SEGRO
WHERE BUSINESS WORKS

PRESS RELEASE

23 AUGUST 2011

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months to 30 June 2011	Six months to 30 June 2010	Change %
Net rental income (£m)	**135.5**	144.3	(6.1)
Profit before tax (£m)	**64.6**	148.9	(56.6)
EPRA profit before tax (£m)	**71.1**	64.3	10.6
EPRA earnings per share (p)	**9.4**	8.7	8.0
Dividend per share (p)	**4.9**	4.7	4.3

	30 June 2011	31 December 2010	Change %
Gross assets (£m)	**5,367.7**	5,297.5	1.3
Net assets (£m)	**2,722.7**	2,709.0	0.5
EPRA net asset value per share (p)	**377**	376	0.3
Net borrowings (£m)	**2,303.1**	2,203.2	4.5
Loan to value (%)	**47**	46	2.2

Strong operational delivery

- £20.2 million of new annualised rental income secured from lettings of existing space and pre-let developments to be delivered in later periods (H1 2010: £19.8 million)
- Customer retention rate significantly improved from 58 per cent to 74 per cent and takebacks down 32 per cent (£13.1 million of annualised rental income lost as a result of space returned (H1 2010: £19.2 million))
- Group vacancy rate reduced to 11.4 per cent at 30 June 2011 down from 12.0 per cent at 31 December 2010 and 14.0 per cent at 30 June 2010

Operational performance drives strong earnings

- EPRA profit before tax up 10.6 per cent to £71.1 million
- Like for like net rental income increased by 5.1 per cent

Further expansion of development pipeline

- 29 developments completed, under construction or contracted representing aggregate capital expenditure of approximately £205 million and annualised rental income of approximately £24 million, of which 75 per cent is let or pre-let
- Strong platform for future development provided by £395 million well located land bank with the potential to generate estimated annualised rental income of £110 million on capital expenditure of £900 million

Capital values stable - 0.2 per cent net reduction in valuation of completed properties

- Positive performances from key assets in South East England, France, Germany and Poland (in total 76 per cent of the portfolio)
- Valuation declines in other areas of the portfolio including Birmingham, Manchester and certain Continental European assets (in total 24 per cent of the portfolio)

Commenting on the results, David Sleath, Chief Executive said:

“Against a backdrop of slowly recovering occupier markets, our key priority has remained operational delivery, focused on customer retention, leasing, cost control and pre-let development. These strong figures are a testament to the quality and location of most of our assets and the customer focus and hard work of our teams on the ground.

We remain mindful of the broader economic and financial risks currently affecting markets and continue to take a prudent approach to managing the business. However I am pleased with the operational results we have achieved in the first half and am confident that SEGRO will continue to make further operational progress.”

CONFERENCE CALL FOR INVESTORS AND ANALYSTS

A live webcast of the results presentation will be available from 09.30 hours at SEGRO's website at:
http://www.segro.com/segro/Investors/Investors-Home.htm

A conference call facility will also be available at 09.30 hours on the following numbers:

UK toll: **+44 (0) 20 7136 6284**

US toll: +**1 212 444 0413**

Access code: **3156204#**

From midday the conference call will be available on a replay basis on the following numbers:

UK toll: **+44 (0) 20 7111 1244**

US toll free: **+1 347 366 9565**

Access code: **3156204#**

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES RESPECTIVELY:

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The timetable for the 2011 interim dividend will be as follows:

Ex-Dividend date	21 September 2011
Record Date	23 September 2011
Payment Date	7 October 2011

The terms used in this report are defined in the Glossary of Terms on page 34. This half-year report, the most recent Annual Report and other information are available on SEGRO website at http://www.segro.com/segro/Investors/Investors-Home/.

Neither the content of SEGRO's website nor any other website accessible by hyperlinks from SEGRO's websites are incorporated in, or form, part of this announcement.

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

BUSINESS REVIEW

INTRODUCTION

Occupier market conditions have, in general, been slowly recovering both in the UK and Continental Europe in the first half of the year but remain challenging reflecting the uncertain macro economic environment with concerns around sovereign debt and austerity measures.

Many customers remain focused on cost savings and consolidating their space requirements with demand for space coming primarily from certain key sectors, including major food and fashion retailers, data centres and third party logistics providers plus those companies who have weathered the recession and see the current market dynamics as an opportunity to take on new space at relatively favourable terms. In general, the balance of negotiating power still sits with occupiers but with the availability of modern, grade A space, reducing in several key locations this balance is moving slowly back towards landlords with generally stable headline rental levels and incentives hardening in many regions.

Geographically, London and the South, which account for around 92 per cent of our UK portfolio, remain the strongest areas for occupier demand in the UK with conditions continuing to be more difficult in the Midlands and North of the country. In Continental Europe, we have seen good levels of demand particularly around key cities in Germany and France and across the portfolio in Poland.

Against this backdrop we have delivered a strong first half operating performance having secured £20.2 million of new income from lettings of existing space and pre-let developments signed and to be delivered in later periods (H1 2010: £19.8 million). This reflects our ability to deliver flexible solutions which meet our occupiers' needs and our focus on markets where we have scale and can leverage this to the advantage of our customers. Take-up in the period was £13.9 million (lettings of existing space and pre-let developments taken-up in the period) (H1 2010: £20.0 million) reflecting the lower level of vacant space we have available to let.

Transactional rental values on our new lettings and lease renewals are ahead of December 2010 ERVs by 2.9 per cent, a much better position than at this time last year, whilst lease incentives were broadly unchanged at 7.7 per cent. Like for like valuers' ERVs for the completed portfolio fell by 0.4 per cent in the UK and were flat in Continental Europe in the period.

We have for many years been committed to high quality customer service throughout the term of each lease. This ongoing close involvement with our customers has helped us to deliver a significantly improved retention rate of 74 per cent for the first half of the year (H1 2010: 58 per cent). This contributed to a lower level of takebacks in the period with £13.1 million of annualised rental income lost (H1 2010: £19.2 million). As at 30 June 2011, 71 per cent of our passing rent at risk from potential breaks and expiries in 2011 had been decided with only £11.4 million of passing rent potentially subject to break or expiry in the second half.

We further improved occupancy, reducing our vacancy rate to 11.4 per cent from 12.0 per cent at 31 December 2010 (benefiting from 1.8 per cent and 1.5 per cent relating to short term lets respectively). In the last 12 months our vacancy rate has reduced by 260 basis points from 14.0 per cent at 30 June 2010 (benefiting from 1.4 per cent relating to short term lets).

This strong operational performance, combined with cost savings particularly in our property management expenses, has driven strong earnings growth in the first half. Like for like net rental income increased by 5.1 per cent (including out of period credits) and 2.5 per cent excluding these credits and we delivered a 10.6 per cent increase in EPRA profit before tax to £71.1 million.

OPERATIONAL PERFORMANCE

UK

	30 June 2011	31 December 2010
UK vacancy rate (% by ERV)	**12.9**	13.3
Former Brixton portfolio vacancy rate (% by ERV)	**15.5**	18.6

	H1 2011	H1 2010
Take-up[1] (area 000's sq m)	**84.0**	158.7
Take-up[1] (rent per annum £ million[2])	**8.6**	14.3
Space returned (area 000's sq m)	**102.4**	143.3
Space returned (rent per annum £ million[2])	**9.0**	9.9
Retention rate (%)	**72**	52
Transactional rental levels versus prior December ERVs (%)	**3.4**	(0.9)
Lease incentives (%)	**7.2**	7.6

1. Take-up excludes lease renewals, unexpired break options, income from short term license agreements and pre-let developments to be delivered in future periods.

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

3. Includes joint ventures at share.

Our operational priorities in the UK remain to continue to drive down vacancy, to generate returns from our landbank through development and to improve the portfolio, including selling peripheral assets where we see limited opportunity to add further value.

We completed a total of 100 lettings in the UK in the first six months of the year generating £8.6 million of new annualised rental income. Reflecting the better occupier market dynamics in London, 41 of these leases were completed in our London region with just under half of these in our strongest performing market at Park Royal in West London. Demand for existing space in the Thames Valley was steady in the first half augmented by strong interest in pre-let development, particularly on the Slough Trading Estate. Although conditions outside the South East are more challenging we made good progress in several of our estates in our National Markets business area.

In the UK our retention rate improved significantly to 72 per cent (H1 2010: 52 per cent). A significant focus is the management of potential breaks and expiries to try to ensure that we retain as many customers as we can. We have now been managing the combined SEGRO and Brixton portfolios together for two years and our scale and knowledge in our key markets allows us to stay close to all agents' searches for new space. Coupled with this we are committed to customer service throughout the lease term so we know our customers well and can work with them on their evolving space requirements. This focus helped to reduce takebacks in the UK to £9.0 million (H1 2010: £9.9 million) with only a further £8.7 million of passing rent at risk in the remainder of the year from potential break or expiry (31 per cent of the passing rent at risk at the beginning of this year).

The strong letting activity and significant improvement in retention rate allowed us to further improve occupancy, reducing our UK vacancy rate to 12.9 per cent from 13.3 per cent at 31 December 2010 and 14.7 per cent at 30 June 2010. The Brixton vacancy rate now stands at 15.5 per cent down from 18.6 per cent at 31 December 2010 and 21.5 per cent at 30 June 2010. We have continued to undertake a number of short term lets in the half year where there is customer demand. Short term lets allow us to maximise the income available from our vacant buildings and mitigate empty property costs while we market the properties for longer term occupation. As at 30 June 2011, these arrangements benefited the UK vacancy rate by 2.1 per cent (30 December 2010: 1.8 per cent and 30 June 2010: 1.8 per cent) with a bias towards the former Brixton portfolio.

London Markets

Our portfolio in London represents 44 per cent by value of our UK portfolio and comprises 1.1 million sq m of lettable space (including joint ventures at share). The two largest areas of our business in London are our clusters of assets in West London at Park Royal and Heathrow.

Our Park Royal cluster which represents 15 per cent of our UK portfolio by value and 429,200 sq m of lettable space continued to perform strongly. In the six months we completed 18 lettings covering 18,100 sq m and reduced our vacancy to 11.9 per cent from 16.2 per cent as at 31 December 2010. At our two largest estates in the area we have made significant inroads into vacancy. Premier Park, which was 7.4 per cent vacant when we acquired the estate as part of the Brixton acquisition, now has a vacancy of only 1.0 per cent and similarly, at Greenford Park, we have reduced the vacancy to 6.5 per cent from 47.2 per cent at the date of acquisition. Encouragingly much of the demand at Park Royal has come from existing customers looking to expand their space with a large high street retailer, a major London food supplier and a trade counter operator all taking additional space in the period. Transactional rental levels were the strongest of any region at 7.7 per cent ahead of December 2010 ERVs.

Heathrow is our other major cluster in London, representing 19 per cent of our UK portfolio by value and 420,700 sq m of lettable space (including the APP and Big Box joint ventures at share). The market dynamics at Heathrow have continued to improve with constrained land supply and demand driven by the cargo handlers and other businesses which service or need to be close to the airport. Occupier demand is slowly recovering as cargo volumes grow at the airport. In the first half, we completed 11 new lettings at Heathrow covering 13,800 sq m (including joint ventures at share). These included the expansion of the space at the X2 building occupied by Airworld Services to include all four units on the ground floor and the letting of 3,700 sq m by APP at the Heathrow Cargo Centre to Worldwide Flight Services. The vacancy in our combined Heathrow portfolio (including joint ventures) at 30 June 2011 was 15.6 per cent, broadly in line with the 15.4 per cent as at 31 December 2010. Transactional rental levels at Heathrow (including joint ventures) were 5.1 per cent ahead of December 2010 ERVs.

In May we signed the largest pre-let in Heathrow for five years on the APP Portal site, which is ideally located just outside the airport perimeter adjacent to the main cargo terminal. We are developing a new 9,900 sq m UK HQ office and warehouse facility for DB Schenker on the site with construction currently scheduled to start early next year. This will be the first phase of the Portal development and we have seen good interest in the remainder of the site. At Poyle to the west of the Airport close to Terminal 5, we are constructing a 5,700 sq m air freight handling facility for Heathrow Cargo Handling. This development is due to complete in the final quarter of this year.

Thames Valley

Our Thames Valley region represents around 38 per cent of our UK portfolio comprising 817,100 sq m of lettable space primarily in our business parks at Slough, IQ Winnersh and IQ Farnborough.

The Slough Trading Estate (27 per cent of the UK portfolio and 614,200 sq m of lettable space) continues to perform well with customers drawn by its excellent location close to London and major transport links and to the pool of both skilled and semi skilled employees in the surrounding area. We completed 16 lettings on the Trading Estate in the period totalling 9,300 sq m. These included the completion of a 3,700 sq m trade counter facility which was pre-let to Selco, the builders' merchant. The vacancy on the Estate remains low at 6.1 per cent (31 December 2010: 6.2 per cent) and transactional rental levels in the period were 1.7 per cent above December 2010 ERVs.

Demand for pre-let developments on the Estate continues to be very strong. In the first half we signed an agreement to build a 1,200 sq m development which will be used as a retail outlet by Family Bargains. We have three pre-let developments under construction on the Slough Trading Estate covering an aggregate of 15,800 sq m, including a 5,500 sq m extension to the existing Lonza office and R&D facility. We have also worked closely with Selig to understand their requirements for an upgraded manufacturing facility and ensured we kept them on the Estate by developing a new 7,000 sq m facility in only 7 months to fit with their timetable for the delivery of new equipment.

As a result of the continued occupier demand and shortage of available product, we have restarted focused speculative development on the Estate with three projects approved. Two of these for a total of 8,700 sq m are now under construction and one of these is already under offer to an existing data centre customer looking to further expand their facilities on the Estate.

Elsewhere in the Thames Valley, we announced in July the lettings of 5,300 sq m to Atos and Grant Thornton at Building 1020 on our IQ Winnersh business park near Reading. These lettings mean that Building 1020, which was a speculative office building completed in the first quarter of 2010, is now two thirds let and we have some promising enquiries for the remaining space.

National Markets

Our National Markets portfolio comprises all our UK assets outside London and the Thames Valley, with our main holdings being in and around Manchester, Birmingham, Bristol, Basingstoke, Portsmouth and Crawley. In total, National Markets represents around 18 per cent by value of the UK portfolio and 927,400 sq m of lettable space.

The team in National Markets secured 36 new lettings across the portfolio in the first half for a total of 30,400 sq m at transactional rental levels 2.5 per cent ahead of December 2010 ERVs.

In our estates in the South and West of the UK (11 per cent of the UK portfolio and 391,300 sq m of lettable space), we secured 13 new lettings covering 18,300 sq m. The two key lettings were 7,900 sq m to Gyron Internet, a data centre operator, at Hemel Hempstead and 4,700 sq m to Contego Packaging (formerly Nampak Healthcare) at Fareham (Portsmouth).

In the Midlands and North (8 per cent of the UK portfolio and 536,100 sq m of lettable space) occupier market conditions remain the most challenging. In particular, there is limited interest currently in larger units but our teams managed to secure a significant number of smaller lettings completing 23 deals for 12,100 sq m in the first six months of the year. Our two strongest performing assets were Kings Norton Business Centre, Birmingham, where we completed eight new lettings and Westbrook Park, Trafford Park, Manchester where a modest refurbishment in 2010 is now delivering well, with seven leases completed in the first half of the year.

CONTINENTAL EUROPE

	30 June 2011	31 December 2010
Vacancy rate (% by ERV)	**8.0**	8.9

	H1 2011	H1 2010
Take-up[1] (area 000's sq m)	**119.1**	170.7
Take-up[1] (rent per annum £ million[2])	**5.3**	5.7
Space returned (area 000's sq m)	**70.3**	266.0
Space returned (rent per annum £ million[2])	**4.1**	9.3
Retention rate (%)	**83**	66
Transactional rental levels versus prior December ERVs (%)	**1.8**	(2.9)
Lease incentives (%)	**9.0**	7.3

1. Take-up excludes lease renewals, unexpired break options, income from short term license agreements and pre-let developments to be delivered in future periods.

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

3. Includes joint ventures at share.

Our priorities in Continental Europe remain driving our operational performance and realigning our portfolio to focus on the key cities and clusters, which we believe provide more attractive growth opportunities, in our key geographies: Germany, France, Poland and Benelux. At the end of 2010 we made a decision to exit Spain and Hungary. We have closed our offices in both countries and in December last year sold the majority of our Spanish assets. We have made progress with some smaller asset sales in the period and expect to complete further sales of assets in the second half of the year. We are also working to identify acquisition opportunities to allow us to increase the scale and weighting of our portfolio in our favoured locations.

In Continental Europe, we completed 38 lettings in the first half of the year generating £5.3 million of new annualised rental income at transactional rental levels 1.8 per cent ahead of December 2010 ERVs, but with an increase in lease incentives to 9.0 per cent.

Our Continental European retention rate improved in the period to 83 per cent (H1 2010: 66 per cent). Again this was achieved through staying close to our customers and managing their requirements ahead of any lease event. Takebacks in the first half were £4.1 million (H1 2010: £9.3 million, including £4.6 million of space returned as a result of the Karstadt-Quelle insolvency) including the unilateral return of 24,600 sq m (£1.2 million of annualised rental income) from a customer in Italy which we reported in the first quarter. For the remainder of the year our Continental European business has only £2.7 million of passing rent still at risk of a potential break or expiry or 25 per cent of the passing rent at risk at the beginning of 2011.

All of the above has led to a further improvement in vacancy to 8.0 per cent from 8.9 per cent at 31 December 2010 (benefiting from 1.1 per cent and 0.8 per cent respectively relating to short term lets) and 12.4 per cent as at 30 June 2010 (benefiting from 0.4 per cent relating to short term lets).

Germany (29 per cent of Continental European portfolio and 1 million sq m of lettable space)

The German economy was stronger in the first half of 2011 as the country benefited from a manufacturing led recovery with continuing strength in exports particularly to the Far East. This improved sentiment and consumer confidence has helped support occupier demand and we completed a total of 12 new lettings in the period covering a total of 44,100 sq m. These contributed to a reduction in our German vacancy from 11.5 per cent at 31 December 2010 to 8.1 per cent. The team has continued to focus on the re-letting of the Karstadt-Quelle space returned to us in the first quarter of 2010. Two additional lettings had been completed on this space by the end of July which coupled with sales and the demolition of one building for redevelopment means the remaining vacancy in the Karstadt-Quelle portfolio is now 21 per cent by ERV**.** Transactional rental levels were 2.6 per cent ahead of December 2010 ERVs.

In June, we completed the construction and letting of a 20,700 sq m logistics facility for Takko, the German retailer in Hamburg. This transaction illustrates our ability to move quickly as we found the customer, contracted the pre-let, acquired the land to build upon and delivered the development, all in only 7 months.

We have now received planning permission for the construction of a business park on our development site in Berlin adjacent to the site of the new Berlin Brandenburg Airport, which will open on 3 June 2012. We currently envisage this development could eventually encompass 84,000 sq m of logistics space, 87,000 sq m of light industrial space and 62,000 sq m of suburban offices. We have started marketing the SEGRO Business Park Berlin Airport and are beginning the project by constructing an initial 12,200 sq m of light industrial space on a speculative basis. As a result of the positive dynamics and levels of activity we see in the Rhine - Ruhr region of Germany, we have also started construction of the first phase of 12,200 sq m of speculative light industrial space as part of our Rheinpark project in Dusseldorf to build on our current position in the city.

France (27 per cent of Continental European portfolio and 651,100 sq m of lettable space)

France generated positive but modest GDP growth in the period but any recovery looks fragile with pressure on household consumption as a result of inflation, the squeeze on tax incentives and the weak job market. Our French team delivered a strong performance in the first half of the year helped by the bias of our portfolio to the Ile de France (approximately 80 per cent of our French portfolio) where demand has been stronger than in regional markets. We completed a total of nine new lettings in the period covering 36,100 sq m and reduced our French vacancy to 3.1 per cent from 6.7 per cent as at 31 December 2010. Transactional rental levels for the six months were 6.6 per cent above December 2010 ERVs.

At our development site in Gonesse, north of Paris, we completed the construction of a 28,000 sq m cold storage distribution facility for Casino, the French retailer at the beginning of this month. Given the level of demand we see around Paris and our low vacancy rate, we have this month started construction of an 8,200 sq m speculative light industrial development to extend our Parc des Damiers at La Courneuve, north east of Paris.

Poland (16 per cent of Continental European portfolio and 486,100 sq m of lettable space)

The Polish economy continues to perform very well and is further benefiting from the EU infrastructure projects and preparations for the hosting of the UEFA football championship in 2012. Occupier demand continues to be resilient although the Polish market remains competitive in the logistics space. We have capitalised on our market position and experienced team to deliver a very good operational performance and strong pipeline of developments. We completed one development of 9,700 sq m of light industrial space at Gliwice in the first half which was pre-let to HL Displays. We have a further three pre-lets signed for the next phase of development at Gliwice. At our estate in Nadarzyn we worked very closely with a customer with financial difficulties who occupied 24,000 sq m of space and have managed a phased hand over of 85 per cent of this space to new occupiers. In Silesia at Tychy, we are planning to construct two buildings, the first totalling 17,000 sq m is under construction and 68 per cent pre-let and the second of 18,900 sq m is fully pre-let.

Our vacancy rate in Poland is 3.4 per cent (31 December 2010: 2.6 per cent) and compares very favourably with the market vacancy which is around 14 per cent. Reflecting the competitive landscape transactional rental levels were 2.0 per cent below December 2010 ERVs.

Benelux (19 per cent of Continental European portfolio and 297,100 sq m of lettable space)

New letting activity was subdued in both Belgium and the Netherlands in the first six months of the year. Although both economies are improving slowly this has yet to translate into any meaningful recovery of occupier demand and companies are tending to take a long time to make decisions on any new space. We completed three new lettings in Benelux in the period for 700 sq m with transactional rental levels 6.8 per cent below December 2010 ERVs.

Other (9 per cent of Continental European portfolio and 185,200 sq m of lettable space)

Our other assets in Continental Europe predominantly consist of our development sites in Italy and the Czech Republic. At Ostrava in the Czech Republic we completed a 8,700 sq m development in the first half of which 5,300 sq m was pre-let to Adler, the retailer, and 1,600 sq m to Templin, the distributor of automotive parts. We continue to market the remaining space.

Our principal site in Italy is Vimercate just outside Milan. We made considerable progress with this site in the first half of the year signing a 34,000 sq m pre-let for Alcatel-Lucent, the current anchor tenant on the site, in April. This agreement will see us construct five new buildings for Alcatel to form a state of the art office and technology campus. Subject to planning permission, construction work will start this autumn and Alcatel will make a phased move from their existing premises on the site during 2012 and 2013. We will then take back the existing Alcatel buildings for further redevelopment. In addition to our success with Alcatel, we have started construction of an 11,200 sq m office building at Vimercate which is 72 per cent pre-let to an IT and consumer electronics company.

DEVELOPMENTS

One of our priorities is to expand our development pipeline which allows us to capitalise on our high quality, well located landbank, to grow our income and improve the shape of our current portfolio. We have made considerable progress with this objective in the first six months of the year and our development pipeline has continued to grow both with further pre-let developments and, in areas where we have good development sites and see strong demand and a lack of available product, focused speculative development.

We completed a total of six projects in the first half of the year, two in the UK, one of which was sold and four in Continental Europe. These projects represented an aggregate of 49,600 sq m and were all pre-let developments except for a speculative development of 3,400 sq m of small industrial units at Lodz in Poland where we currently have good levels of interest. In aggregate, these completed projects have the potential to generate annualised rental income of £3.1 million of which 90 per cent was pre-let.

As at 30 June 2011, we had a total of 17 pre-let developments contracted or under construction across the portfolio. We have seen particularly strong demand for pre-let developments on the Slough Trading Estate and in Continental Europe have continued to push our development efforts in Poland. We are now on site with five speculative developments, two on the Slough Trading Estate in the UK and the remainder in Continental Europe with a further speculative development at Slough due to commence shortly. In total our current development pipeline represents around £180 million of capital expenditure and around £21 million of annualised rental income, of which 73 per cent is pre-let. A full list of our current projects is included below.

Our well located landbank presents significant further opportunities for development and income growth. The landbank comprises a total of 577.3 hectares and was valued at £395.3 million as at 30 June 2011. In the medium term we have development plans for 336.8 hectares which have the potential to be developed into 1.6 million sq m of lettable space at an estimated cost to complete of £900 million and will, we estimate, generate an aggregate annualised rental income of around £110 million.

INVESTMENT MARKETS AND CAPITAL VALUES

Investment market activity generally across Europe in the first half was ahead of the same period last year. Although the current economic uncertainty is not helping investor confidence, there remains a large pool of equity capital targeting the real estate sector. There has however been a flight to quality by investors with the majority of demand being for prime assets in good locations such as London, Paris and the major German cities still very much in favour. The lack of available prime stock is a possible constraint on activity going forward but could also benefit prices in the strongest areas.

The UK industrial market mirrors these trends and there continues to be strong demand for multi-let industrial product in particular for prime assets in London and the South East of the country. Demand is led by institutions who are looking for prime stock but supply of these types of assets is limited. This supply/demand imbalance has led to an improvement in prices for Greater London and South East prime and good quality product. There is also interest in the market for more secondary product from more specialist buyers but here pricing remains softer.

In Continental Europe yields seem to have stabilised. We continue to see investor appetite for the stronger economies of Germany, France and, particularly Poland. Investors are primarily looking for prime product with good location, age, covenant and lease length.

In the UK our completed properties recorded a valuation gain of 0.1 per cent for the half year, in line with the performance of the IPD Industrial Index. This reflects a small compression in yields in the period which offset a decline of 0.4 per cent in the valuers' ERVs.

This overall performance masks very different dynamics in certain sections of the portfolio. We saw good capital value increases for our completed portfolio in Park Royal which gained 1.6 per cent in the period and the APP and Big Box joint ventures which gained 0.6 per cent and 1.4 per cent, respectively. The remainder of the Greater London completed portfolio recorded a 0.4 per cent gain and we also saw positive gains for our Thames Valley assets with the Slough Trading Estate gaining 0.1 per cent and the rest of the Thames Valley portfolio up 0.8 per cent. The areas of the completed portfolio with positive movements in the period represent some 75 per cent of our UK portfolio by value.

Reflecting the higher levels of vacancy in our wholly-owned Heathrow assets the completed portfolio here declined 1.3 per cent in value. National Markets also delivered a valuation decrease primarily driven by a 4.1 per cent reduction in the valuation of our estates in the Midlands and North reflecting the weaker occupier and investor demand in these areas.

Overall the Continental European portfolio of completed properties recorded a valuation decrease of 0.8 per cent reflecting a number of specific factors relating to certain assets. Positive valuation performances were recorded by our completed portfolio in Poland which rose by 2.2 per cent in the first six months of the year and France where, reflecting the bias of our portfolio towards the Ile de France and our letting success, the portfolio of completed properties recorded a valuation gain of 0.2 per cent. Excluding the valuation movement on our Neckermann estate in Frankfurt, the German portfolio of completed assets recorded a valuation gain of 0.8 per cent showing the strength of our assets across this country. In total our Polish, French and German completed portfolios (excluding Neckermann) represent around 62 per cent of our Continental European portfolio, and recorded an overall valuation gain of 0.9 per cent.

In Germany, the completed portfolio recorded a valuation decline of 0.5 per cent, due to a decline in the value of our Neckermann estate in Frankfurt to reflect a further reduction of six months in the remaining term of the lease. Our completed portfolio in Benelux also reported a valuation decrease of 3.3 per cent primarily reflecting a decline in the valuation of Pegasus Park, our office park near Brussels airport, given current high vacancy in the local market and subdued demand. The remainder of the Continental European completed portfolio, which comprises our assets in Italy and Czech Republic, recorded a valuation decline of 3.4 per cent primarily as a result of the shorter period now remaining on the Alcatel-Lucent lease on their existing buildings.

CAPITAL RECYCLING

As part of our strategy to improve the portfolio, we have continued to dispose of assets which we consider are peripheral and where we see little opportunity to add further value. We completed a total of £43.0 million of disposals during the period (including joint venture disposals at share) at an aggregate £6.9 million profit to book value.

The largest disposals in the period were the sale of the completed GeoPost pre-let development in Southall, London for £10.3 million which was forward sold as part of the sale announced in November 2009 of the Great Western Industrial Park and the sale of our IQ Cambridge office park (including 23 acres of land) for £10.2 million in March this year.

DIVIDENDS

The Directors have declared an interim dividend of 4.9 pence per share (H1 2010: 4.7 pence), an increase of 4.3 per cent on the first half of 2010, which will be paid as a normal cash dividend on 7 October 2011 to shareholders on the register as at 23 September 2011. There will be no scrip alternative. Shareholders who elected for Scrip Dividends need take no action.

OUTLOOK

Occupier markets have continued to recover slowly in the first half and our focus has remained firmly on operational delivery: staying close to our customers, improving occupancy, reducing costs and expanding our mainly pre-let development programme. We have also continued to re-shape the portfolio by selling peripheral or non-core assets. We have made good operational progress in the period and there is continuing momentum within the business.

The broader economic environment however remains unsettled and difficult to predict, as evidenced by the recent volatility in the financial markets. In this context, we are continuing to take a prudent approach to managing our business. Nonetheless, with the vast majority of our portfolio located in or around the major cities such as London, Paris and Dusseldorf, or in growth markets like Poland and a strong, largely pre-let, development programme underway, we believe that SEGRO is well placed to make further operational progress.

Valuation data – completed properties

	Valuation					
	Investment properties £m	Trading properties £m	Joint ventures £m	Total £m	Value per sq m £	Valuation movement[1] %
UK						
By asset type						
Logistics warehousing	168.7	–	82.6	251.3	1,042.7	0.8
Other business space	2,226.3	10.3	363.2	2,599.8	1,089.2	0.3
Offices	611.3	4.0	2.0	617.3	2,458.0	(1.1)
	3,006.3	**14.3**	**447.8**	**3,468.4**	**1,204.7**	**0.1**
By geography						
Thames Valley	1,309.9	4.0	–	1,313.9	1,608.0	0.3
London Markets	1,062.3	1.6	447.8	1,511.7	1,332.4	0.7
National Markets	634.1	8.7	–	642.8	693.2	(1.9)
	3,006.3	**14.3**	**447.8**	**3,468.4**	**1,204.7**	**0.1**
Continental Europe						
By asset type						
Logistics warehousing	492.5	100.3	28.2	621.0	473.1	0.8
Other business space	569.0	122.4	0.9	692.3	574.4	(0.8)
Offices	172.8	–	–	172.8	1,676.3	(5.8)
	1,234.3	**222.7**	**29.1**	**1,486.1**	**567.0**	**(0.8)**
By geography						
France	352.9	44.4	–	397.3	610.2	0.2
Germany	292.7	134.3	–	427.0	426.4	(0.5)
Benelux	262.9	–	29.1	292.0	982.9	(3.3)
Poland	216.1	17.0	–	233.1	479.5	2.2
Other	109.7	27.0	–	136.7	738.0	(3.4)
	1,234.3	**222.7**	**29.1**	**1,486.1**	**567.0**	**(0.8)**
Group total	**4,240.6**	**237.0**	**476.9**	**4,954.5**	**900.8**	**(0.2)**

1 The valuation movement percentage is based on the difference between the opening and closing valuations, allowing for capital expenditure and disposals.

Valuation Yields

	30 June 2011		31 December 2010	
	Net initial yield %	Net true equivalent yield %	Net initial yield %	Net true equivalent yield %
UK				
By asset type				
Logistics warehousing	6.2	7.0	5.1	7.1
Other business space	5.6	7.8	5.7	7.9
Offices	6.3	7.7	6.0	7.7
	5.8	**7.7**	5.7	7.8
By geography				
Thames Valley	6.1	7.8	6.0	7.9
London Markets	5.4	7.4	5.2	7.6
National Markets	6.2	8.2	6.2	8.3
	5.8	**7.7**	5.7	7.8
Continental Europe				
By asset type				
Logistics warehousing	6.8	8.2	6.7	8.6
Other business space	7.6	7.7	7.4	7.8
Offices	5.8	6.9	6.1	6.7
	6.9	**7.6**	6.9	8.0
By geography				
France	7.3	8.3	6.4	8.9
Germany	7.2	7.4	7.2	7.4
Benelux	5.7	7.4	5.8	7.5
Poland	7.7	8.5	8.1	8.5
Other	8.1	7.5	8.4	7.5
	6.9	**7.6**	6.9	8.0
Group				
By asset type				
Logistics warehousing	6.6	7.8	6.2	8.1
Other business space	6.0	7.8	6.0	7.9
Offices	6.2	7.5	6.0	7.5
Group total	**6.1**	**7.7**	6.0	7.9
By ownership				
Wholly owned	6.2	7.8	6.1	7.9
Joint ventures	6.0	7.4	5.5	7.5
Group total	**6.1**	**7.7**	6.0	7.9

Take-up and pre-lets analysis

	Area (000's sq m)				Rent pa (£m)[2]			
	Take-up[1]		Space returned		Take-up[1]		Space returned	
	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010
UK	84.0	158.7	102.4	143.3	8.6	14.3	9.0	9.9
Continental Europe	119.1	170.7	70.3	266.0	5.3	5.7	4.1	9.3
Group total	**203.1**	329.4	**172.7**	409.3	**13.9**	20.0	**13.1**	19.2
Pre-lets completed					(2.8)	(4.7)		
Pre-lets signed for delivery in later periods					9.1	4.5		
Rental income contracted in the period					**20.2**	**19.8**		

1 Take-up excludes lease renewals, break options not exercised and income from short term license agreements.

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

Weighted average lease length

	Break years	Expiry years
Lease length		
UK	6.9	9.2
Continental Europe	4.5	6.4
Group total	**6.1**	**8.3**

1 Weighted by topped up net rent.

Reconciliation between passing rent and ERV

	UK £m	Continental Europe £m	Group £m
Total gross passing rent as at 30 June 2011	225.2	114.7	339.9
ERV of space occupied on a short term basis	5.9	1.4	7.3
Rent frees on let properties at 30 June 2011	22.9	6.8	29.7
ERV of vacant properties	37.0	10.1	47.1
Reversion to ERV of occupied properties	(5.2)	(7.3)	(12.5)
ERV of entire portfolio	**285.8**	**125.7**	**411.5**

Development pipeline

	Hectarage ha	Space to be built sq m	Current book value[1] £m	Estimated cost to completion[2] £m	Total estimated book value at completion £m	ERV when complete[3] £m	Indicative yield[4] %
Current projects							
UK	11.4	46,908	39.9	33.8	73.7	6.6	9.0
Continental Europe	36.0	170,113	47.8	125.1	172.9	14.4	8.3
	47.4	**217,021**	**87.7**	**158.9**	**246.6**	**21.0**	**8.5**
Percentage pre-let						73%	
Potential projects							
UK	49.7	245,454	76.4	270.7	347.1	36.3	10.5
Continental Europe	287.1	1,305,984	173.7	624.4	798.1	72.6	9.1
	336.8	**1,551,438**	**250.1**	**895.1**	**1,145.2**	**108.9**	**9.5**
Awaiting development plans							
UK	106.8		51.4	–	51.4		
Continental Europe	133.7		93.8	–	93.8		
	240.5		**145.2**	**–**	**145.2**		
Total development pipeline							
UK	167.9	292,362	167.7	304.5	472.2	42.9	10.2
Continental Europe	456.8	1,476,097	315.3	749.5	1,064.8	87.0	9.0
Group total	**624.7**	**1,768,459**	**483.0**	**1,054.0**	**1,537.0**	**129.9**	**9.3**
Analysed as							
Wholly owned			452.7				
Joint ventures			30.3				
Group total			**483.0**				

1 Includes land plus all costs incurred to date which are revalued during the development period.

2 Estimated costs to completion include estimated finance charges which are capitalised to the end of the construction period.

3 ERV based upon market rents as at 30 June 2011.

4 Indicative yield is the expected gross yield based on estimated rental value when fully let, divided by the current book value, plus estimated remaining costs to complete.

Note that, as developments are revalued during the construction phase, yields will tend towards the yield for a completed investment property as each property nears completion.

Projects completed in 2011

	Customer	Property class	Asset class	Space completed sq m	Let space sq m	Total ERV £m	ERV of let space £m	Comments
UK								
West London, Southall – Western Point	GeoPost	Trad	Other business space	3,400	3,400	0.6	0.6	Sold
Slough Trading Estate – Farnham Road	Selco	Inv	Other business space	3,679	3,679	0.5	0.5	
				7,079	**7,079**	**1.1**	**1.1**	
Percentage let					100%		100%	
Continental Europe								
Czech Republic, Ostrava	Adler/Templin	Trad	Other business space	8,715	6,859	0.4	0.3	
Germany, Hamburg	Takko	Inv	Logistics warehousing	20,700	20,700	1.0	1.0	
Poland, Silesia – Gliwice	HL Displays	Inv	Logistics warehousing	9,708	9,708	0.4	0.4	
Poland, Lodz – Rokicinska	Speculative development	Trad	Other business space	3,400	–	0.2	–	
				42,523	**37,267**	**2.0**	**1.7**	
Percentage let					88%		85%	
Group total				**49,602**	**44,346**	**3.1**	**2.8**	
Total percentage let					89%		90%	

Current projects as at 30 June 2011

	Customer	Property class	Asset class	Space to be built sq m	Expected start	Expected completion
UK – wholly owned						
West London, Poyle – Horton Road	Heathrow Cargo Handling	Inv	Other business space	5,675	Apr 2011	Q4 2011
Enfield – Navigation Park	GeoPost	Inv	Other business space	3,468	Feb 2011	Q3 2011
Edmonton – Advent Way	Budget Hotel	Inv	Other business space	3,822	Q1 2012	Q4 2012
Slough Trading Estate – Farnham Road	KFC	Inv	Other business space	244	Jun 2011	Q4 2011
Slough Trading Estate – Farnham Road	Family Bargains	Inv	Other business space	1,214	Q3 2011	Q2 2012
Slough Trading Estate – Ajax Avenue	Speculative development	Inv	Other business space	5,825	Jun 2011	Q1 2012
Slough Trading Estate – Ajax Avenue	Selig	Inv	Other business space	7,009	Jan 2011	Q4 2011
Slough Trading Estate – Galvin Road	Speculative development	Inv	Other business space	2,846	May 2011	Q1 2012
Slough Trading Estate – Galvin Road	Speculative development	Inv	Other business space	3,055	Q4 2011	Q3 2012
Slough Trading Estate – Bath Road	Lonza	Inv	Other business space	5,517	Apr 2011	Q2 2012
Slough Trading Estate – Yeovil Road	Ragus Sugars	Inv	Other business space	3,274	Feb 2011	Q1 2012
				41,949		
UK – joint ventures						
APP – Portal, Heathrow	DB Schenker	Inv	Other business space	9,918	Q1 2012	Q4 2012
At share				**4,959**		
Continental Europe – wholly owned						
Germany – Berlin	Speculative development	Inv	Other business space	12,151	Q3 2011	Q1 2012
Germany – Düsseldorf	Speculative development	Inv	Other business space	12,239	Q3 2011	Q2 2012
France, Paris – Gonesse	Casino	Inv	Logistics warehousing	27,988	Nov 2010	Q3 2011
France, Paris – La Courneuve	Speculative development	Inv	Other business space	8,243	Q3 2011	Q1 2012
Poland, Poznan - Komorniki	Eurocash	Inv	Offices	1,235	Q3 2011	Q1 2012
Poland, Silesia – Gliwice	GM Motors Poland/S&T Polska/Muller/Spec	Inv	Logistics warehousing	26,025	Mar 2011	Q3 2011
Poland – Tychy	Navo/Nexteer/Spec	Inv	Logistics warehousing	16,970	Apr 2011	Q4 2011
Poland – Tychy	Zabka	Inv	Logistics warehousing	18,860	Q3 2011	Q4 2011
Italy – Vimercate	IT & consumer electronics company/Spec	Inv	Offices	11,168	Jun 2011	Q3 2012
Italy – Vimercate	Alcatel-Lucent	Inv	Offices	33,984	Q3 2011	Q2 2013
				168,863		
Continental Europe – joint ventures						
Belgium - Rumst	Cummins	Trad	Offices	2,500	Apr 2011	Q4 2011
At share				**1,250**		
Group total				**217,021**		

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Group views effective risk management as integral to delivering SEGRO's strategic priorities. The process for identifying, assessing and reviewing risks faced by the Group is described in the Corporate Governance section on page 55 of the 2010 Annual Report.

A summary of the principal risks and uncertainties for the second half of 2011 is provided below. There are no significant changes from those presented in the 2010 Annual Report (pages 44 to 47), which includes more information about the risks and mitigating activity.

A summary of the principal risks and uncertainties:

1. Strategic Risks

An ineffective or poorly executed strategy may damage shareholder value or fail to meet shareholder expectations. Strategic risks include:

- Our ability to anticipate and take advantage of the economic environment;
- Our ability to drive value from real estate assets in new and existing territories; and
- Our ability to read and react to changing market conditions.

2. Financial Risks

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

- The potential for a fall in asset values which in turn could lead to a breach of financial covenants;
- A change in the cost or availability of debt; and
- Foreign exchange rate changes affecting the sterling value of Continental European assets and earnings.

3. Real Estate and Operational Risks

Real estate and operational risks may impact income from and the value of the Group's property assets. Risks in this category include:

- A potential loss of income and increased vacancy due to customer default or falling demand;
- Failing to successfully acquire or dispose of assets at attractive prices;
- Development projects may fail to deliver expected returns;
- Customer requirements may change rendering some properties obsolete;
- A change or breach of regulatory requirements; and
- Health and Safety incidents.

FINANCIAL REVIEW

Highlights

	30 June 2011	30 June 2010	31 December 2010
Net asset value (NAV) per share (p)	**367**	358	366
EPRA NAV per share[1] (p)	**377**	368	376
Realised and unrealised property (loss)/gain (£m)	**(31.9)**	65.1	26.0
Profit before tax (£m)	**64.6**	148.9	197.2
EPRA profit before tax[1] (£m)	**71.1**	64.3	127.3
Earnings per share (EPS) (p)	**8.6**	20.8	28.5
EPRA EPS[1] (p)	**9.4**	8.7	17.1
Total property return (%)	**2.3**	4.2	6.8

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

NAV and EPRA NAV

A reconciliation of adjusted net assets attributable to ordinary shareholders and total net assets attributable to ordinary shareholders is provided in note 10.

EPRA NAV per share at 30 June 2011 was 377 pence, compared with 376 pence as at 31 December 2010. The slight increase is predominantly due to recurring profits generated and foreign exchange gains offset by property value decreases and dividends paid.

	£m	**Number of shares (m)**	**Pence per share**
EPRA net assets attributable to ordinary shareholders at 31 December 2010	2,783.3	740.3	376
Realised and unrealised property loss	(31.9)		(4)
EPRA profit before tax	71.1		10
Dividends (2010 final)	(71.1)		(10)
Joint ventures' realised and unrealised property gain	3.4		–
Exchange rate movement	28.0		4
Other	9.7		1
EPRA net assets attributable to ordinary shareholders at 30 June 2011	**2,792.5**	**740.7**	**377**

Realised and unrealised property (loss)/gain

A total realised and unrealised loss on property of £31.9 million (H1 2010: £65.1 million gain) has been recognised during the period, which includes an unrealised valuation deficit on investment properties of £35.6 million (H1 2010: £64.5 million surplus). Profits of £1.4 million and £4.6 million arose on the disposals of investment and trading properties respectively (H1 2010: £2.0 million profit and £1.8 million profit respectively), whilst impairment provisions of £2.3 million were recorded against remaining trading properties as their fair values are deemed to be less than their original cost (H1 2010: £3.6 million). The total realised and unrealised (loss)/gain on property for the period is further analysed in note 6. A property gain of £3.4 million (H1 2010: £10.4 million) is also included within the share of profit from joint ventures.

The Group's overall trading property portfolio (including share of joint ventures) has an unrealised valuation surplus of £27.9 million at 30 June 2011, which has not been recognised in the financial statements (H1 2010: £30.1 million) as they are recorded at the lower of cost or fair value.

EPS and EPRA EPS

EPS on an IFRS basis was 8.6 pence, compared with 20.8 pence in H1 2010 with the main reason for the decrease being the property valuation losses in 2011 compared with 2010.

EPRA EPS of 9.4 pence per share is higher than the same period in 2010 of 8.7 pence per share reflecting the increase in EPRA profits.

EPRA profit

EPRA profit can be analysed as follows:

	30 June 2011 £m	30 June 2010 £m
Gross rental income	**161.5**	179.6
Property operating expenses	**(26.0)**	(35.3)
Net rental income	**135.5**	144.3
Joint venture management fee	**1.8**	–
Administration expenses, excluding prior year exceptional items	**(15.8)**	(17.7)
Share of joint ventures' EPRA profits[1]	**9.7**	2.6
EPRA operating profit	**131.2**	129.2
Net finance costs excluding fair value movements on derivatives	**(60.1)**	(64.9)
EPRA profit before tax	**71.1**	64.3
Tax on EPRA profit	**(1.5)**	(1.5)
EPRA profit after tax	**69.6**	62.8

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

EPRA profit before tax increased by £6.8 million compared to the same period in 2010, primarily due to increased like for like net rental income, reduced finance costs and an increase in joint ventures' EPRA profits. The decrease in net rental income is more than offset by an increase in profits from joint ventures following the sale of a portfolio of properties to our APP joint venture in the prior period and the management fee received from the joint venture.

A reconciliation between EPRA profit before tax and IFRS profit before tax is provided in note 2.

Net rental income

Like for like rents have increased by £6.1 million (5.1 per cent) with an increase in both the UK (£2.7 million) and Continental Europe (£3.4 million) which is driven by net lettings (lettings exceeding takebacks) and savings in property management expenses. Net rental income for the period reduced by £8.8 million, with a decrease in the UK of £11.0 million (11.2 per cent), offset by an increase in Continental Europe of £2.2 million (4.7 per cent). The key drivers of the movement in net rental income are set out in the table below.

In the UK, the net impact of disposals led to a decrease in net rental income of £8.8 million primarily due to the portfolio sold to APP in June 2010 (£5.1 million), in which the Group retains a 50 per cent interest and the Westcore portfolio sold in December 2010 (£2.8 million). The remaining decrease is largely due to a fall in lease surrenders and dilapidations where a large individual amount of £4.5 million was received in 2010. These decreases have been partially offset by the increase in like for like rents of £2.7 million.

In Continental Europe, the increase is primarily due to an increase in like for like rents of £3.4 million.

	United Kingdom		**Continental Europe**		**Group**	
Like for like rental income	**30 June 2011 £m**	30 June 2010 £m	**30 June 2011 £m**	30 June 2010 £m	**30 June 2011 £m**	30 June 2010 £m
Completed properties owned throughout both periods (like for like rents)	**80.2**	77.5	**46.6**	43.2	**126.8**	120.7
Development lettings	**1.9**	1.3	**1.0**	–	**2.9**	1.3
Properties taken back for development	**–**	0.9	**–**	–	**–**	0.9
Net rental income pre acquisitions /disposals	**82.1**	79.7	**47.6**	43.2	**129.7**	122.9
Properties acquired	**0.5**	0.3	**–**	–	**0.5**	0.3
Properties sold	**0.2**	9.0	**–**	1.2	**0.2**	10.2
Net rental income before surrenders, dilapidations and exchange	**82.8**	89.0	**47.6**	44.4	**130.4**	133.4
Lease surrender premiums and dilapidations	**3.2**	6.9	**–**	–	**3.2**	6.9
Rent lost from lease surrenders and other income	**0.9**	2.0	**1.0**	2.0	**1.9**	4.0
Net rental income per income statement	**86.9**	97.9	**48.6**	46.4	**135.5**	144.3

Total costs

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

The total cost ratio for the six months ended 30 June 2011 was 23.6 per cent compared to 28.1 per cent for the year ended 31 December 2010 and 28.9 per cent for the six months ended 30 June 2010. The significant improvement in this ratio was primarily achieved by a decrease in vacant property costs reflecting both a fall in the vacancy across the portfolio to 11.4 per cent at 30 June 2011 (H1 2010: 14.0 per cent) and £3.1 million of out of period credits in the UK primarily in respect of rates refunds. One of the Group's largest costs is associated with vacant properties whereby property taxes, maintenance and other estate service expenses are borne by the Group. Such costs amounted to £7.4 million in the period (H1 2010: £13.8 million). Excluding empty property costs, the cost ratio for the six months ended 30 June 2011 was 19.5 per cent (H1 2010: 21.4 per cent).

Net finance costs

Excluding fair value gains and losses on interest rate swaps and currency derivatives, net finance costs were £60.1 million, lower than the £64.9 million incurred for the six months ended 30 June 2010. This is due to a positive impact from lower average debt rates following the repayment of fixed rate bonds in the prior period, a lower average debt level compared to the prior period and lower commitment fees.

Underlying tax rate

The underlying tax rate at 30 June 2011 on a recurring profits basis was 2.1 per cent, being less than 5 per cent as targeted by the Group, and reflecting a favourable geographical mix of profits. The Group's target tax range reflects the tax exempt status as a REIT in the UK and a SIIC in France.

Total property return

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

Total property return for the period was 2.3 per cent, a decrease on the return for the same period in 2010 and is largely attributable to there being a small unrealised valuation loss recognised in the period compared to 2010.

Cash flow

A summary of the cash flow for the period is set out in the table below:

	30 June 2011 £m	30 June 2010 £m
Cash flow from operations	**106.5**	104.2
Finance costs (net)	**(54.3)**	(66.5)
Dividends received (net)	**3.3**	2.4
Tax paid (net)	**(2.1)**	(2.3)
Free cash flow	**53.4**	37.8
Capital expenditure (excluding trading properties)	**(65.6)**	(14.0)
Investment property sales (including joint ventures)	**21.8**	288.3
Dividends paid	**(66.0)**	(41.8)
Net settlement of foreign exchange derivatives	**(25.5)**	–
Investment in joint ventures	**(0.4)**	(180.1)
Other items	**7.0**	(0.2)
Net funds flow	**(75.3)**	90.0
Net increase/(decrease) in borrowings	**53.5**	(110.4)
Net cash outflow	**(21.8)**	(20.4)
Opening cash and cash equivalents	**44.6**	111.9
Exchange rate movements	**2.0**	(0.4)
Closing cash and cash equivalents (including overdrafts)	**24.8**	91.1

Free cash flow generated from operations for the period was £53.4 million, an increase of £15.6 million from 2010. This is primarily due to a reduction in cash flows from finance costs and a small increase in cash flows from operations.

Other significant outflows include capital expenditure on investment properties which has increased by £51.6 million and dividends which were £24.2 million higher reflecting that part of the final 2009 dividend was satisfied by a scrip dividend. As a result, there was a net cash outflow of £21.8 million (H1 2010: £20.4 million) during the period.

Capital expenditure / divestment

During the first half of 2011 the Group made a net capital investment of £43.5 million compared to net divestment of £107.8 million in the prior period. This is primarily driven by the development expenditure on investment properties.

	30 June 2011 £m	30 June 2010 £m
Capital expenditure[1]		
Acquisitions	**7.9**	–
Development expenditure on investment properties	**61.1**	18.6
Development expenditure on trading properties	**5.0**	12.6
Total capital expenditure	**74.0**	31.2
Less book value of disposals of:		
Investment properties	**(21.5)**	(273.0)
Trading properties	**(8.4)**	(30.6)
Joint ventures	**–**	(11.8)
Total disposals	**(29.9)**	(315.4)
Net (divestment)/investment in joint ventures	**(0.6)**	176.4
Net capital investment/(divestment)	**43.5**	(107.8)

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

Financial position and funding

As at 30 June 2011, the Group's net borrowings were £2,303.1 million (31 December 2010: £2,203.2 million) comprising gross borrowings of £2,329.1 million (31 December 2010: £2,247.8 million) and cash balances of £26.0 million (31 December 2010: £44.6 million). The increase in net debt is largely attributable to net capital expenditure during the first half of 2011 and the impact of the euro strengthening against sterling during the six months to 30 June 2011.

The Group has maintained a strong liquidity position to enable it to meet its liabilities as they fall due. At 30 June 2011, funds availability were £454.6 million comprising £26.0 million of cash and £428.6 million of undrawn facilities, of which, £14.8 million were uncommitted. The Group has a favourable debt maturity profile. At 30 June 2011 total debt maturities (bonds, notes and bank facilities) falling due within 12 months were less than £100 million and the weighted average maturity of the gross borrowings of the Group was 9.0 years (31 December 2010: 9.8 years).

Gearing and financial covenants

The loan to value ratio was 47 per cent at 30 June 2011 (31 December 2010: 46 per cent).

The gearing ratio was 83 per cent at 30 June 2011 (31 December 2010: 80 per cent), significantly lower than the Group's tightest financial gearing covenant of 160 per cent. Property valuations would need to fall, on average, by 25 per cent from their 30 June 2011 values to reach the gearing covenant threshold of 160 per cent.

The Group's other key financial covenant is interest cover requiring that net interest before capitalisation be covered at least 1.25 times by property rental income. The Group comfortably met this ratio at 30 June 2011 at 2.2 times (31 December 2010: 2.2 times).

Interest rate exposure

The Group policy is that between 60 and 100 per cent of net borrowings should be at fixed or capped rates, both at a Group level and by major borrowing currency (currently euro and sterling) including the impact of derivative financial instruments. At 30 June 2011, including the impact of derivative instruments, £1,843.7 million of borrowings were at fixed rates representing 80 per cent of the net borrowings of the Group. Furthermore 76 per cent of euro denominated net borrowings of the Group of £1,316.4 million and 86 per cent of the remaining net borrowings (predominantly sterling) of £986.7 million were at fixed rates.

The weighted average maturity of fixed rate cover at 30 June 2011 of £1,843.7 million was 8.6 years at an average fixed interest rate of 5.6 per cent. Including the impact of derivative financial instruments, floating rate gross borrowings at 30 June 2011 were £485.4 million at an average interest rate (including margin) of 3.6 per cent giving a weighted average interest rate (including margin) for gross borrowings at that date, before commitment fees and amortised costs of 5.2 per cent or 5.5 per cent after allowing for such items.

If short term interest rates had been 1 per cent higher throughout the 6 month period to 30 June 2011, the adjusted net finance cost of the Group would have increased by approximately £2.2 million, representing 3 per cent of EPRA profit after tax.

Foreign currency translation exposure

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

The Group policy is to hedge between 50 per cent and 90 per cent of foreign currency denominated assets with liabilities of the same currency to protect the Group's reported consolidated net asset value, earnings, cash flows and gearing covenant.

As at 30 June 2011, the Group had foreign currency assets amounting to £1,834.3 million, which were 79 per cent hedged by foreign currency denominated liabilities of £1,445.9 million.

A 10 per cent movement in the value of sterling against all currencies in which the Group operates at 30 June 2011 would have changed net assets by approximately £39 million and reported gearing by less than 1 per cent. Including the impact of forward foreign

exchange and currency swap contracts used to hedge foreign currency denominated net assets the impact on gearing would have been approximately 3 per cent.

The average exchange rate for the period was €1.15: £1. Based on the hedging position at 30 June 2011 and assuming that this position had applied throughout the six months to June 2011, if the euro had been 10 per cent weaker than it was against sterling throughout the period (€1.22: £1), EPRA profits after tax for the period would have been approximately £1.3 million (2 per cent) lower than those reported.

Going concern

The Group has a strong cash flow and liquidity position, a favourable debt maturity profile, significant headroom against financial covenants and can reasonably expect to be able to continue to have good access to capital markets and other sources of funding.

Having made enquiries, the Directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

Responsibility statement

I confirm to the best of my knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting', as approved by the European Union;
- the half-yearly report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the half-yearly report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

A list of the current Directors of SEGRO plc is maintained on the website at www.segro.com.

By order of the Board

David Sleath
Chief Executive
22 August 2011

Independent review report to SEGRO plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the consolidated Group income statement, the consolidated Group balance sheet, the consolidated Group statement of comprehensive income, the consolidated Group statement of changes in equity, the consolidated Group cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in the independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
22 August 2011

CONDENSED GROUP INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	**Half year to 30 June 2011 (unaudited) £m**	Half year to 30 June 2010 (unaudited) £m	Year to 31 December 2010 (audited) £m
Revenue	3	**195.8**	227.2	433.6
Gross rental income	3	**161.5**	179.6	344.6
Property operating expenses	4	**(26.0)**	(35.3)	(62.5)
Net rental income		**135.5**	144.3	282.1
Joint venture management fee income		**1.8**	–	1.9
Administration expenses		**(15.8)**	(17.7)	(39.2)
Share of profit from joint ventures after tax	5	**13.6**	13.3	41.9
Realised and unrealised property (loss)/gain	6	**(31.9)**	64.8	25.9
Loss on sale of investment in joint ventures		**–**	(1.4)	(0.5)
Other investment income		**1.9**	2.0	5.8
Amounts written off on acquisitions		**(0.1)**	(13.8)	(13.9)
Operating profit		**105.0**	191.5	304.0
Finance income	7	**33.6**	39.9	55.8
Finance costs	7	**(74.0)**	(82.5)	(162.6)
Profit before tax		**64.6**	148.9	197.2
Tax	8	**(0.9)**	3.1	11.1
Profit after tax		**63.7**	152.0	208.3
Attributable to equity shareholders		**63.8**	153.0	210.3
Attributable to non-controlling interests		**(0.1)**	(1.0)	(2.0)
		63.7	152.0	208.3
Earnings per share				
Basic and diluted earnings per share	10	**8.6p**	20.8p	28.5p

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Notes	**Half year to 30 June 2011 (unaudited) £m**	Half year to 30 June 2010 (unaudited) £m	Year to 31 December 2010 (audited) £m
Profit for the period		**63.7**	152.0	208.3
Other comprehensive income				
Foreign exchange movement arising on translation of international operations		**28.0**	(39.7)	(17.6)
Valuation surplus on owner occupied properties	6	**–**	0.3	0.1
Actuarial gain/(loss) on defined pension schemes		**1.7**	(9.3)	(0.1)
Increase in value of available-for-sale investments		**1.3**	4.6	4.5
Fair value movements on derivatives in effective hedge relationships		**(8.6)**	–	1.3
Net profit/(loss) recognised directly in equity		**22.4**	(44.1)	(11.8)
Transfer to income statement on sale and impairment of available-for-sale investments		**(1.4)**	(2.8)	(3.3)
Total comprehensive income for the period		**84.7**	105.1	193.2
Attributable to – equity shareholders		**84.8**	106.1	195.2
– non-controlling interests		**(0.1)**	(1.0)	(2.0)
Total comprehensive income for the period		**84.7**	105.1	193.2

CONDENSED GROUP BALANCE SHEET

As at 30 June 2011

	Notes	**30 June 2011 (unaudited) £m**	30 June 2010 (unaudited) £m	31 December 2010 (audited) £m
Assets				
Non-current assets				
Goodwill and other intangibles		**1.6**	1.8	1.7
Investment properties	11	**4,595.7**	4,537.0	4,498.3
Owner occupied properties		**7.8**	8.1	7.8
Plant and equipment		**6.6**	7.0	7.3
Investments in joint ventures	5	**295.2**	252.8	279.8
Finance lease receivables		**8.4**	8.8	8.5
Available-for-sale investments		**20.4**	31.3	26.8
		4,935.7	4,846.8	4,830.2
Current assets				
Trading properties	11	**302.6**	293.9	289.9
Trade and other receivables		**101.7**	124.5	130.7
Tax recoverable		**1.7**	2.3	2.1
Cash and cash equivalents		**26.0**	91.1	44.6
		432.0	511.8	467.3
Total assets		**5,367.7**	5,358.6	5,297.5
Liabilities				
Non-current liabilities				
Borrowings	12	**2,233.3**	2,242.2	2,177.9
Deferred tax provision	8	**49.1**	55.8	47.9
Other provisions for liabilities		**4.5**	25.4	15.2
Trade and other payables		**2.7**	21.1	20.1
		2,289.6	2,344.5	2,261.1
Current liabilities				
Trade and other payables		**226.6**	221.3	229.4
Borrowings	12	**95.8**	103.5	69.9
Tax liabilities		**33.0**	36.4	28.1
		355.4	361.2	327.4
Total liabilities		**2,645.0**	2,705.7	2,588.5
Net assets		**2,722.7**	2,652.9	2,709.0
Equity				
Share capital		**74.2**	74.2	74.2
Share premium		**1,069.5**	1,069.4	1,069.5
Capital redemption reserve		**113.9**	113.9	113.9
Own shares held		**(10.2)**	(13.5)	(13.3)
Revaluation reserve		**0.2**	0.4	0.2
Other reserves		**215.1**	173.5	194.9
Retained earnings		**1,257.7**	1,235.3	1,270.9
Total shareholders' equity		**2,720.4**	2,653.2	2,710.3
Non-controlling interests		**2.3**	(0.3)	(1.3)
Total equity		**2,722.7**	2,652.9	2,709.0
Net assets per ordinary share				
Basic and diluted	10	**367p**	358p	366p

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

(unaudited)	Balance 1 January 2011 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividend £m	Transfers £m	Balance 30 June 2011 £m
Ordinary share capital	**74.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**74.2**
Share premium	**1,069.5**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,069.5**
Capital redemption reserve	**113.9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**113.9**
Own shares held	**(13.3)**	**–**	**–**	**–**	**–**	**3.1**	**–**	**–**	**(10.2)**
Revaluation reserve[1]	**0.2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.2**
Other reserves:									
Share based payments reserve	**6.2**	**–**	**–**	**–**	**–**	**0.9**	**–**	**–**	**7.1**
Fair value reserve for AFS[2]	**6.2**	**–**	**–**	**1.3**	**–**	**(1.4)**	**–**	**–**	**6.1**
Translation and other reserves	**13.4**	**28.0**	**–**	**(8.6)**	**–**	**–**	**–**	**–**	**32.8**
Merger reserve	**169.1**	**–**	**–**	–	**–**	**–**	**–**	**–**	**169.1**
Total other reserves	**194.9**	**28.0**	**–**	**(7.3)**	**–**	**(0.5)**	**–**	**–**	**215.1**
Retained earnings	**1,270.9**	**–**	**63.8**	**1.7**	**–**	**(7.6)**	**(71.1)**	**–**	**1,257.7**
Total equity attributable to equity shareholders	**2,710.3**	**28.0**	**63.8**	**(5.6)**	**–**	**(5.0)**	**(71.1)**	**–**	**2,720.4**
Non-controlling interests	**(1.3)**	**–**	**(0.1)**	**–**	**–**	**3.7**	**–**	**–**	**2.3**
Total equity	**2,709.0**	**28.0**	**63.7**	**(5.6)**	**–**	**(1.3)**	**(71.1)**	**–**	**2,722.7**

For the six months ended 30 June 2010

(unaudited)	Balance 1 January 2010 £m	Exchange movement £m	Retained profit £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividend £m	Transfers £m	Balance 30 June 2010 £m
Ordinary share capital	73.5	–	–	–	0.7	–	–	–	74.2
Share premium	1,047.6	–	–	–	21.8	–	–	–	1,069.4
Capital redemption reserve	113.9	–	–	–	–	–	–	–	113.9
Own shares held	(13.5)	–	–	–	–	–	–	–	(13.5)
Revaluation reserve[1]	0.1	–	–	0.3	–	–	–	–	0.4
Other reserves:									
Share based payments reserve	2.6	–	–	–	–	1.1	–	(0.2)	3.5
Fair value reserve for AFS[2]	4.8	0.4	–	–	–	1.8	–	–	7.0
Translation and other reserves	20.3	(26.4)	–	–	–	–	–	–	(6.1)
Merger reserve	169.1	–	–	–	–	–	–	–	169.1
Total other reserves	196.8	(26.0)	–	–	–	2.9	–	(0.2)	173.5
Retained earnings	1,174.1	(13.7)	153.0	(9.3)	–	–	(69.0)	0.2	1,235.3
Total equity attributable to equity shareholders	2,592.5	(39.7)	153.0	(9.0)	22.5	2.9	(69.0)	–	2,653.2
Non-controlling interests	0.7	–	(1.0)	–	–	–	–	–	(0.3)
Total equity	2,593.2	(39.7)	152.0	(9.0)	22.5	2.9	(69.0)	–	2,652.9

For the year ended 31 December 2010

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

1. The revaluation reserve is shown net of deferred tax.
2. AFS is the term used for "Available-for-sale investments" and is shown net of deferred tax.

CONDENSED GROUP CASH FLOW STATEMENT

For the six months ended 30 June 2011

	Note	**Half year to 30 June 2011 (unaudited) £m**	Half year to 30 June 2010 (unaudited) £m	Year to 31 December 2010 (audited) £m
Cash flows from operating activities	13	**106.5**	104.2	244.9
Interest received		**30.1**	1.4	16.4
Dividends received		**3.3**	2.4	8.8
Interest paid		**(84.4)**	(67.9)	(157.5)
Tax paid		**(2.1)**	(2.3)	(6.0)
Net cash received from operating activities		**53.4**	37.8	106.6
Cash flows from investing activities				
Purchase and development of investment properties		**(64.8)**	(13.1)	(61.1)
Sale of investment properties		**21.8**	277.0	385.7
Purchase of property, plant and equipment		**(0.8)**	(0.9)	(2.8)
Sale of property, plant and equipment		**0.2**	–	–
Purchase of available-for-sale investments		**(1.5)**	(4.5)	(6.3)
Sale of available-for-sale investments		**9.4**	4.3	13.1
Sale of investment in joint ventures		**–**	11.3	11.3
Investment in joint ventures		**–**	(183.7)	(195.4)
Net (increase)/decrease in loans to joint ventures		**(0.4)**	3.6	1.9
Purchase of minority interest		**(1.1)**	–	–
Net cash (used in)/received from investing activities		**(37.2)**	94.0	146.4
Cash flows from financing activities				
Dividends paid to ordinary shareholders		**(66.0)**	(41.8)	(82.8)
Repayment of bonds		**–**	(125.0)	(142.3)
Net increase/(decrease) in other borrowings		**53.5**	14.6	(118.3)
Net settlement of foreign exchange derivatives		**(25.5)**	–	23.4
Proceeds from the issue of ordinary shares		**–**	–	0.1
Net cash used in financing activities		**(38.0)**	(152.2)	(319.9)
Net decrease in cash and cash equivalents		**(21.8)**	(20.4)	(66.9)
Cash and cash equivalents at the beginning of the period		**44.6**	111.9	111.9
Effect of foreign exchange rate changes		**2.0**	(0.4)	(0.4)
Cash and cash equivalents at the end of the period		**24.8**	91.1	44.6
Cash and cash equivalents per balance sheet	12	**26.0**	91.1	44.6
Bank overdrafts		**(1.2)**	–	–
Cash and cash equivalents per cash flow		**24.8**	91.1	44.6

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements for the six months ended 30 June 2011 were approved by the Board of Directors on 22 August 2011.

The condensed set of financial statements for the half year ended 30 June 2011 is unaudited and does not constitute statutory accounts within the meaning of S435 of the Companies Act 2006. The financial information contained in this report for the year ended 31 December 2010 does not constitute statutory accounts within the meaning of S435 of the Companies Act 2006 and has been extracted from the statutory accounts, which were prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRSs) and were delivered to the Registrar of Companies. The auditor's opinion on these accounts was unqualified; did not draw attention to any matters by way of emphasis; and did not contain a statement made under S498(2) or S498(3) of the Companies Act 2006. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

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

The same accounting policies and presentation methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

The principal exchange rates used to translate foreign currency denominated amounts are:
Balance sheet: £1 = €1.11 (30 June 2010: £1 = €1.22; 31 December 2010: £1 = €1.17)
Income statement: £1 = €1.15 (30 June 2010: £1 = €1.15; 31 December 2010: £1 = €1.17)

The notes included within the condensed set of financial statements comprise continuing operations unless otherwise stated.

2. SEGMENTAL ANALYSIS

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

	United Kingdom			Continental Europe			Group		
	Half year 2011 £m	Half year 2010 £m	Full year 2010 £m	**Half year 2011 £m**	Half year 2010 £m	Full year 2010 £m	**Half year 2011 £m**	Half year 2010 £m	Full year 2010 £m
Segment revenue	**122.7**	147.6	267.8	**73.1**	79.6	165.8	**195.8**	227.2	433.6
Gross rental income	**105.1**	123.2	233.5	**56.4**	56.4	111.1	**161.5**	179.6	344.6
Property operating expenses	**(18.2)**	(25.3)	(45.6)	**(7.8)**	(10.0)	(16.9)	**(26.0)**	(35.3)	(62.5)
Net rental income	**86.9**	97.9	187.9	**48.6**	46.4	94.2	**135.5**	144.3	282.1
Joint venture management fee income	**1.8**	–	1.9	–	–	–	**1.8**	–	1.9
Administration expenses (excluding exceptional items)	**(11.0)**	(11.2)	(24.7)	**(4.8)**	(6.5)	(14.5)	**(15.8)**	(17.7)	(39.2)
Share of joint ventures' EPRA profit after tax	**9.5**	1.6	9.7	**0.2**	1.0	1.1	**9.7**	2.6	10.8
EPRA operating profit before interest and tax	**87.2**	88.3	174.8	**44.0**	40.9	80.8	**131.2**	129.2	255.6
Net finance costs	**(39.7)**	(49.8)	(95.3)	**(20.4)**	(15.1)	(33.0)	**(60.1)**	(64.9)	(128.3)
EPRA profit before tax	**47.5**	38.5	79.5	**23.6**	25.8	47.8	**71.1**	64.3	127.3
Adjustments:									
Adjustments to the share of profit/(loss) from joint ventures after tax[1]	**4.8**	10.9	31.8	**(0.9)**	(0.2)	(0.7)	**3.9**	10.7	31.1
Profit/(loss) on sale of investment properties	**1.8**	2.7	(2.4)	**(0.4)**	(0.7)	(0.4)	**1.4**	2.0	(2.8)
Valuation (deficit)/surplus on investment and owner occupied properties	**(25.3)**	83.3	94.4	**(10.3)**	(18.7)	(62.0)	**(35.6)**	64.6	32.4
Profit/(loss) on sale of trading properties	**3.8**	0.3	0.7	**0.8**	1.5	(0.8)	**4.6**	1.8	(0.1)
Increase in provision for impairment of trading properties	**(0.2)**	(0.7)	(1.3)	**(2.1)**	(2.9)	(2.3)	**(2.3)**	(3.6)	(3.6)
Loss on sale of investment in joint ventures	**–**	(1.4)	(0.5)	**–**	–	–	**–**	(1.4)	(0.5)
Other investment income	**1.9**	2.0	5.8	**–**	–	–	**1.9**	2.0	5.8
Amounts written off on acquisitions[2]	**(0.1)**	(13.8)	(13.9)	**–**	–	–	**(0.1)**	(13.8)	(13.9)
Net fair value gain/(loss) on interest rate swaps and other derivatives	**15.2**	27.7	23.6	**4.5**	(5.4)	(2.1)	**19.7**	22.3	21.5
Total adjustments	**1.9**	111.0	138.2	**(8.4)**	(26.4)	(68.3)	**(6.5)**	84.6	69.9
Profit/(loss) before tax	**49.4**	149.5	217.7	**15.2**	(0.6)	(20.5)	**64.6**	148.9	197.2
Tax									
On EPRA profits	**0.1**	1.5	–	**(1.6)**	(3.0)	(4.3)	**(1.5)**	(1.5)	(4.3)
In respect of adjustments	**–**	6.4	9.8	**0.6**	(1.8)	5.6	**0.6**	4.6	15.4
	0.1	7.9	9.8	**(1.0)**	(4.8)	1.3	**(0.9)**	3.1	11.1
Profit/(loss) after tax									
EPRA profit after tax	**47.6**	40.0	79.5	**22.0**	22.8	43.5	**69.6**	62.8	123.0
Adjustments	**1.9**	117.4	148.0	**(7.8)**	(28.2)	(62.7)	**(5.9)**	89.2	85.3
Group profit/(loss) after tax	**49.5**	157.4	227.5	**14.2**	(5.4)	(19.2)	**63.7**	152.0	208.3
Summary balance sheet									
Total property assets	**3,169.0**	3,254.4	3,175.1	**1,737.1**	1,584.6	1,620.9	**4,906.1**	4,839.0	4,796.0
Investments in joint ventures	**269.4**	229.9	255.3	**25.8**	22.9	24.5	**295.2**	252.8	279.8
Net borrowings	**(1,222.5)**	(1,250.4)	(1,202.4)	**(1,080.6)**	(1,004.2)	(1,000.8)	**(2,303.1)**	(2,254.6)	(2,203.2)
Other net liabilities	**(99.2)**	(100.8)	(81.3)	**(76.3)**	(83.5)	(82.3)	**(175.5)**	(184.3)	(163.6)
Segment net assets	**2,116.7**	2,133.1	2,146.7	**606.0**	519.8	562.3	**2,722.7**	2,652.9	2,709.0
Capital expenditure in the year	**32.3**	25.4	44.6	**42.2**	6.2	39.9	**74.5**	31.6	84.5

1. A detailed breakdown of the adjustments to the share of profit from joint ventures are included in note 5.
2. Amounts written off on acquisitions in the prior period relate to the APP acquisition (£13.8 million) and, in the second half of the year, amortisation of the acquired management contract (£0.1 million).

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

3. REVENUE

	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Rental income from investment properties	**144.7**	157.6	304.9
Rental income from trading properties	**9.2**	10.2	19.5
Rental income from short term licences	**0.2**	0.2	1.0
Rent averaging	**4.5**	5.6	11.2
Surrender premiums	**2.6**	5.7	7.4
Interest received on finance lease assets	**0.3**	0.3	0.6
Gross rental income	**161.5**	179.6	344.6
Joint venture management fee	**1.8**	–	1.9
Service charge income	**19.4**	15.2	32.2
Proceeds from sale of trading properties	**13.1**	32.4	54.9
Total revenue	**195.8**	227.2	433.6

4. PROPERTY OPERATING EXPENSES

	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Vacant property costs	**7.4**	13.8	22.7
Letting, marketing, legal and professional fees	**5.0**	6.1	11.9
Bad debt expense	**1.3**	1.6	3.4
Other expenses, net of service charge income	**4.7**	6.8	9.6
Property management expenses	**18.4**	28.3	47.6
Property administration expenses[1]	**8.4**	7.7	16.1
Costs capitalised	**(0.8)**	(0.7)	(1.2)
Total property operating expenses	**26.0**	35.3	62.5

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

5. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

5(i) Share of profit from joint ventures after tax

	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Gross rental income	**16.9**	6.1	23.8
Property operating expenses	**(2.2)**	(0.7)	(3.6)
Net rental income	**14.7**	5.4	20.2
Net finance costs	**(5.0)**	(3.0)	(9.6)
EPRA profit before tax	**9.7**	2.4	10.6
Tax	**–**	0.2	0.2
EPRA profit after tax	**9.7**	2.6	10.8
Adjustments:			
Profit on sale of investment properties	**0.7**	–	0.5
Valuation surplus on investment properties	**3.2**	9.9	32.6
Profit on sale of trading properties	**0.2**	0.1	0.3
(Increase)/decrease in provision for impairment of trading properties	**(0.7)**	0.4	(2.3)
Net fair value gain on interest rate swaps and other derivatives	**0.4**	–	0.5
Other investment income	**–**	0.2	–
Tax on additional adjustments	**0.1**	0.1	(0.5)
Total adjustments	**3.9**	10.7	31.1
Profit after tax	**13.6**	13.3	41.9

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

	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Investment properties (completed and development)	**467.7**	446.7	463.8
Other investments	**8.5**	8.8	8.4
Total non-current assets	**476.2**	455.5	472.2
Trading properties	**34.1**	35.3	36.4
Other receivables	**20.0**	11.5	11.0
Cash	**18.3**	11.8	14.4
Total current assets	**72.4**	58.6	61.8
Total assets	**548.6**	514.1	534.0
Borrowings	**51.5**	216.7	206.2
Deferred tax	**1.5**	1.1	1.5
Other liabilities	**7.5**	15.9	15.2
Total non-current liabilities	**60.5**	233.7	222.9
Borrowings	**171.3**	11.0	11.4
Other liabilities	**21.6**	16.6	19.9
Total current liabilities	**192.9**	27.6	31.3
Total liabilities	**253.4**	261.3	254.2
Group share of net assets	**295.2**	252.8	279.8

6. REALISED AND UNREALISED PROPERTY (LOSS)/GAIN

	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Profit/(loss) on sale of investment properties	**1.4**	2.0	(2.8)
Valuation (deficit)/surplus on investment properties	**(35.6)**	64.5	32.4
Valuation surplus on owner occupied properties	**–**	0.1	–
Profit/(loss) on sale of trading properties	**4.6**	1.8	(0.1)
Increase in provision for impairment of trading properties	**(2.3)**	(3.6)	(3.6)
Total realised and unrealised property (loss)/gain – income statement	**(31.9)**	64.8	25.9
Valuation surplus on owner occupied properties	**–**	0.3	0.1
Total realised and unrealised property gain – other comprehensive income	**–**	0.3	0.1
Total realised and unrealised property (loss)/gain	**(31.9)**	65.1	26.0

7. NET FINANCE COSTS

Finance income	**Half year to 30 June 2011 £m**	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Interest received on bank deposits and related derivatives	**12.3**	1.4	23.8
Fair value gain on interest rate swaps and other derivatives	**20.2**	38.5	31.4
Return on pension assets less unwinding of discount on pension liabilities	**0.4**	–	0.6
Exchange differences	**0.7**	–	–
Total finance income	**33.6**	39.9	55.8

Finance costs			
Interest on overdrafts, loans and related derivatives	**(72.1)**	(64.9)	(149.2)
Amortisation of issue costs	**(2.1)**	(3.3)	(6.1)
Unwinding of discount on pension liabilities less return on assets	**–**	(0.1)	–
Total borrowing costs	**(74.2)**	(68.3)	(155.3)
Less amount capitalised on the development of properties	**0.7**	2.8	2.9
Net borrowing costs	**(73.5)**	(65.5)	(152.4)
Fair value loss on interest rate swaps and other derivatives	**(0.5)**	(16.2)	(9.9)
Exchange differences	**–**	(0.8)	(0.3)
Total finance costs	**(74.0)**	(82.5)	(162.6)
Net finance costs	**(40.4)**	(42.6)	(106.8)

8. TAX

8(i) – Tax on profit

	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Tax on:			
EPRA profits	**1.5**	1.5	4.3
Adjustments	**(0.6)**	(4.6)	(15.4)
Total tax charge/(credit)	**0.9**	(3.1)	(11.1)
Current tax			
United Kingdom			
Adjustments in respect of earlier years	**(0.1)**	(7.9)	(9.8)
Continental Europe			
Current tax charge	**2.3**	2.2	4.3
Adjustments in respect of earlier years	**–**	–	1.4
	2.3	2.2	5.7
Total current tax charge/(credit)	**2.2**	(5.7)	(4.1)
Deferred tax			
Origination and reversal of temporary differences	**2.1**	(0.7)	2.1
Released in respect of property disposals in the period	**–**	–	(2.3)
On valuation movements	**(3.3)**	0.8	(10.0)
Total deferred tax in respect of investment properties	**(1.2)**	0.1	(10.2)
Other deferred tax	**(0.1)**	2.5	3.2
Total deferred tax	**(1.3)**	2.6	(7.0)
Total tax charge/(credit) on profit on ordinary activities	**0.9**	(3.1)	(11.1)

8(ii) – Deferred tax provision

Movement in deferred tax was as follows:

	Balance 1 January 2011 £m	Exchange movement £m	Recognised in income £m	Balance 30 June 2011 £m	Balance 30 June 2010 £m
Valuation (deficit)/surplus	**(7.0)**	**(0.5)**	**(3.3)**	**(10.8)**	5.9
Accelerated tax allowances	**54.1**	**3.1**	**2.1**	**59.3**	49.3
Deferred tax asset on revenue losses	**(5.0)**	**(0.3)**	**–**	**(5.3)**	(5.0)
Others	**5.8**	**0.2**	**(0.1)**	**5.9**	5.6
Total deferred tax provision	**47.9**	**2.5**	**(1.3)**	**49.1**	55.8

9. DIVIDENDS

	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Ordinary dividends paid			
Final dividend for 2010 @ 9.6 pence per share	**71.1**	–	–
Interim dividend for 2010 @ 4.7 pence per share	**–**	–	34.8
Final dividend for 2009 @ 9.4 pence per share	**–**	69.0	69.0
	71.1	69.0	103.8

The Board have proposed an interim dividend of 4.9 pence per ordinary share (2010: 4.7 pence). This dividend has not been recognised in the condensed financial statements.

10. EARNINGS AND NET ASSETS PER ORDINARY SHARE

The earnings per share calculations use the weighted average number of shares and the net assets per share calculations use the number of shares in issue at the period end. Both the earnings per share and net assets per share calculations exclude shares held by the ESOP trust (1.3 million and 1.1 million respectively for the half year 2011, 1.4 million for the half year 2010 and 1.3 million for the full year 2010).

10(i) Earnings per ordinary share (EPS)

	Half year 2011			Half year 2010			Full year 2010		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic EPS	**63.8**	**740.3**	**8.6**	153.0	735.4	20.8	210.3	737.9	28.5
Dilution adjustments:									
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.2	–	–	0.1	–
Diluted EPS	**63.8**	**740.4**	**8.6**	153.0	735.6	20.8	210.3	738.0	28.5
Adjustments to profit before tax[1]	**6.5**		**0.9**	(84.6)		(11.5)	(69.9)		(9.4)
Deferred tax on investment property which does not crystallise unless sold	**(1.2)**		**(0.2)**	0.1		–	(8.5)		(1.2)
Other tax	**0.6**		**0.1**	(4.7)		(0.6)	(6.9)		(0.9)
Non-controlling interest on adjustments	**–**		**–**	0.1		–	1.0		0.1
EPRA EPS	**69.7**	**740.4**	**9.4**	63.9	735.6	8.7	126.0	738.0	17.1

1. Details of adjustments are included in note 2.

10(ii) Net asset value per share (NAV)

	Half year 2011			Half year 2010			Full year 2010		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**2,720.4**	**740.6**	**367**	2,653.2	740.1	358	2,710.3	740.2	366
Dilution adjustments:									
Share options and save as you earn schemes	**–**	**0.1**	**–**	–	0.2	–	–	0.1	–
Diluted NAV	**2,720.4**	**740.7**	**367**	2,653.2	740.3	358	2,710.3	740.3	366
Fair value adjustment in respect of derivatives – Group	**(8.6)**		**(1)**	(19.6)		(3)	(11.1)		(2)
Fair value adjustment in respect of derivatives – Joint ventures	**4.3**		**1**	8.8		1	6.8		1
Fair value adjustment in respect of trading properties – Group	**22.6**		**3**	25.2		3	25.1		4
Fair value adjustment in respect of trading properties – Joint ventures	**5.3**		**1**	4.9		1	5.1		1
Deferred tax in respect of depreciation	**59.3**		**8**	49.3		7	54.1		7
Deferred tax in respect of valuation surpluses	**(10.8)**		**(2)**	5.9		1	(7.0)		(1)
EPRA NAV	**2,792.5**	**740.7**	**377**	2,727.7	740.3	368	2,783.3	740.3	376
Fair value adjustment in respect of debt	**(97.4)**		**(13)**	(107.1)		(14)	(75.5)		(11)
Tax effect of fair value adjustment in respect of debt	**25.8**		**3**	30.0		4	21.1		3
Fair value adjustment in respect of derivatives – Group	**8.6**		**1**	19.6		3	11.1		2
Fair value adjustment in respect of derivatives – Joint ventures	**(4.3)**		**(1)**	(8.8)		(1)	(6.8)		(1)
Deferred tax in respect of depreciation	**(59.3)**		**(8)**	(49.3)		(7)	(54.1)		(7)
Deferred tax in respect of valuation surpluses	**10.8**		**2**	(5.9)		(1)	7.0		1
EPRA triple net NAV (NNNAV)	**2,676.7**	**740.7**	**361**	2,606.2	740.3	352	2,686.1	740.3	363

The EPRA NAV calculation changed following the publication of the Best Practices Recommendations of EPRA (issued in October 2010) and the half year 2010 comparatives have been changed accordingly.

11. PROPERTIES

11(i) Investment properties

	Completed £m	Development £m	Total £m
At 1 January 2011	**4,085.5**	**347.0**	**4,432.5**
Exchange movement	62.4	10.8	73.2
Acquisitions	–	4.3	4.3
Additions	9.2	51.9	61.1
Disposals	(18.0)	(3.5)	(21.5)
Transfer between investment and development properties	25.6	(25.6)	–
Revaluation deficit during the period	(29.5)	(6.1)	(35.6)
At 30 June 2011	**4,135.2**	**378.8**	**4,514.0**
Add tenant lease incentives, letting fees and rental guarantees	81.7	–	81.7
Total investment properties at 30 June 2011	**4,216.9**	**378.8**	**4,595.7**
Total investment properties at 30 June 2010	4,231.4	305.6	4,537.0

Investment properties are stated at market value as at 30 June 2011 based on external valuations performed by professionally qualified valuers. The Group's wholly owned property portfolio is valued by DTZ Debenham Tie Leung ("DTZ"). Valuations for the joint venture properties within the UK were performed by Jones Lang LaSalle (formerly King Sturge) (APP) and Colliers CRE (Big Box) at 30 June 2011. The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties.

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

11(ii) – Trading properties

	Completed £m	Development £m	Total £m
At 1 January 2011	**207.6**	**81.8**	**289.4**
Exchange movement	10.9	3.7	14.6
Acquisitions	–	3.6	3.6
Additions	1.5	3.5	5.0
Disposals	(2.5)	(5.9)	(8.4)
Transfers between trading and development properties	12.1	(12.1)	–
Increase in provision for impairment in the period	(2.1)	(0.2)	(2.3)
At 30 June 2011	**227.5**	**74.4**	**301.9**
Add tenant lease incentives, letting fees and rental guarantees	0.7	–	0.7
Total trading properties at 30 June 2011	**228.2**	**74.4**	**302.6**
Total trading properties at 30 June 2010	225.9	68.0	293.9

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

Trading properties were externally valued resulting in a net increase in the provision for impairment of £2.3 million (2010: £3.6 million). Based on the fair value at 30 June 2011, the portfolio has an unrecognised surplus of £22.6 million (2010: £25.1 million).

12. NET BORROWINGS AND FINANCIAL INSTRUMENTS

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
In one year or less	**95.8**	103.5	69.9
In more than one year but less than two	**161.9**	73.7	39.7
In more than two years but less than five	**558.9**	353.8	606.2
In more than five years but less than ten	**646.0**	701.2	665.8
In more than ten years	**866.5**	1,113.5	866.2
In more than one year	**2,233.3**	2,242.2	2,177.9
Total borrowings	**2,329.1**	2,345.7	2,247.8
Cash and cash equivalents	**(26.0)**	(91.1)	(44.6)
Net borrowings	**2,303.1**	2,254.6	2,203.2
Total borrowings is split between secured and unsecured as follows:			
Secured (on land and buildings)	**62.8**	86.4	61.3
Unsecured	**2,266.3**	2,259.3	2,186.5
Total borrowings	**2,329.1**	2,345.7	2,247.8
Currency profile of total borrowings after derivative instruments[1]			
Sterling	**976.3**	1,288.5	950.3
Euros	**1,334.3**	1,036.9	1,278.3
US dollars	**18.5**	20.3	19.2
Total borrowings	**2,329.1**	2,345.7	2,247.8
Maturity profile of undrawn borrowing facilities			
In one year or less	**14.8**	42.9	20.4
In more than one year but less than two	**–**	108.1	–
In more than two years	**413.8**	540.6	462.1
Total available undrawn facilities	**428.6**	691.6	482.5
Fair value of financial instruments			
Book value of debt	**2,329.1**	2,345.7	2,247.8
Interest rate derivatives	**(29.2)**	(7.7)	(13.2)
Foreign exchange derivatives	**20.6**	(11.9)	2.1
Book value of debt including derivatives	**2,320.5**	2,326.1	2,236.7
Net fair market value	**2,417.9**	2,433.2	2,312.2
Mark to market adjustment (pre-tax)	**97.4**	107.1	75.5

1. The Group entered into currency swap transactions in the second half of 2010 and consequently the above currency profile has been prepared including all derivative instruments in order to give more meaningful disclosure. The June 2010 profile has been amended accordingly.

13. NOTES TO THE CONDENSED GROUP CASH FLOW STATEMENT

13(i) Reconciliation of cash generated from operations

	Half year to 30 June 2011 £m	Half year to 30 June 2010 £m	Year to 31 December 2010 £m
Operating profit	**105.0**	191.5	304.0
Adjustments for:			
Depreciation of property, plant and equipment	**1.2**	1.6	3.2
Share of profit from joint ventures after tax	**(13.6)**	(13.3)	(41.9)
(Profit)/loss on sale of investment properties	**(1.4)**	(2.0)	2.8
Loss on sale of investment in joint ventures	**–**	1.4	0.5
Amounts written off on acquisitions	**0.1**	13.8	13.9
Valuation deficit/(surplus) on investment and owner occupied properties	**35.6**	(64.6)	(32.4)
Gain on sale of available-for-sale investments	**(1.9)**	(2.0)	(5.8)
Other provisions	**(7.8)**	0.9	2.1
	117.2	127.3	246.4
Changes in working capital:			
Decrease in trading properties	**1.9**	6.9	22.4
Decrease/(increase) in debtors	**18.5**	8.5	(18.4)
Decrease in creditors	**(31.1)**	(38.5)	(5.5)
Net cash inflow generated from operations	**106.5**	104.2	244.9

13(ii) Analysis of net debt

	At 1 January 2011 £m	Exchange movement £m	Non-cash adjustment[1] £m	Cash flow £m	**At 30 June 2011 £m**
Bank loans and loan capital	2,280.7	24.5	–	53.5	**2,358.7**
Capitalised finance costs [2]	(32.9)	–	2.1	–	**(30.8)**
Bank overdrafts	–	–	–	1.2	**1.2**
Total borrowings	2,247.8	24.5	2.1	54.7	**2,329.1**
Cash in hand and at bank	(44.6)	(2.0)	–	20.6	**(26.0)**
Net debt	2,203.2	22.5	2.1	75.3	**2,303.1**

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

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

14. RELATED PARTY TRANSACTIONS

There have been no material changes in the related party transactions as described in the last annual report, other than those disclosed elsewhere in this condensed set of financial statements.

Basis points

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

Development pipeline

The Group's current programme of developments authorised or in the course of construction at the balance sheet date, together with potential schemes not yet commenced on land owned or controlled by the Group.

EPRA

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

Equivalent yield

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

Estimated rental value (ERV)

The estimated annual market rental value of lettable space as determined biannually by the Company's valuers. This will normally be different from the rent being paid.

Estimate to complete (ETC)

Costs still to be expended on a development or redevelopment to practical completion (not to complete lettings), including attributable interest.

Gearing

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

Gross rental income

Contracted rental income recognised in the period, including surrender premiums and interest receivable on finance leases. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight line basis over the lease term.

Hectares (Ha)

The area of land measurement used in this analysis. The conversion factor used, where appropriate, is 1 hectare = 2.471 acres.

Joint venture

An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent.

Loan to value (LTV)

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

Net initial yield

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

Net rental income

Gross Rental Income less ground rents paid, service charge expenses and property operating expenses.

Passing rent

The annual rental income currently receivable on a property as at the balance sheet date (which may be more or less than the ERV). Excludes rental income where a rent free period is in operation. Excludes service charge income (which is netted off service charge expenses).

Pre-let

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

REIT

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

Rent roll

See Passing Rent.

Square metres (sq m)

The area of buildings measurements used in this analysis. The conversion factor used, where appropriate, is 1 square metre = 10.639 square feet.

Takeback

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

Topped up net initial yield

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

Total Property Return (TPR)

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

Total Shareholder Return (TSR)

A measure of return based upon share price movement over the period and assuming reinvestment of dividends.

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