
Administration expenses	2,7	**(44.1)**	**(1.3)**	**(45.4)**	(39.7)	(0.9)	(40.6)
Adjusted operating profit before interest and tax		**248.4**	**49.1**	**297.5**	205.3	57.6	262.9
Net finance costs (including adjustments)	2,7	**(45.9)**	**(7.6)**	**(53.5)**	(58.7)	(6.2)	(64.9)
Adjusted profit before tax		**202.5**	**41.5**	**244.0**	146.6	51.4	198.0
Tax on adjusted profit	2,7	**(4.4)**	**(2.5)**	**(6.9)**	(1.2)	(3.8)	(5.0)
Adjusted earnings		**198.1**	**39.0**	**237.1**	145.4	47.6	193.0
Non-controlling interest on adjusted profit	2,7	**(0.6)**	**–**	**(0.6)**	(0.2)	–	(0.2)
Adjusted earnings after tax and non-controlling interests (A)		**197.5**	**39.0**	**236.5**	145.2	47.6	192.8
Number of shares	12			**1,008.6**			967.3
Adjusted EPS, pence per share	12			**23.4**			19.9
Number of shares	12			**1,014.4**			972.8
Adjusted EPS, pence per share – diluted				**23.3**			19.8
EPRA earnings							
Adjusted earnings after tax and non-controlling interests (A)		**197.5**	**39.0**	**236.5**	145.2	47.6	192.8
Pension buy-out costs	2,18	**(51.8)**	**–**	**(51.8)**	–	–	–
EPRA earnings after tax and non-controlling interests		**145.7**	**39.0**	**184.7**	145.2	47.6	192.8
Number of shares				**1,008.6**			967.3
EPRA EPS, pence per share				**18.3**			19.9
Number of shares				**1,014.4**			972.8
EPRA EPS, pence per share – diluted				**18.2**			19.8

1 Joint venture fee income includes the cost of such fees borne by the joint ventures which are shown in Note 7 within net rental income.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 3: Balance Sheet, proportionally consolidated

		2018			2017		
	Notes	**Group £m**	**Joint ventures £m**	**Total £m**	Group £m	Joint ventures £m	Total £m
Investment properties	13,7	**7,801.4**	**1,566.9**	**9,368.3**	6,745.4	1,280.2	8,025.6
Trading properties	13,7	**51.7**	**2.4**	**54.1**	12.5	0.6	13.1
Total properties		**7,853.1**	**1,569.3**	**9,422.4**	6,757.9	1,280.8	8,038.7
Investment in joint ventures	7	**999.9**	**(999.9)**	**–**	792.0	(792.0)	–
Other net liabilities		**(112.0)**	**(33.0)**	**(145.0)**	(10.3)	(45.3)	(55.6)
Net borrowings	16,7	**(2,177.0)**	**(536.4)**	**(2,713.4)**	(1,954.2)	(443.5)	(2,397.7)
Total shareholders' equity[1]		**6,564.0**	**–**	**6,564.0**	5,585.4	–	5,585.4
EPRA adjustments	12			**56.3**			22.3
EPRA NAV	12			**6,620.3**			5,607.7
Number of shares, million	12			**1,018.7**			1,007.7
EPRA NAV, pence per share	12			**650**			556

1 After non-controlling interests.

Note: Loan to value of 28.8 per cent is calculated as net borrowings of £2,713.4 million divided by total properties £9,422.4 million (2017: 29.8 per cent; £2,397.7 million net borrowings; £8,038.7 million total properties).

Table 4: EPRA Earnings

	Notes	**2018 Group £m**	2017 Group £m
Earnings per IFRS income statement		**1,062.6**	952.7
Adjustments to calculate EPRA Earnings, exclude:			
Valuation surplus on investment properties	8	**(791.4)**	(872.4)
Profit on sale of investment properties	8	**(56.5)**	(17.0)
Loss on sale of trading properties	8	**–**	0.4
Valuation surplus on other investments	8	**(4.7)**	–
Tax on profits on disposals[1]	2	**36.8**	0.3
Goodwill and other amounts written off on acquisitions and amortisation of intangibles		**–**	0.6
Cost of early close out of bank debt	9	**6.4**	145.3
Net fair value loss on interest rate swaps and other derivatives	9	**22.0**	21.5
Deferred tax in respect of EPRA adjustments[1]	2	**(8.2)**	18.5
Adjustments to the share of profit from joint ventures after tax	7	**(85.2)**	(60.5)
Non-controlling interests in respect of the above	2	**2.9**	3.4
EPRA earnings		**184.7**	192.8
Basic number of shares	12	**1,008.6**	967.3
EPRA Earnings per Share (EPS)		**18.3**	19.9
Company specific adjustments:			
Pension buy-out costs	18	**51.8**	–
Adjusted earnings		**236.5**	192.8
Adjusted EPS		**23.4**	19.9

1 Total tax charge in respect of adjustments per Note 2 of £28.6 million (2017: £18.8 million charge) comprises tax charge on profits on disposals of £36.8 million (2017: £0.3 million charge) and deferred tax credit of £8.2 million (2017: £18.5 million charge).

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 5: EPRA net initial yield and topped-up net initial yield

Combined property portfolio including joint ventures at share – 2018	Notes	UK £m	Continental Europe £m	Total £m
Total properties per financial statements	Table 3	**6,363.8**	**3,058.6**	**9,422.4**
Add valuation surplus not recognised on trading properties[1]		**2.2**	**0.9**	**3.1**
Combined property portfolio per external valuers' reports		**6,366.0**	**3,059.5**	**9,425.5**
Less development properties (investment, trading and joint ventures)		**(592.2)**	**(483.9)**	**(1,076.1)**
Net valuation of completed properties		**5,773.8**	**2,575.6**	**8,349.4**
Add notional purchasers' costs		**390.6**	**141.0**	**531.6**
Gross valuation of completed properties including notional purchasers' costs	A	**6,164.4**	**2,716.6**	**8,881.0**

		£m	£m	£m
Income				
Gross passing rent[2]		**224.4**	**131.0**	**355.4**
Less irrecoverable property costs		**(2.9)**	**(6.5)**	**(9.4)**
Net passing rent	B	**221.5**	**124.5**	**346.0**
Adjustment for notional rent in respect of rent frees		**11.8**	**24.4**	**36.2**
Topped up net rent	C	**233.3**	**148.9**	**382.2**
Including fixed/minimum uplifts[4]		**9.7**	**1.0**	**10.7**
Total topped up net rent		**243.0**	**149.9**	**392.9**

Yields – 2018		UK %	Continental Europe %	Total %
EPRA net initial yield[3]	B/A	**3.6**	**4.6**	**3.9**
EPRA topped-up net initial yield[3]	C/A	**3.8**	**5.5**	**4.3**
Net true equivalent yield		**4.8**	**5.9**	**5.1**

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 In accordance with the Best Practices Recommendations of EPRA.

4 Certain leases contain clauses which guarantee future rental increases, whereas most leases contain five yearly, upwards only rent review clauses (UK) or indexation clauses (Continental Europe).

Table 6: EPRA vacancy rate

	2018 £m	2017 £m
Annualised potential rental value of vacant premises	**23.1**	16.0
Annualised potential rental value for the completed property portfolio	**441.3**	401.2
EPRA vacancy rate	**5.2%**	4.0%

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 7: Total cost ratio/EPRA cost ratio

Total cost ratio	Notes	2018 £m	2017 £m
Costs			
Property operating expenses[1]	5	**50.1**	52.2
Administration expenses	6	**44.1**	39.7
Share of joint venture property operating and administration expenses[2]	7	**13.3**	11.8
Less:			
Joint venture property management fee income, management fees and other costs recovered through rents but not separately invoiced[3]		**(23.0)**	(19.1)
Total costs (A)		**84.5**	84.6
Gross rental income			
Gross rental income	4	**297.7**	272.9
Share of joint venture property gross rental income	7	**75.5**	73.7
Less:			
Management fees and other costs recovered through rents but not separately invoiced[3]		**(4.3)**	(2.3)
Total gross rental income (B)		**368.9**	344.3
Total cost ratio (A)/(B)		**22.9%**	24.6%
Total costs (A)		**84.5**	84.6
Share based payments	6	**(11.1)**	(10.0)
Total costs after share based payments (C)		**73.4**	74.6
Total cost ratio after share based payments (C)/(B)		**19.9%**	21.7%

EPRA cost ratio	Notes	2018 £m	2017 £m
Total costs (A)		**84.5**	84.6
Pension buy-out costs	18	**51.8**	–
EPRA total costs including vacant property costs (D)		**136.3**	84.6
Group vacant property costs	5	**(5.1)**	(7.6)
Share of joint venture vacant property costs	7	**(0.9)**	(0.9)
EPRA total costs excluding vacant property costs (E)		**130.3**	76.1
Total gross rental income (B)		**368.9**	344.3
Total EPRA cost ratio (including vacant property costs) (D)/(B)		**36.9%**	24.6%
Total EPRA cost ratio (excluding vacant property costs) (E)/(B)		**35.3%**	22.1%

1 Property operating expenses are net of costs capitalised in accordance with IFRS of £4.6 million (2017: £4.2 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 Includes joint venture management fees income of £18.7 million (2017: £16.8 million) and management fees and other costs recovered through rents but not separately invoiced, including joint ventures, of £4.3 million (2017: £2.3 million). These items have been represented as an offset against costs rather than a component of income in accordance with EPRA BPR Guidelines as they are reimbursing the Group for costs incurred.

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 8: EPRA capital expenditure analysis

	2018			2017		
	Wholly owned £m	**Joint ventures £m**	**Total £m**	Wholly owned £m	Joint ventures £m	Total £m
Acquisitions	**193.7[1]**	**162.0**	**355.7**	1,212.2	82.2	1,294.4
Development[4]	**482.3[2]**	**65.9**	**548.2**	368.3	45.8	414.1
Completed properties	**23.9[3]**	**6.4**	**30.3**	19.7	4.6	24.3
Other[5]	**16.6**	**6.2**	**22.8**	16.7	4.7	21.4
Total	**716.5**	**240.5**	**957.0**	1,616.9	137.3	1,754.2

1 Being £193.7 million investment property and £nil trading property (2017: £1,212.2 million and (including £1,112.6 million in respect of the APP property portfolio) £nil respectively) see Note 13.

2 Being £461.8 million investment property and £20.5 million trading property (2017: £367.8 million and £0.5 million respectively) see Note 13.

3 Being £23.9 million investment property and £nil million trading property (2017: £19.7 million and £nil respectively) see Note 13.

4 Includes wholly-owned capitalised interest of £9.2 million (2017: £6.6 million) as further analysed in Note 9 and share of joint venture capitalised interest of £0.8 million (2017: £0.8 million).

5 Tenant incentives, letting fees and rental guarantees.

Table 9: Like-for-like net rental income

(including JVs at share)	**2018 £m**	2017 £m	Change %
UK	**171.3**	164.5	4.1
Continental Europe	**78.4**	77.6	1.0
Like-for-like net rental income	**249.7**	242.1	3.1
Other[1]	**(5.7)**	(4.8)	
Like-for-like net rental income (after other)	**244.0**	237.3	2.8
Development lettings	**28.4**	8.3	
Properties taken back for development	**0.1**	1.0	
Like-for-like net rental income plus developments	**272.5**	246.6	
Properties acquired	**30.4**	17.2	
Properties sold	**7.3**	22.8	
Net rental income before surrenders, dilapidations and exchange	**310.2**	286.6	
Lease surrender premiums and dilapidation income	**1.2**	1.3	
Other items and rent lost from lease surrenders	**6.7**	3.4	
Impact of exchange rate difference between periods	**–**	(0.8)	
Net rental income (including joint ventures at share)	**318.1**	290.5	
SEGRO share of joint venture management fees	**(7.0)**	(7.0)	
SEGRO share of joint venture performance fees	**(13.1)**	(4.3)	
Net rental income after SEGRO share of joint venture fees	**298.0**	279.2	

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

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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2018

SUPPLEMENTARY NOTES NOT PART OF AUDITED FINANCIAL STATEMENTS CONTINUED

Table 10: Top 10 estates as at 31 December 2018 (by value, including joint ventures at share)

UK	Ownership	Location	Lettable area (100%) sq m	Headline rent £m	Vacancy by ERV %	WAULT years[1]	Asset type
Slough Trading Estate	100	Slough	510,818	67.8	2.3	8.7	Multi-let urban warehouse estate
Shoreham Rd Cargo Area	100	Heathrow	86,035	10.8	0.0	4.5	Multi-let cargo facility
SLP East Midlands Gateway	100	Midlands	n/a	n/a	n/a	n/a	Development site
Premier Park	100	Park Royal	78,428	10.8	0.0	4.6	Multi-let urban warehouse estate
Greenford Park	100	Park Royal	79,509	10.0	2.0	6.2	Multi-let urban warehouse estate
North Feltham Trading Estate	100	Heathrow	65,980	7.9	11.9	4.7	Multi-let urban warehouse estate
Axis Park	100	Heathrow	61,753	8.1	0.0	9.1	Multi-let urban warehouse estate
Metropolitan Park	100	Park Royal	69,975	7.1	6.2	2.8	Multi-let urban warehouse estate
Rugby Gateway	100	Midlands	113,413	8.5	0.0	9.9	Big box warehouse park
BA World Cargo Centre	100	Heathrow	n/a	Conf.[2]	0.0	32.3	Single-let cargo facility
Continental Europe							
VAILOG CSG Logistics Park	50/100	Italy	217,298	5.3	0.3	8.0	Big box warehouse park
SEGRO Logistics Park Krefeld-Süd	50	Germany	191,644	4.9	0.0	5.9	Big box warehouse park
SEGRO Airport Park Berlin	50/100	Germany	107,085	4.1	10.6	5.9	Multi-let urban warehouse estate and big box estate
SEGRO Park Düsseldorf-Sud	100	Germany	79,921	5.2	0.0	7.0	Multi-let urban warehouse estate
SEGRO Park Gennevilliers	100	France	75,232	5.5	0.0	7.6	Multi-let urban warehouse estate
SEGRO Logistics Park Stryków	50	Poland	282,818	5.2	3.7	4.5	Big box warehouse park
SEGRO Logistics Park Aulnay	100	France	37,704	3.5	0.0	9.5	Big box warehouse park
SEGRO Logistics Park Prague	50	Czech Republic	169,287	4.0	3.2	4.0	Big box warehouse park
SEGRO Business Park Gliwice	50	Poland	237,847	4.8	8.5	4.5	Big box warehouse park
Verona DC1	100	Italy	n/a	n/a	n/a	n/a	Development site

1 Weighted average unexpired lease term to earlier of break of expiry.

2 Confidential.

FIVE-YEAR FINANCIAL RESULTS

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Group Income Statement					
Net rental income	**247.6**	220.7	180.6	173.0	174.6
Joint venture fee income	**44.9**	24.3	18.6	17.0	11.8
Administration expenses	**(44.1)**	(39.7)	(31.4)	(28.5)	(28.3)
Share of joint ventures' Adjusted profit after tax	**39.0**	47.6	55.4	44.4	46.3
Net finance costs (including adjustments)	**(45.9)**	(58.7)	(68.7)	(67.3)	(74.7)
Adjusted profit before tax[1]	**241.5**	194.2	154.5	138.6	129.7
Adjustments to the share of profit from joint ventures after tax	**85.2**	60.5	29.7	112.1	105.1
Profit on sale of investment properties	**56.5**	17.0	16.4	23.0	25.0
Valuation surplus on investment and owner occupied properties	**791.4**	872.4	231.3	439.8	385.6
(Loss)/profit on sale of trading properties	**–**	(0.4)	0.3	(0.1)	(0.3)
Increase in provision for impairment of trading properties	**–**	–	(2.0)	(1.2)	(1.7)
Other investment income	**4.7**	–	–	6.6	1.9
Goodwill and other amounts written off on acquisitions and amortisation of intangibles	**–**	(0.6)	(0.2)	(3.8)	(0.2)
Net fair value (loss)/gain on interest rate swaps and other derivatives	**(22.0)**	(21.5)	(2.6)	(23.7)	10.9
Net loss on early close out of debt	**(6.4)**	(145.3)	(1.0)	–	(1.6)
Pension buy-out costs	**(51.8)**	–	–	(4.8)	–
Profit before tax	**1,099.1**	976.3	426.4	686.5	654.4
Group Balance Sheet					
Investment properties (including assets held for sale)	**7,801.4**	6,745.4	4,714.4	4,424.0	3,477.0
Trading properties	**51.7**	12.5	25.4	37.6	77.8
Total directly owned properties	**7,853.1**	6,757.9	4,739.8	4,461.6	3,554.8
Plant and equipment	**13.3**	14.7	16.1	16.4	6.6
Investments in joint ventures	**999.9**	792.0	1,066.2	867.3	855.5
Other assets	**235.8**	261.2	254.6	202.8	372.9
Cash and cash equivalents	**66.5**	109.3	32.0	16.4	23.8
Total assets	**9,168.6**	7,935.1	6,108.7	5,564.5	4,813.6
Borrowings	**(2,243.5)**	(2,063.5)	(1,630.4)	(1,822.9)	(1,703.0)
Deferred tax provision	**(26.9)**	(34.6)	(16.3)	(12.6)	(10.3)
Other liabilities and non-controlling interests	**(334.2)**	(251.6)	(279.9)	(239.1)	(211.5)
Total equity attributable to owners of the parent	**6,564.0**	5,585.4	4,182.1	3,489.9	2,888.8
Total movement in equity attributable to owners of the parent					
Profit attributable to equity shareholders	**1,062.6**	952.7	417.7	682.5	682.0
Other equity movements	**(84.0)**	450.6	274.5	(81.4)	(137.9)
	978.6	1,403.3	692.2	601.1	544.1
Data per ordinary share (pence)					
Earnings per share					
Basic earnings per share[2]	**105.4**	98.5	51.6	87.7	88.0
Adjusted earnings per share – basic[2]	**23.4**	19.9	18.8	17.6	16.4
Net assets per share basic					
Basic net assets per share[2]	**648**	557	483	447	373
EPRA NAV per share – diluted[2]	**650**	556	478	443	367
Dividend per share[2]	**18.8**	16.6	15.7	14.9	14.4

1 There are no differences between the Adjusted profit before tax and the previously reported EPRA profit before tax for the years 2014, 2016 and 2017.

2 Earnings per share and net assets per share for 2016 and earlier have been re-presented for a bonus factor of 1.046.

FURTHER INFORMATION

FINANCIAL INFORMATION

FINANCIAL CALENDAR AND SHAREHOLDER INFORMATION

FEBRUARY 2019		
Announcement of year end results:		15 February
Payment:	6¾ per cent bonds 2024 interest	25 February
MARCH 2019		
Payment:	7 per cent bonds 2022 interest	14 March
Ex-dividend date for final dividend:	Property Income Distribution	21 March
Record date:	Property Income Distribution	22 March
APRIL 2019		
Final date for SCRIP election:	Property Income Distribution	9 April
Annual General Meeting:		18 April
MAY 2019		
Payment:	Property Income Distribution	2 May
Payment:	6¾ per cent 2021 interest	23 May
JUNE 2019		
Payment:	5¾ per cent bonds 2035 interest	20 June
JULY 2019		
Announcement of Half year results:		23 July
AUGUST 2019		
Payment:	6¾ per cent bonds 2024 interest	23 August
SEPTEMBER 2019		
Payment:	7 per cent bonds 2022 interest	16 September
OCTOBER 2019		
Payment:	Property Income Distribution and/or Dividend	October
Payment:	2⅜ per cent bonds 2029 interest	11 October
Payment:	2⅞ per cent bonds 2037 interest	11 October
NOVEMBER 2019		
Payment:	6¾ per cent bonds 2021 interest	25 November
DECEMBER 2019		
Payment:	5⅝ per cent bonds 2020 interest	9 December

ANALYSIS OF SHAREHOLDERS – 31 DECEMBER 2018

Shareholder analysis

Range	Holders	% of holders	Shares	% of shares
1–1,000	4,147	58.62	985,431	0.10
1,001–10,000	1,871	26.45	6,078,937	0.60
10,001–100,000	558	7.89	20,525,490	2.03
100,001–1,000,000	343	4.85	120,645,512	11.90
1,000,001+	155	2.19	865,267,392	85.37
Totals	7,074	100.00	1,013,502,762	100.00

Category analysis

Category	Holders	% of holders	Shares	% of shares
Individual (certificated)	5,135	72.59	9,996,758	0.99
Individual (uncertificated)	93	1.31	400,166	0.04
Nominee and Institutional Investors	1,846	26.10	1,003,105,838	98.97
Totals	7,074	100.00	1,013,502,762	100.00

SHAREHOLDER 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.
- On 2 September 2016, the Company placed 74,770,950 new ordinary shares at a price of 435 pence by way of an equity placing. The shares were issued and admitted to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 6 September 2016. Total gross proceeds of approximately £325 million were raised from the placing.
- On 10 March 2017, a Rights Issue was announced on the basis of one new share for every five shares held on 8 March 2017 at a subscription price of 345 pence per share. 166,033,133 new ordinary shares were issued and admitted to the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of the London Stock Exchange plc on 28 March 2017. Total gross proceedings of approximately £573 million were raised from the Rights Issue.

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 2019 AGM will be held on 18 April 2019 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, which are derived from profits earned by its UK, non-REIT taxable business, as well as its overseas operations.

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 full or 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.

Ordinary dividends

Ordinary, non-PID dividends will be treated in exactly the same way by shareholders as ordinary dividends paid before the Company became a REIT. From 6 April 2016 the notional 10 per cent tax credit has been abolished and replaced with a tax free dividend allowance, which will apply to the ordinary, non-PID dividends received by UK resident shareholders who are subject to UK income tax. This allowance does not apply to the PID element of dividends. Further information is available from HMRC at https://www.gov.uk/government/publications/income-tax-dividend-allowance-reduction.

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 2018 AGM.

Subject to the Board deciding to offer a SCRIP, the SCRIP runs for three years ending on the earlier of 18 April 2021 and the 2021 AGM.

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.

FURTHER INFORMATION

GLOSSARY OF TERMS

APP: Airport Property Partnership, formerly a 50-50 joint venture between SEGRO and Aviva Investors, which was dissolved in 2017 when SEGRO acquired Aviva's 50 per cent interest in the portfolio.

Completed portfolio: The completed investment properties and the Group's share of joint ventures' completed investment properties. Includes properties held throughout the period, completed developments and properties acquired during the period.

Development pipeline: The Group's current programme of developments authorised or in the course of construction at the Balance Sheet date (Current Pipeline), together with potential schemes not yet commenced on land owned or controlled by the Group (Future Pipeline).

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. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight-line basis over the lease term.

Headline 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) ignoring any rent-free period.

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

IFRS: International Financial Reporting Standards, the standards under which SEGRO reports its financial accounts.

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, if appropriate, assets held for sale on the balance sheet). This is reported on a 'look-through' basis (including joint ventures at share).

MSCI: MSCI Real Estate calculates the IPD indices of real estate performance around the world.

Net initial yield: 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 commencing construction of a building.

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-free period: An incentive provided usually at commencement of a lease during which a customer pays no rent. The amount of rent free is the difference between passing rent and headline rent.

Rent roll: See Passing Rent.

SELP: SEGRO European Logistics Partnership, a 50-50 joint venture between SEGRO and the Public Sector Pension Investment Board (PSP Investments) established in 2013 to own big box warehouses in Continental Europe.

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.

SPPICAV: Société de Placement à Prépondérance Immobilière à Capital Variable is a French equivalent of UK Real Estate Investment Trusts (see REIT).

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: 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.

Yield on new money: The yield on cost excluding the book value of land if the land is owned by the Group in the reporting period prior to commencement of the development.

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REGISTERED NUMBER 167591

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GO ONLINE

To keep up to date with SEGRO, you can source facts and figures about the Group through the various sections on our website and sign up for email alerts for fast communication of breaking news.

Financial reports, shareholder information and property analysis are frequently updated and our current share price is always displayed on the Home Page.

As well as featuring detailed information about available property throughout the portfolio, www.SEGRO.com now also includes a dedicated property search function making it easy for potential customers, or their agents, to find business space that fits their requirement exactly. SEGRO's performance in areas such as sustainability and customer care are also featured on the site, www.SEGRO.com.

OTHER PUBLICATIONS

Additional disclosures on our property portfolio can be found in the 2018 Property Analysis Report at www.SEGRO.com.

Our CSR policies, reporting guidelines, assurance statements and further case studies can be found at www.SEGRO.com/csr.

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 Guidance 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. The information in this Annual Report does not constitute an offer to sell or an invitation to buy securities in SEGRO plc or an invitation or inducement to engage in any other investment activities.

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