PRESS RELEASE

WHERE BUSINESS WORKS

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SEGRO Results Announcement for the Full Year to 31 December 2008

SEGRO, the leading provider of Flexible Business Space, announces its results for the year ended 31 December 2008. SEGRO has today also launched a fully underwritten rights issue to raise net proceeds of approximately £500m.

Highlights of Results

Resilient Operational Performance

- Net rental income up 20% to £244.9m (2007: £204.8m)
- Further leasing progress has reduced overall voids to 9.8% (2007: 10.4%)
- Strong contribution from trading profits and share of joint ventures' trading profits of £35.3m in aggregate (2007: £25.0m)
- Loss before taxation of £939.2m (2007: £246.5m), reflecting property revaluation deficits
- Adjusted profit before tax of £123.9m (2007: £131.3m)
- Basic loss per share of 215.9p (2007: 53.6p) and adjusted earnings per share of 28.0p (2007: 28.2p)

Adjusted diluted NAV down 31.5% to 482p, mainly reflecting decline in UK property valuations

- Overall valuation deficit on completed investment properties of 18.2% (H1: 7.6%; H2: 11.5%)
- 25.4% deficit in the UK (H1: 10.5%; H2: 16.6%)
- 2.8% deficit in Continental Europe (H1: 0.7% gain; H2: 3.5% deficit)
- 19.1% reduction in the valuation of land and developments in progress

Carefully Managing the Group's Financial Position

- Recycling capital proactively with £343m of disposals in UK and Continental Europe
- Total capital expenditure of £464m, a 40% reduction from 2007 (£777m)
- Speculative development starts reduced by 52% compared with 2007
- 79% of developments completed in 2008 were let or sold as at 31 December 2008
- 64% of current development projects already pre-let as at 31 December 2008
- Reduced cost base and overheads with a c.15% reduction in UK headcount
- Successful renegotiation of gearing covenants on banking facilities from 125% to 160%, (post year end)
- Fully underwritten rights issue separately announced today (see separate announcement)

Final dividend of 5.4p, making 13.7p for the year (2007: 23.0p)

Ian Coull, Chief Executive commented:

"2008 has provided one of the most challenging economic environments. In this environment, the Group's geographically diversified business model has demonstrated its operational resilience.

Essential to this has been our customer focus, which underpins our Group's culture. As at 31 December, our void rate by rental income was 9.8%, an improvement on the position 12 months earlier. Similarly, we have not yet seen any significant cause for concern regarding insolvency levels amongst our customer base. However, after a strong nine months the occupational market slowed in the fourth quarter, with customer enquiries trending downwards as companies delay relocation or expansion in the light of economic uncertainty.

The global economic environment is likely to remain difficult through the course of the coming year and an early return to an active investment market is unlikely. However, in a period of economic weakness, the industrial sector's defensive qualities should be seen as increasingly attractive compared with other asset classes.

We continue to manage our financial position prudently, having taken a number of early actions to contain our costs and reduce capital expenditure. The renegotiation of our banking facilities and the rights issue we are announcing today leave us very well placed going forward.

We view the current market conditions as creating an environment which will offer attractive opportunities over the years ahead and we are optimistic for the prospects of the Group."

Summary Financial Statement Tables

INCOME STATEMENT		
Continuing Operations	**2008**	**2007**
Net rental income[1] (£m)	244.9	204.8
Property losses (£m)	(1,010.4)	(382.2)
Loss before taxation (£m)	(939.2)	(246.5)
Adjusted profit before taxation[2] (£m)	123.9	131.3
Underlying tax rate[3] (%)	2.3	1.4
Basic loss per share (p)	(215.9)	(53.6)
Adjusted diluted earnings per share[4] (p)	28.0	28.2
Total dividend for the year (p)	13.7	23.0
Total return[5] (%)	(28.2)	0.7

BALANCE SHEET	31 December	31 December
	2008	**2007**
Total properties, including share of Joint Ventures (£m)	4,821.7	5,182.6
Net assets excluding minority interests (£m)	2,007.5	2,989.0
Adjusted net assets[6] (£m)	2,094.9	3,056.0
Net assets per share (p)	462	690
Adjusted diluted net assets per share[7] (p)	482	704
Net debt (£m)	2,495.8	1,690.8
Debt to equity[8] (%)	119.0	55.7
Loan to value[9] (%)	53.3	33.7

1 Including rental income on trading properties.

2 Profit before tax adjusted for EPRA and exceptional items.

3 Tax charge, excluding deferred tax on valuation movements, as a percentage of adjusted profit before tax.

4 Earnings per share based on adjusted profit before tax and reflecting the dilutive effects shares held by the ESOP trust.

5 Adjusted NAV growth plus dividends paid in the period (2007 is calculated after adding back the SIIC conversion charge of £13.9 million).

6 Shareholders' funds adjusted to add back deferred tax associated with investment properties.

7 NAV per share adjusted to add back deferred tax associated with investment and development properties and to reflect the dilution caused by shares held in the ESOP.

8 Net debt as a percentage of net assets adjusted to add back deferred tax associated with investment and development properties.

9 Net debt as a percentage of the total property portfolio excluding joint ventures.

Presentation and Conference Call for Investors and Analysts:

There will be a Presentation to Investors and Analysts at 09:30 GMT today, Wednesday 4th March 2009.

VENUE: Merrill Lynch Financial Centre, The Auditorium
2 King Edward Street, London EC1A 1HQ

For information on the webcast and conference call please refer to the separate Rights Issue press release.

For further information please contact:

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Notes:

About SEGRO SEGRO is the leading provider of Flexible Business Space in Europe. Headquartered in the UK, SEGRO is listed on the London Stock Exchange and on Euronext in Paris. The Company is a UK Real Estate Investment Trust (REIT) with operations in ten countries, serving a diversified base of 1,700 customers operating in a wide range of sectors, representing both small and large businesses, from start-ups to global corporations. With property assets of £4.8 billion as at 31 December 2008 and around 5.1 million sq m of business space, SEGRO has an annual rent roll of approximately £314 million (Note: these metrics include trading properties, development assets and the Group's share of joint ventures). www.SEGRO.com.

Neither the content of SEGRO's website nor any other website accessible by hyperlinks on SEGRO's websites is incorporated in, or forms, 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.

Chairman's Statement

Your Board began 2008 confident that we had positioned SEGRO to face the challenges that might lie ahead. However, like many others in our sector, we had not anticipated the severity of the banking crisis and the consequences for all classes of property which followed. The IPD (Investment Property Databank) UK All Property index recorded a fall of 15 per cent in the fourth quarter of 2008.

The performance of our portfolio has, to some extent, been mitigated by our Continental European business which performed comparatively well. Nonetheless, our NAV per share fell over the year to 462 pence. In anticipation of the risk of values continuing to fall, we decided to renegotiate our bank gearing covenants, some of which started at 125 per cent (net debt to adjusted shareholders funds). I am pleased to report that we reached agreement with all banks in February 2009 to increase the gearing covenant from 125 per cent to 160 per cent, in return for a higher cost of borrowing. The Board continues to monitor its financial ratios closely and has already taken, and will continue to pursue, actions to provide additional financial headroom such as asset sales, restricting capital expenditure and reducing costs.

The Board today announces a fully underwritten Rights Issue to raise net proceeds of approximately £500 million, through the issue of 5,240,650,704 New Ordinary Shares. The Rights Issue is subject to approval by the shareholders at a General Meeting to be held on 20 March 2009.

Notwithstanding the difficult market conditions, we have been able to deliver a satisfactory level of underlying profitability, with adjusted earnings per share of 28.0 pence (2007: 28.2 pence from continuing operations), largely due to our successful developments and a good letting and customer retention programme which has reduced the void in the portfolio to less than 10 per cent by rental income.

The Directors have reviewed the dividend policy in light of the present economic conditions, the need to preserve capital and the difficulty in predicting, with any certainty, the likely level of near term property trading profits. We have concluded that it would be inappropriate to distribute 2008's trading property profits and other income at this stage and to pay-out only from the recurring property rental earnings.

Accordingly, the Board is recommending a final dividend of 5.4 pence per share. This is subject to shareholder approval at the AGM to be held on 30 April 2009 and will be paid as a Property Income Distribution (PID) to shareholders on the register as at 3 April 2009. Accordingly the total dividend for the year will be 13.7 pence per share (compared with 23 pence for the year ended 31 December 2007).

Going forward, the Board's dividend policy will be to balance the needs of the business with the requirement for dividend growth, taking into account the prevailing property market conditions, expected future earnings and the requirement under UK REIT rules to distribute annually at least 90 per cent of the REIT Group's tax-exempt profits as a PID.

It has not been an easy year for any property company but SEGRO employees have responded to the challenges well and we are very grateful to them. During the year, John Heawood and Walter Hens, both Directors, left the business and John Probert, the Company Secretary, retired. We are grateful to John Heawood, Walter Hens and John Probert for their many years of dedicated service to the Group. Ian Sutcliffe joined the Company in June as Managing Director, responsible for the UK, and Inès Reinmann was promoted to the Board as Managing Director responsible for Continental Europe. Elizabeth Blease joined the Company in March and became General Counsel and Group Company Secretary following the AGM in May.

It is extremely difficult to forecast the prospects for this year at a time of such great economic uncertainty. Our efforts will be concentrated on; strengthening the balance sheet; retention of customers and filling voids and preserving the dividends to our loyal shareholders. Once we achieve these goals, I believe your Group will be well placed to take advantage of further attractive investment opportunities in the years ahead. Being an optimist, I can only believe that economies will look better at the end of the year than they do now.

Nigel Rich CBE
Chairman
4 March 2009

Directors' Report

Business Review

A challenging market environment with an unprecedented market downturn in the UK
2008 has provided one of the most challenging economic environments in living memory, and yet, in this environment, the Group's geographically diversified business model has demonstrated its resilience.

UK investment market – Flexible Business Space had proved a popular investment class over recent years as initial yields were driven down to a historic low of 5.3 per cent by the middle of 2007 (source: IPD). A correction was anticipated but the "credit crunch" prevented a soft landing as the lack of credit removed buyers from the marketplace and frustrated sales. Potential purchasers for investments were, in the main, limited to those with significant equity and without the need to raise debt. Since the correction started in June 2007, prime industrial yields have moved out by 220 basis points (bps) to 7.5 per cent by the end of December 2008, and all property prime yields have increased by 240 bps to 7.0 per cent by the end of the same period (source: IPD). Transaction volumes in all UK property sectors have fallen 52 per cent compared to 2007 (source: DTZ). The magnitude and speed of the fall in prices since June 2007 have been far greater than in the 1990s downturn, and UK All Property values have fallen by 38 per cent from June 2007 to January 2009.

However, in this period of economic weakness, the industrial sector's defensive qualities may be seen as increasingly attractive compared with other asset classes. It is worth noting that over the past 20 years, UK industrial property has shown an average annual total return of 9 per cent compared with offices and retail showing average annual total returns of 6.2 per cent and 7.5 per cent respectively (source: IPD).

Furthermore, industrial property has appeared to perform better than non-industrial property during periods of economic slow-down, as indicated by comparing the IPD annual total performance return of industrial assets against other assets over the period from 31 October 1989 to 31 December 1993, which was 4.9 per cent for industrial compared to 0.9 per cent for non-industrial.

Continental European investment market – Yields for Flexible Business Space in Continental Europe also fell over the last few years with values peaking at the end of 2007. However, yields never reached the low levels seen in the UK (partly due to shorter lease lengths and indexation) and, therefore, the unwinding of yields since then has been more gentle than in the UK. Through 2008, yields have risen for all asset classes typically by 50-100 bps (source: DTZ/CBRE). Property investment transactions for all property in Continental Europe declined by 53 per cent last year when compared with the level for 2007. However, of that total, investment in the industrial and logistics sector declined by only 39 per cent and, at €11.4 billion, represented around 10 per cent of the total volume compared with only 5-6 per cent four years ago (source: CBRE).

UK occupier market – The Group tracks occupier activity in the UK through measuring enquiry levels and viewing levels. After a strong first nine months of the year, the occupational market in the UK slowed in the fourth quarter of 2008, with customer enquiries trending downwards as companies delay relocation or expansion in light of economic uncertainty. The IPD Industrial index for industrial rents fell marginally to show a total fall of 0.3 per cent in ERV over the full year (source: IPD).

Changes to empty rates tax legislation were introduced in April 2008, making owners of industrial / warehousing property liable for business rates if premises are unoccupied for periods longer than six months. For owners of office buildings the period of rate relief is three months. The impact on the Company was an increase in operating costs of approximately £5.5 million in 2008.

Continental European occupier market – During 2008, occupier demand continued to be strong in several areas of Continental Europe, most notably Poland. However, towards the

end of the year, potential occupiers were noted to be more cautious as they attempted to gauge the extent to which they may be affected by the current economic difficulties. In our Western European portfolio, Italy and Spain are potentially likely to come under more pressure than some of the other countries. While demand continued to be strong in Poland throughout the year, it is likely that a reduction in Euro zone consumption will begin to impact on occupier demand during 2009.

Pre-emptive actions taken by the management team
Having foreseen some weakening in the economic and investment market environment but perhaps not the full magnitude of the capital value decline which was to follow in the UK, we took firm steps starting in 2007 to prepare the business for the challenges it would face in 2008. The actions taken included:

- scaling back expansion plans and initiating no significant property acquisitions
- reducing speculative development starts by 52 per cent compared with 2007 and of the speculative starts in 2008, 81 per cent of these were in Continental Europe where we could continue to exploit strong pockets of demand
- focusing the development pipeline on pre-lets. Assets in the course of construction as at 31 December 2008 were 64 per cent pre-let on the basis of rental income and 57 per cent pre-let on the basis of space (31 December 2007: 37 per cent pre-let on the basis of space)
- continuing to sell non-core or mature assets generating proceeds of £343 million during 2008, and over the last three years, the Group has completed asset sales of c.£2.3 billion
- strengthening the management team with the appointment of Ian Sutcliffe as Managing Director of the UK and Inès Reinmann as Managing Director of Continental Europe
- announcing in September 2008 that we were devolving to our two main operating businesses a number of activities and services that were previously managed at the centre. The Group now has two strong, well-balanced businesses, with high-quality management in place. These changes were designed to ensure that the Group operates as efficiently and effectively as possible, with a small focused corporate centre
- reducing our cost base and overheads by way of a headcount reduction of c.15 per cent of employee numbers in the Group Head Office and UK Business
- increasing the gearing covenant on banking facilities from 125 per cent to 160 per cent.

In addition, it is worth noting that we are entering the current downturn with specific key factors operating in our favour:

- our UK industrial portfolio has a void rate by rental income of 10.1 per cent (excluding share of joint ventures and trading properties) as at 31 December 2008 as compared with the IPD All Industrial void rate of 14.6 per cent
- within the sub 10,000 sq m unit size category of industrial stock, available new industrial stock as a percentage of total available industrial stock was just 8.8 per cent at the end of 2008 compared with 22.2 per cent at the end of 1990 (source: King Sturge). This bodes well for our UK business. Apart from 5 per cent (by valuation) of the UK industrial portfolio comprising large unit logistics, the remaining 95 per cent of the UK industrial portfolio primarily comprises assets with unit sizes under 10,000 sq m.

Resilient operating results in spite of difficult market conditions
The business benefited from steps taken in the past to diversify risk through developing a wider geographical platform. In addition, the portfolio also has a broad customer base of over 1,700 customers with the largest customer accounting for just 5 per cent of rental income, and the top 20 and top 50 customers accounting for 32 per cent and 43 per cent of rental income respectively. Therefore, our Flexible Business Space activities, appealing to different occupier sectors across different geographic locations and reinforced by top quartile independently monitored customer satisfaction levels, has contributed to resilience in our operating performance in spite of the challenging economic environment.

This was another successive year of exceptionally strong leasing performance and the leasing teams secured 522,000 sq m of lettings in 2008 which was up 10.8 per cent year on

year (2007: 471,000 sq m). Including joint ventures and licences, the equivalent figures were 649,000 sq m and 596,000 sq m in 2008 and 2007 respectively. The lettings completed in 2008 corresponded with annualised rental income (after the expiry of rent free periods) of £38.2 million which was up 20.5 per cent on the £31.7 million of annualised rental income secured in 2007. The lettings in 2008 also had an increased component of pre-let data centres and pre-let suburban offices which contribute to increasing the security of income through having relatively longer lease lengths. After accounting for income lost through the take back of space, net incremental annualised rental income gained during 2008 amounted to £17.6 million which was higher than the rental income gained in 2007 of £16.4 million.

The leasing performance of the UK and Continental Europe benefited from the steps we had taken to diversify our geographic risk. Lettings in the UK, at 179,000 sq m were down 23 per cent on the levels achieved in 2007, primarily due to potential customers taking a more cautious approach to securing new space in light of the economic uncertainty seen in the UK. With our focus on cash flow, we showed commercial pragmatism in securing new lettings in the UK which were completed at a rental level that was 1.5 per cent below December 2007 ERV. The reduction in year on year lettings in the UK was, however more than offset by the strong performance of our Continental European operations, where lettings in 2008 grew by 44 per cent to 343,000 sq m.

While securing immediate income from lettings completed in 2008, the leasing teams also stayed focused on the future and secured 128,000 sq m of new pre-lets contracted to generate £10.2 million per annum of additional rental income (after expiry of rent free periods) in future years.

Major Lettings in 2008

Customer	Building type	Location	sq m	Rent pa (£000s)
Telefonica O2 UK	Office	Slough, UK	10,338	3,005
Ernst & Young	Office	Pegasus Park, Belgium	17,081	2,182
Unnamed*	Data Centre	Slough, UK	14,019	1,811
Zabka Polska S.A.	Logistics Warehouse	Komorniki, Poland	16,350	1,023
DHL	Office	Pegasus Park, Belgium	7,664	888
Multi-Contact	Industrial	Essen, Germany	11,155	825
Cosmetic Essence	Logistics Warehouse	Stryków, Poland	12,238	717
Decathlon	Logistics Warehouse	Gliwice, Poland	20,967	695
Cerva Logistics	Industrial	Hostivice, Czech Republic	11,315	656
Nec Logistics	Industrial	Hoeksteen,The Netherlands	9,463	643
Pol-Fret	Logistics Warehouse	Lodz, Poland	15,304	625
Aster	Office	Warsaw, Poland (now sold)	4,492	599
Experian	Industrial	La Courneuve Damiers, France	5,111	498
JJB Sports	Industrial	Heywood, UK	9,615	481
Transport Connections	Logistics Warehouse	Northampton, UK	9,621	461
ABX Logistics Deutschland GmbH	Logistics Warehouse	Alzenau, Germany	9,319	461
DSV Solutions	Industrial	Hoeksteen,The Netherlands	7,243	451

Pre-lettings			sq m	Rent pa (£000s)*
Fluor	Office	Farnborough, UK	19,638	*
Equinix	Data Centre	Slough, UK	10,777	1,508
Athletic	Logistics Warehousing	Nadarzyn, Warsaw, Poland	24,486	952
SAP Italia	Industrial	Vimercate Energy Park, Italy	6,009	866
Plastic Omnium	Logistics Warehousing	Silesia Gliwice, Poland	14,184	727
Black & Decker	Logistics Warehousing	Silesia Gliwice, Poland	9,982	398

* Not disclosed due to confidentiality agreement.

Development completions during the year amounted to 370,000 sq m of which 79 per cent (by net income) and 79 per cent (by space) was either let or sold by 31 December 2008, as compared with 320,000 sq m of development completions in 2007 of which 71 per cent (by space) was either let or sold by 31 December 2007. In the UK, the figures were 53,000 sq m and 75 per cent for 2008, and 117,000 sq m and 55 per cent for 2007. In Continental Europe, the figures were 317,000 sq m and 79 per cent for 2008, and 203,000 sq m and 81 per cent for 2007.

At 31 December 2008, our void rate by rental income for the Group (excluding joint ventures and trading properties) was 9.8 per cent, and has shown an improvement compared to one year ago when it stood at 10.4 per cent. Furthermore, compared with available external benchmarks, our UK industrial portfolio has a void rate by rental income of 10.1 per cent as compared with the IPD All Industrial void rate of 14.6 per cent which is a testament to the quality of our assets and the vigorous leasing and customer-focused asset management demonstrated by our operating teams.

Operational highlights of the UK business include:

- completions of previously contracted pre-let to Telefonica O2 (10,000 sq m / £3.0 million annualised rental income excluding rent frees) and a major financial institution of 14,000 sq m / £1.8 million annualised rental income excluding rent frees
- pre-let to Equinix (11,000 sq m / £1.5 million annualised rental income excluding rent frees), on the Slough Trading Estate
- signing a new pre-let to Fluor (20,000 sq m) during the fourth quarter, the largest in the Thames Valley since 2001
- disposals totalling £215 million of stabilised and / or non-core properties
- submission of a new Masterplan for the Slough Trading Estate covering a 20 year phased development period
- vacancy rate by rental value has been reduced to 9.3 per cent in 2008 from 11.4 per cent in 2007

Operational highlights of the Continental European business include:

- letting of 343,000 sq m of accommodation, an increase of 44 per cent on the previous year
- opening new offices in Madrid and Berlin to support our growth in these important economic clusters
- £128 million disposals of stabilised and / or non-core properties (all trading properties)
- £39 million of trading profits including joint ventures
- voted Property Week European Industrial Developer of the Year, for the third time in succession

Staying close to our customers is key to delivering a resilient operating performance
Our stay close to our customers principle, which underpins our Group's culture, has been essential to the resilience shown by our business in the face of the challenges seen in 2008.

The level of our customer satisfaction is measured independently and the results are, yet again, a tangible demonstration of our customer focus. The UK business showed an improvement with the percentage of customers appraising our overall service as good or excellent increasing to 78 per cent (2007: 77 per cent). In addition, for the first time this year, we conducted the same independent survey in Continental Europe and 66 per cent of our Continental European customers appraised our overall service as good or excellent (with 88 per cent of them stating that they would recommend SEGRO to others). These rewarding results only serve to strengthen the determination of the asset management teams' to earn a further improvement in these results each year.

Our stay close to our customers principle helps us develop an in depth understanding of our customers' real business needs. This is demonstrated by our strong retention rates on lease expiry or potential break of 65 per cent and 64 per cent respectively (by rental income) in 2008 which is almost identical to the strong performance delivered in 2007. This also compares very favourably with the IPD / Strutt and Parker 2007 Industrial Lease Renewal benchmark rate of just 24 per cent (the 2008 study has not yet been released). As at 31 December 2008 (excluding joint ventures), our weighted average lease length to expiry was 8.3 years (6.0 years with break options).

The outperformance on lease renewals relative to the IPD All Industrial benchmark, together with contracted rental streams from pre-lets and the consistently high customer satisfaction levels, further reinforces our belief in the resilience of our future income streams.

Consistently high levels of customer satisfaction also translate into tangible results on rental growth on lease rent reviews and lease renewals. For example, in the UK in 2008, rent reviews and lease renewals were agreed at 3.6 per cent and 0.6 per cent above ERV respectively.

This is important in making further progress on crystallising the £7.6 million per annum of reversionary potential within our currently occupied properties, and the £32.4 million per annum of ERV potential on our vacant properties.

Reversionary Potential as at 31 December 2008

	Passing rent subject to rent review in					
	2009 (£m)	2010 (£m)	2011 (£m)	2012 (£m)	Reversion to ERV on occupied properties (£m)	ERV of vacant properties (£m)
United Kingdom						
Logistics warehouses	2.5	1.7	–	–	0.1	0.7
Other industrial	14.9	21.7	17.2	17.1	8.5	16.6
Offices	3.2	4.4	3.4	7.4	(2.0)	2.6
Retail	–	0.6	0.5	–	0.1	–
Continental Europe	–	–	–	–	0.9	12.5
Total	20.6	28.4	21.1	24.5	7.6	32.4

Investment properties only, excluding joint ventures.

By staying close to our customers, we can also identify early signs for any who may potentially face difficulties and work with them to develop a mutually beneficial way forward. However, we have not yet seen any cause for concern regarding insolvency levels in the portfolio. During 2008, annualised rental income lost from insolvencies was 1.1 per cent of total annualised rental income. This was a slight increase on the ratio of 0.8 per cent seen in 2007 and 2006, due in particular to one significant insolvency in France in June 2008. On time cash collection has continued to be strong with, for example in the fourth quarter of 2008 in the UK, 95.7 per cent of cash collected within 10 days of the rent quarter day (2007 fourth

quarter: 94.4 per cent). We believe that having over 1,700 customers across the breadth of the economy reduces our vulnerability to the fortunes of specific sectors.

Portfolio performance

The virulence of the credit crunch and its effect on the investment market has had a significant impact on portfolio valuation. The valuation process was made more difficult by the scarcity of comparable transactions in the investment market.

Looking specifically at completed investment properties (excluding joint ventures), the Group portfolio incurred a valuation deficit of 7.6 per cent in the first half of the year (UK falling 10.5 per cent while Continental Europe had a 0.7 per cent valuation gain), and in the second half of the year, the Group portfolio incurred a valuation deficit of 11.5 per cent (with UK and Continental Europe falling 16.6 per cent and 3.5 per cent respectively).

For the full year the Group property portfolio of completed investment properties suffered a valuation decline of 18.2 per cent comprising 25.4 per cent in the UK and 2.8 per cent in Continental Europe. The valuation decline of 25.4 per cent in the UK should be taken in the context of the IPD All Property capital value decline of 26.4 per cent and the IPD All Industrial capital value decline of 25.7 per cent. In the fourth quarter of 2008 alone, the IPD All Property capital value index fell by 15.0 per cent. Overall Group portfolio capital value declines were lessened due to the Group's geographic diversification over the last few years.

Completed Investment Properties*

	Lettable space (sq m)	Passing rent ** at 31.12.08 (£m)	Market rental value (ERV) at 31.12.08 (£m)	Gross rental income 2008 (£m)	Net rental income 2008 (£m)	Vacancy rate by space (%)	Vacancy rate by ERV (%)	Valuation at 31.12.08 (£m)	Valuation surplus/ (deficit) (£m)	Valuation surplus/ (deficit) (%)	Initial yield (%)	Topped up initial yield † (%)	True equivalent yield (%)
United Kingdom													
Logistics warehouses	169,235	7.8	8.6	7.8	6.5	7.1	8.1	89.9	(28.0)	(23.7)	8.7	8.7	8.8
Other industrial	2,016,206	134.3	162.9	158.2	119.8	10.6	10.2	1,801.9	(654.1)	(26.6)	7.5	7.6	8.3
Offices	206,752	37.3	39.5	34.4	25.4	6.6	6.6	466.5	(121.1)	(20.6)	8.0	8.3	8.2
Retail	14,458	2.3	2.4	5.1	4.3	0.7	0.5	28.4	(8.6)	(23.2)	8.1	8.1	7.8
Total	2,406,651	181.7	213.4	205.5	156.0	9.9	9.3	2,386.7	(811.8)	(25.4)	7.6	7.8	8.3
Continental Europe													
Logistics warehouses	1,263,776	49.7	59.4	48.6	37.1	8.5	9.9	744.3	(21.0)	(2.7)	6.7	6.7	
Industrial	516,711	32.5	32.7	30.1	24.9	12.2	11.9	422.9	(10.5)	(2.4)	7.7	7.8	
Offices	194,536	16.4	21.4	17.2	13.1	8.7	12.1	250.7	(10.6)	(4.1)	6.5	7.1	
Retail	23,439	2.1	2.2	2.0	1.5	7.3	4.5	24.5	0.4	1.7	8.6	8.6	
Total	**1,998,462**	**100.7**	**115.7**	**97.9**	**76.6**	**9.4**	**10.8**	**1,442.4**	**(41.7)**	**(2.8)**	**7.0**	**7.1**	**7.6**
Group													
Logistics warehouses	1,433,011	57.5	68.0	56.4	43.6	8.4	9.7	834.2	(49.0)	(5.5)	6.9	6.9	
Industrial	2,532,917	166.8	195.6	188.3	144.7	10.9	10.5	2,224.8	(664.6)	(23.0)	7.5	7.7	
Offices	401,288	53.7	60.9	51.6	38.5	7.6	8.5	717.2	(131.7)	(15.5)	7.5	7.9	
Retail	37,897	4.4	4.6	7.1	5.8	4.8	2.2	52.9	(8.2)	(13.4)	8.3	8.3	
Group Total	4,405,113	282.4	329.1	303.4	232.6	9.7	9.8	3,829.1	(853.5)	(18.2)	7.4	7.6	8.1

*All completed investment properties at 31 December 2008, excluding joint venture properties, trading properties, properties for own occupation, land and properties in the course of construction

** Excluding approximately £6.7 million of annualised rent associated with leases signed which were the subject of rent-free periods as at 31 December 2008.

† Includes value of rent-frees.

Full details of the Group's property portfolio are available on the website (www.segro.com/segro/investors/property.htm)

Capital Recycling
The Group continued to recycle capital proactively with £343 million of disposals during the year including £92 million for the sale of the Bath Road Retail Park on the Slough Trading Estate, £110 million for two UK portfolios of non-core assets, £47 million for the sale of a newly developed office in Warsaw and £48 million for the Group's share of the sale of the Portes de France office development scheme in St Denis. The Group also completed acquisitions of £190 million including £90 million for a sale and leaseback transaction with MPM (Mannesmann Plastic Machinery) in Germany and £43 million on completion of the 2007 transactions with Neckermann and DHL. Looking at capital recycling activity over the last three years, the Group has completed asset sales of £2.3 billion (including £1.45 billion relating to the disposal of the US business).

Development Pipeline
A key strength of our development pipeline is the ability to scale down or accelerate activity quickly in anticipation of changes in market demand. This is due to the relatively short construction times for most of our product which can range from 6 to 12 months. As already discussed, the speculative development pipeline was significantly scaled back in response to the market downturn, and the pipeline was focused on pre-lets to mitigate development risk. As at 31 December 2008, 297,000 sq m of assets in the course of construction and committed developments were already 64 per cent pre-let.

Current Projects
Projects currently under construction or committed at 31 December 2008

		UK	Western Europe	Central Europe	Total
Land area	ha	14	16	30	60
Space:					
Logistics warehousing	sq m	–	13,858	119,511	133,369
Light Industrial	sq m	13,433	54,030	14,865	82,328
Other Industrial	sq m	10,777	–	–	10,777
Offices	sq m	59,569	11,312	–	70,881
Retail	sq m	–	–	–	–
Total		83,779	79,200	134,376	297,355
Investment properties	%	92	36	89	90
Trading properties	%	8	64	11	10
Pre-let	%	79	28	62	64
Planning status					
– fully approved	%	100	100	100	100
– zoned/outline approval	%	–	–	–	–
Rental value when completed	£m	18.2	7.3	5.9	31.4
Current book value – at valuation	£m	81.2	52.4	57.1	190.7
Forecast future costs to completion	£m	167.8	33.5	19.3	220.6

Looking at the medium term when the markets start to recover, the Group has a substantial discretionary development pipeline and land bank which represents latent potential for future growth. The Group has strategically located land extending to approximately 426 hectares, with the potential to develop 1.9 million sq m of buildings over the coming medium term, which will be exploited when markets sufficiently recover. At today's prices, the Directors estimate that this could entail future development expenditure of approximately £1.2 billion and could produce estimated incremental annual rents in the region of £138 million per annum. As described earlier, the ability to accelerate development of our pipeline at short notice puts us in a strong position to take advantage of markets when they recover.

Future Projects
Potential future projects on land owned as at 31 December 2008

		UK	Western Europe	Central Europe	Total
Land area	ha	43	159	224	426
Space:					
Logistics warehousing	sq m	6,503	253,500	839,979	1,099,982
Light industrial	sq m	149,996	381,734	15,188	546,918
Other industrial	sq m	–	–	–	–
Offices	sq m	33,911	204,548	–	238,459
Retail	sq m	10,266	–	–	10,266
Total		200,676	839,782	855,167	1,895,625
Investment properties	%	100	31	84	62
Trading properties	%	–	69	16	38
Pre-let	%	–	–	–	–
Planning status					
– fully approved	%	14	14	1	8
– zoned/outline approval	%	61	67	99	81
Rental value when completed	£m	25.6	74.1	38.0	137.7
Current book value – at valuation	£m	64.8	159.6	100.8	325.2
Forecast future costs to completion	£m	204.1	707.8	331.3	1,243.2

Strategy in Action
The way in which the Group does business has been radically transformed over the last five years with a deep seated change to the underlying business model, to become a proactive Buy smart, add value, sell well model.

Strategy in Action:
Careful and well-timed Asset Selection and Asset Acquisition (Land and Existing Buildings) – Buy Smart
In both the UK and Continental Europe, we look for sites and properties that will give us good opportunities in locations we know will work well for us – those in strong commercial centres with critical mass and good real estate fundamentals. These are assets that offer us the potential for attractive returns through either development or asset management or a combination of both. The key to success is making selections that will attract new customers and offer existing customers new or extended facilities. Wherever possible, we seek to utilise 'capital light/opportunity rich' structures such as a joint venture with a landowner. This defers a proportion of upfront capital outlay but secures the opportunity, allowing us to drawdown land as and when occupier demand dictates.

For example, in January 2008, we entered into a partnership agreement covering 38 ha with the Berlin Airport Authorities to develop a business and logistics park (230,000 sq m) in the area of the new international airport that will service Berlin. From 2011, the Berlin Brandenburg International Airport will be the only airport serving the city. The site covered under the partnership agreement offers us huge development potential and shows how, by securing high quality land holdings at the right time, we can realise significant growth opportunities for the future.

Strategy in Action:
Add value through Development
We work closely with our customers and offer support as their needs change for a variety of reasons – for example, as their business expands and they need larger premises or premises in more than one location, we are able to offer them the flexibility of developing new facilities on our existing sites or finding them a new location. For us, working with our customers in this way enables us to carry out lower risk development where we transform our raw material of

cleared land into income producing investment stock and, in so doing, add value to our estates and business parks.

An example this year was a second pre-let for Equinix, an existing data centre customer for whom we had already created 7,000 sq m on the Slough Trading Estate in 2007, and who was looking to expand. Data centres are an increasingly important part of our business (leading developer of data centres in the UK) and we are providing a second facility of 11,000 sq m producing a completed investment with a rent roll of £1.5 million per annum. Through developing sites like these we are able to add significant value to our existing holdings.

Strategy in Action:
Add value through improving Asset Management
Managing customer relationships is a vital component of our business approach. We offer a flexible, innovative and entrepreneurial approach to how we do business with our customers. This can be in a range of areas such as flexibility with lease agreements, through to working with planners to represent how they wish the premises to be designed and constructed.

A demonstration of adding value to SEGRO and our customers' business through proactive customer relationship and asset management in 2008 was the creation of a new UK head office campus for O2. In April 2007 we announced we had been successful in bringing together all of O2's UK head office functions to a single location on the Slough Trading Estate. They already occupied 15,000 sq m but needed an additional 10,000 sq m of space. In December 2008 we officially handed over their new combined headquarters on the Bath Road. The new building will be connected to O2's existing building by a state of the art glass walkway. The building and walkway include energy efficient features. By working flexibly with a valued customer we have retained O2, adding value to our portfolio, as well as contributing to their business success by creating facilities they need and that exceed their expectations.

Strategy in Action:
Value Crystallisation through Capital Recycling – Sell well
During 2008 we disposed £343 million of assets across our UK and Continental European portfolio. This capital was released from stabilised and non core assets which had reached their point of value maximisation for our business. They presented attractive investments for long-term investors with different risk and returns profiles to ourselves but we could use the proceeds more effectively to generate higher returns for our shareholders.

In the UK, in the second half of the year, we achieved three significant sales including the Bath Road Retail Park which was sold to The Crown Estate for £92 million. In August we announced the sale of two industrial portfolios – one again to The Crown Estate for £64.4 million and the other to a client of Protego Real Estate Investors LLP for £45.8 million. These portfolios comprised 11 individually small estates which were located outside our core locations with little scope for further development.

In Warsaw, in July, we sold Tulipan House to Commerz Real for £47 million (€59 million). Tulipan House is situated in one of the prime Warsaw office areas and was a site that we had developed and 90 per cent leased. In Hungary, we announced the sale, in November, of Vendel Park in Budapest. Again, a development undertaken after site acquisition, the park had been substantially let (Phase 1 100%, Phase 2 85%) to a mixture of both international and Hungarian companies.

All of these sales demonstrate our business model in action – from buying, improving and adding value through asset management and development, to selling when we can no longer add value but recognising that the assets are attractive propositions for others.

Outlook and Immediate Priorities

The global economic environment is likely to remain difficult through the course of the coming year with the International Monetary Fund (IMF) suggesting a global growth rate of just 0.5 per cent against a long-term average of 3 per cent since 1980. With continued turmoil in the financial markets, an early return to an active investment market is also unlikely, although there is increasing evidence in recent weeks that a number of buyers, particularly those with no requirement for new debt facilities, have become active once again. Consequently, yields on real estate may continue to move out until they find their floor. Certainly for the first half of the year we expect values to continue to decline with the dual impact of illiquidity in the capital markets and weakening rental levels as the global economy continues to struggle. This will make recycling of capital more difficult as buyers and sellers' price aspirations remain mismatched. However, we will continue to take opportunities to sell non-core and stabilised assets wherever possible, providing prices are sufficiently attractive.

Given these prevailing conditions, which are likely to last for some time and possibly well into 2010, our approach to 2009 will be cautious and disciplined. Our immediate priorities remain:

- staying close to our customers: aim to maintain top quartile customer service levels, combined with a vigorous and commercial approach to leasing
- capital recycling: identify assets reaching value maximisation and conduct disposals when acceptable pricing can be achieved
- financial and risk management: stringent cost control, limited and low risk development and pro-active balance sheet management
- capitalising on the current economic environment: identify attractively priced investment opportunities and secure them at the appropriate point in the market cycle

We view the current market conditions as creating an environment which will offer remarkable value creation opportunities over the years ahead and we are optimistic for the prospects of the Group.

Principal Risks and Uncertainties

The Group views effective risk management as integral to delivering SEGRO's strategic priorities.

As a consequence of prevailing market conditions, a number of risks identified in last year's Annual Report have increased significantly and other risks have emerged which were not previously considered material. The table below outlines the principal risks and uncertainties we face in delivering our strategic priorities in 2009.

1. Financial Risks.

Risk	Mitigating factors and additional commentary
General economic environment	
Changes in the macro economic environment may affect the Group in a number of ways, including: • A decline in the value of the Group's property assets • A loss of rental income and increased vacant property costs due to a reduction in the demand for flexible business space, the exercise of lease break options by customers, the failure of tenants to renew expiring leases or the bankruptcy of customers, • An inability to sell assets at acceptable prices due to the decline in the demand for investment properties	The Board monitors the external financial environment closely and has established a number of strategic priorities in order to respond to anticipated changes in the global economic environment During 2008, the slow-down in the global economy and rapid deterioration in international financial and property markets had an adverse impact on the environment in which the group operates. There are few, if any, geographic markets in which the group operates which will not face an economic recession in 2009 which is likely to mean these risks become a reality to varying degrees in all areas of the business.
Liquidity, covenants and availability of credit facilities	
Liquidity risk is the risk of the Group having insufficient funds available to meet the needs of the business or the inability of a counterparty to honour its pre-existing lending commitments. A decline in the value of the Group's property assets or a material loss of rental income could result in the Group's failure to comply with the financial covenants within its credit facilities. A breach of covenant could accelerate the Group's obligation to repay those borrowings or to cancellation of those facilities. In such circumstances, the failure of the Group to negotiate a covenant waiver could force the group to sell assets at distressed prices and, ultimately, could bring into question the Group's ability to continue as a going concern.	The Group has a flexible funding strategy and manages liquidity in accordance with Treasury policies which are designed to ensure the Group has adequate funds for its ongoing needs. The policies are described in the Financial Review. The Board monitors covenant ratios closely and completes scenario analyses to inform its financial planning. As UK property values have been falling rapidly, this risk has increased in significance. The Group took a number of steps in 2008 in order to mitigate the risk of a covenant breach and to provide additional liquidity including a reduction in planned capital expenditure; further, in early 2009, we successfully renegotiated certain of the Group's financial covenants in order to provide further financial headroom.
Interest Rates	
The Group is exposed to changes in interest rates affecting the cost of debt.	The majority of borrowings are fixed.
Foreign exchange rates	
A reduction in the sterling value of assets, earnings or borrowings could arise if foreign currencies (principally the euro) depreciate against sterling (and vice versa if foreign currencies appreciate against sterling).	The majority of foreign currency assets are matched by borrowing denominated in the same currencies. This provides a natural hedge against the value. The majority of foreign currency assets are matched by borrowing denominated in the same currencies. This provides a natural hedge against the value of the Group's overseas assets and earnings but significant exchange rate changes can also impact the Group's gearing ratio; e.g. in December 2008, the decline in sterling against the euro caused the gearing ratio to increase by approximately 14 per cent.
Tax Risks and REIT compliance	
Potential tax penalties or loss of REIT status by failing to comply with the new REIT rules in the UK.	The Group maintains internal monitoring procedures to track compliance with the appropriate rules. The directors believe the Group to be in compliance with all REIT requirements for 2008 and expect to remain so in 2009.

2. Real Estate Investment Risks

Risk	Mitigating factors and additional commentary
Increased vacancy through customer default and reduced demand	
A potential loss of rental income and increased vacant property vacant property costs, including empty rates liabilities, could result from customer insolvency, customers exercising break clauses or terminating occupancy at the end of a lease.	SEGRO has over 1,700 customers in a wide range of businesses and geographic territories; there is a limited exposure to any single customer. The Group stays close to the customer, monitoring the credit worthiness of the customer base and working closely with individual customers facing financial difficulty. We have a vigorous and pragmatic approach to leasing and we aim to provide a high level of customer service so as to minimise the likelihood of customers leaving the Group's properties at the end of a lease or at point of break option. Despite the mitigating factors, the Directors believe there is increased risk that vacancy rates will rise during 2009 given the economic environment.
Inability to acquire or dispose of assets at attractive prices	
The Group's strategy relies on being able to acquire properties and land for development and to dispose of properties. Property market conditions may not be conducive to acquiring and disposing of properties at acceptable prices. The Group may have insufficient funds available to acquire properties. The Group could misjudge the property cycle and miss both attractive acquisition opportunities and the right time to sell properties.	The Group develops asset management plans for all estates which are intended to identify the optimum point at which to develop, refurbish, redevelop or sell each asset. Local suitable property teams in each market are well placed to identify suitable properties to acquire. The Group was successful in both acquiring and in making disposals in the first three quarters of 2008. However, property investment market conditions deteriorated significantly in the fourth quarter, after which it became very difficult to achieve sales at acceptable prices in most markets. The Group's Capital Approvals Committee oversees all significant acquisitions and disposals. Investment decisions are based on experience and analysis with reference to data from a wide range of external specialists and internal sources.
Decline in the value of property assets	
The value of property assets could decline as result of a variety of factors including: • A decline in investment market conditions reducing the demand for the Group's properties. • A weakening in demand for flexible business space affecting vacancy rates or market rental levels. • Changes in legislation or customer requirements which render some of the Group's properties obsolete • The over-development of properties by the Group or its competitors causing an excess supply of flexible business space.	Property investment market conditions have been weak throughout 2008 and are expected to remain so in 2009 which may lead to a further decline in the Group's properties. The Group actively monitors the external environment including the macro-economic situation, local market conditions, the property investment market, customer trends, legislative changes and competitor activity in order to mitigate he risk of loss of value. In the present economic environment, it may not be possible to sell certain assets at the optimum point or at acceptable prices.

3. Development Risks

Letting and end value of development projects	
Developments may fail to deliver expected financial returns due to changes in the demand for space or a reduction in the value of completed developments.	Sensitivity analysis is carried out on all potential investments to ensure that target returns can still be achieved with a delay to leasing assumptions and with lower end value assumptions. The Group adapts the pace of speculated development to current and anticipated market conditions so as to reduce the risk of un-let developments. During 2008, the Group progressively reduced the amount of speculative development projects under development.
Project management risks	
Developments may fail to deliver expected financial returns due to delays in planning approval, increased construction costs or other project management factors.	Most sites are acquired with outline zoning or planning consent already in place. We work closely with local communities and other stakeholders to help reduce the risk that planning approvals are delayed or refused. Contingencies are built into all development appraisals to allow for cost overruns. We seek to transfer risk to our specialist construction partners. We oversee construction projects using in-house and external project managers and we undertake regular project reviews to monitor progress against plans.
Holding excess development land	
The cost of holding development land may damage the Group's overall financial performance if new developments are postponed or cancelled.	The Group aims to balance the requirement for development land with the cost of a non-productive asset and the Executive Committee regularly reviews the Group's land holdings. The recent slowdown in the economic environment is likely to reduce the amount of development undertaken in 2009. Whilst we believe it is important to maintain an appropriate supply of land, we will seek to reduce land holdings where feasible in 2009 and do not anticipate adding materially to the overall land bank.

4. Operational risks

Key people	
Failure to attract, retain and motivate key employees needed to deliver the Group's strategic goals	The Remuneration Committee oversees the remuneration structure which is regularly benchmarked against external market indicators. Succession plans are developed for senior positions. All employees have personal development plans and on-going training.
Land and regulatory	
Failing to comply with legal or regulatory requirements. In addition, the introduction of new requirements could impact the Group's reputation and financial position.	The business and its portfolio are actively managed to maintain compliance with legislation and reduce the potential impact of new regulations.
Corporate sustainability	
Failure to achieve the Group's sustainability objectives and damage to the Group's reputation and possible criminal or civil action.	The Group Sustainability Committee sets targets, monitors performance and drives a programme of continuous improvement and the Group continues to invest in sustainable developments.
Business disruption or IT system failure	
Business disruption following a major physical event or IT incident	A basic IT disaster recovery plan is in place and we are planning a further upgrade during 2009.
Business Information System efficiency	
The business may operate inefficiently or management may take sub-optimal business decisions if information systems are not continually improved to reflect current technological and external developments	Information technology and business information systems have been improved with a new Group-wide financial consolidation system, a wide area network and other system enhancements during 2008. A new property management and accounting platform is planned for implementation in Continental Europe during 2009.
Health and safety	
The risk of injury or illness to employees or third parties	The Group Health and Safety Manager establishes appropriate policies, training and monitors accident reports which are reviewed and approved by the Executive Committee. All significant accidents are reported to the Board.

Financial Review

Analysis of Movement in Net Asset Value

The principal drivers of the change in adjusted diluted NAV are set out in the table below, with the most significant factor being the property losses of £1,015 million (233.9 pence per share), mainly reflecting significant declines in UK property valuations as the economy and real estate investment market continue to be adversely impacted by the global financial market conditions. Adjusted profit after tax added £121.1 million to NAV whilst dividends paid were £100.0 million and currency translation differences assisted NAV by £45.4 million.

	£m	Pence per share
Adjusted diluted equity attributable to shareholders at 31 December 2007	**3,056.0**	**704.3**
Property losses	(1,015.0)	(233.9)
Adjusted profit after tax	121.1	27.9
Currency translation differences	45.4	10.5
Ordinary dividends paid	(100.0)	(23.0)
Actuarial gains	(17.2)	(4.0)
Fair value deficit on available-for-sale investments	(3.8)	(0.9)
Other items	8.4	1.9
Dilution adjustment for movement in number of shares	–	(0.8)
Adjusted diluted equity attributable to shareholders at 31 December 2008	**2,094.9**	**482.0**

Valuation Movements

Overall property losses of £1,015.0 million includes £981.5 million arising in the UK and £33.5 million in Continental Europe.

Property (losses)/gains	**2008 £m**	**2007 £m**
Property losses on:		
Completed investment properties	**(853.5)**	(308.4)
Recycled land (within investment property)	**(66.4)**	(31.1)
Land held for development	**(55.7)**	(45.7)
Unrealised valuation losses taken through the income statement	**(975.6)**	(385.2)
Gains & losses realised on the sale of investment properties	**(34.8)**	3.0
	(1,010.4)	(382.2)
Gains & losses on the revaluation of JV investment properties	**(20.5)**	(1.1)
Total property losses taken to the income statement	**(1,030.9)**	(383.3)
Gains & losses taken through the SORIE	**15.9**	11.2
Total property losses	**(1,015.0)**	(372.1)

The overall valuation deficit on completed investment properties amounted to 18.2 per cent for the year, comprised of 7.6 per cent in the first half of the year and a further fall of 11.5 per cent in the second half of the year.

The UK portfolio suffered a loss for the year of 25.4 per cent, whilst the Continental European portfolio saw an overall decline of just of 2.8 per cent. In Continental Europe, the Netherlands, Germany, Italy and Poland all recorded modest gains or losses whilst more significant losses were experienced in France (4.7 per cent) and Belgium (4.9 per cent). The three UK business regions suffered valuation deficits of 23 per cent (Slough), 26 per cent (National Markets) and 27 per cent (London Markets), respectively, broadly in line with the IPD All Industrial Capital Growth index deficit of 25.7 per cent. Further analysis of the valuation gains and losses is provided in the Completed Investment Properties tables in the Property Analysis section of the website (www.segro.com/segro/Investors/Property.htm).

The trading property portfolio had an unrecognised valuation surplus of £50.2 million at 31 December 2008, which has not been recognised in the financial statements. Impairment charges of £4.0 million (2007: £2.3 million) were recorded and are offset against the profit on sale of trading properties. An additional impairment charge of £3.3 million (2007: £1.6 million) is reflected within the share of profits from joint ventures after tax.

Adjusted Profit Before Tax

Adjusted profit before tax for the year amounted to £123.9 million (2007: £131.3 million). This reflected increased net rental income of £41.0 million, offset by increased finance costs (£34.0 million) and a reduction in other income of £16.7 million (2007: £18.4 million). These movements are explained in more detail below.

Reconciliation of adjusted profit before tax	**£m**
Adjusted profit before tax 2007 – continuing operations	**131.3**
Increase in net rental income	41.0
Increased profits from sales of trading properties	1.9
Decrease in other income	(16.7)
Increased finance costs	(34.0)
Increased administration expenses	(5.5)
Other (increase in share of profits from JVs after tax)	5.9
Adjusted profit before tax 2008	**123.9**

The increase in net rental income and the increase in finance costs are explained below.

2008 once again produced excellent profits from the disposal of trading properties, with the Group recording an increase in such profits of £1.9 million to £23.9 million (2007: £22.0 million). In addition, the Group's share of profits from joint ventures included £11.4 million (2007: £3.0 million) from trading property disposals. Highlights in 2008 included the sale of the Group's office developments in Warsaw and St Denis (Paris), as well as the Group's only development in Hungary, a logistics scheme west of Budapest.

The reduction in other income has reduced adjusted profit before tax by £16.7 million, as 2008 saw a lower level of realisations of previous investments by the Candover and Charterhouse USA venture capital investment funds. There was also an increase in administration expenses of £5.5 million to £40.0 million (2007: £34.5 million), mainly due to a full year's impact of the expanded Continental European business, including the Continental European head office and new offices in Germany and Italy. A restructure in the second half of the year resulted in exceptional restructuring costs of £2.6 million, but the resulting reduction in headcount and focus on cost reduction are expected to generate overhead savings in 2009.

Rental Income

Gross rental income increased by £62.6 million (24.2 per cent) to £321.4 million and net rental income, on the same basis, increased by 20.1 per cent to £244.9 million. The key drivers of the increase in net rental income are set out in the table below:

	£m
Net rental income 2007	**203.9**
Acquisitions	40.2
Disposals	(10.3)
New developments, re-lettings and rent reviews	34.7
Space returned	(12.4)
Increase in property operating expenses, net of service charge income	(10.1)
Decrease in lease surrender premiums	(2.1)
Other	1.0
Net rental income 2008	**244.9**

Rental income on acquisitions included Neckermann.de and MPM, Germany (£13.9 million), Lyon and DHL, France (£8.3 million), Vimercate, Italy (£3.3 million) and other acquisitions of £9.9 million in Continental Europe, plus £4.8 million from various small acquisitions in the UK. The increase in rental income from acquisitions was partially offset by loss of rental income on disposals, mainly on the disposals of the Bath Road Retail Park (£2.8 million), two UK industrial portfolios (£2.4 million) and various other disposals in the UK and Continental Europe (£3.3 million and £1.8 million respectively).

Lettings of new developments, including Thales, Crawley in the UK (£4.0 million), Poland (£3.6 million) and various others in the UK (£5.6 million) and Continental Europe (£8.3 million) contributed to the growth in net rental income, along with re-lettings in the UK (£9.2 million) and Continental Europe (£4.0 million).

Net property operating expenses increased as 2008 saw the full year impact of the growth in the Continental European business and the abolition of empty rates relief in the UK, which added £5.5 million of additional costs in the year.

Analysis of Like-for-Like Rents

	United Kingdom		**Continental Europe**		**Group**	
Gross Rental Income	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Completed properties owned throughout 2007 & 2008 (Like-for-like rents)	**163.8**	160.2	**25.7**	25.0	**189.5**	185.2
Development lettings	**8.8**	4.0	**10.8**	4.9	**19.6**	8.9
Properties taken back for development	**0.5**	4.8	**–**	–	**0.5**	4.8
Properties acquired	**5.9**	1.2	**36.9**	9.9	**42.9**	11.1
Properties sold	**7.2**	15.5	**–**	–	**7.2**	15.5
Rent from trading properties	**–**	–	**18.0**	9.9	**18.0**	9.9
Total rental income pre-exceptionals	**186.3**	185.7	**91.4**	49.7	**277.7**	235.4
Lease surrenders and dilapidations	**8.3**	11.6	**1.2**	–	**9.5**	11.6
Service charge, recharges and exchange differences	**10.9**	9.3	**23.3**	2.5	**34.2**	11.8
Total rental income per accounts	**205.5**	206.6	**115.9**	52.2	**321.4**	258.8

Net Finance Charges
The £34.0 million increase in adjusted net finance costs to £116.5 million is mainly the result of acquisitions and capital expenditure incurred in the second half of 2007 and 2008, resulting in higher levels of net borrowings. Net losses of £32.8 million (2007: £1.9 million net gain) arising on the revaluation of interest rate swaps and other derivatives have been excluded from adjusted earnings in accordance with EPRA guidelines.

Tax
The underlying tax charge on the adjusted profit before tax of £2.8 million (2007: £1.9 million) was 2.3 per cent (2007: 1.4 per cent) reflecting the Group's REIT and SIIC status in the UK and France, respectively.

Earnings per Share
Adjusted diluted earnings per share were in line with the prior year at 28.0 pence, with a basic unadjusted loss per share of 215.9 pence (2007: 53.6 pence), reflecting the valuation deficits across the Group. The 0.7 per cent decrease in adjusted diluted earnings per share is lower than the decrease in adjusted profit before tax of 5.6 per cent mainly due to the lower weighted average number of shares in 2008 compared to 2007, due to the effects of the share consolidation in August 2007.

Capital Expenditure
During the year, the Group made investments totalling £464.1 million, compared with £776.6 million in 2007 (continuing operations only). The most significant acquisition in 2007 was the Mannesmann (MPM) acquisition and leaseback of three industrial sites in Munich, Nuremberg and Hanover, further enhancing our portfolio in Germany. The Group also acquired some further properties as part of the previously contracted Neckermann and DHL transactions. During the year, the Group also signed a major partnership agreement with the Berlin Airports Authority (Berlin BBI) to develop a business and logistics park.

A number of disposals were also made during the year, as the Group continued to recycle properties where we can no longer add value, including the disposal of two industrial portfolios for £110.2 million and the sale of Bath Rd Retail Park in Slough for £92.0 million. Disposals of trading property included the disposal of the joint venture Portes de France development in Paris, France, Vendel Park in Hungary and Tulipan House, an office development in Warsaw, in Poland.

Development expenditure including joint ventures and trading properties amounted to £273.9 million, comprising £96.5 million relating to UK developments and £177.4 million relating to Continental Europe. In addition, land purchases of £22.3 million were made to provide future development opportunities (2007: £74.8 million) comprising Tulipan Park, Prague in the Czech Republic £11.4 million, Komorniki, Poznan in Poland £9.2 million and small sites in Gliwice, Poland and Aachen, Germany totalling £1.7 million.

Capital Expenditure on Properties	**2008 £m**	2007 £m
Land acquisitions	**22.3**	74.8
Development expenditure	**222.4**	186.4
Acquisitions of income producing properties	**118.6**	423.6
	363.3	684.8
Trading properties	**96.3**	77.5
Joint venture properties	**4.5**	14.3
Total capital expenditure	**464.1**	776.6
Less sales proceeds:		
– from disposals of investment properties	**(201.5)**	(185.1)
– from disposals of trading properties	**(141.8)**	(84.0)
Net capital expenditure	**120.8**	507.5

Regarding future capital expenditure plans, we previously agreed acquisitions (both income producing and development land) amounting to £72 million, which will be completed in 2009. This includes land in Gdansk, Poland (€30 million), Düsseldorf, Germany (€10.4 million) and Berlin BBI, Germany (€25.7 million). Future committed development expenditure on projects is approximately £220 million.

Cash Flow

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

	2008 £m	2007 £m
Cash flow from operations	**226.0**	181.9
Finance costs (net)	**(160.1)**	(124.6)
Dividends received (net)	**6.5**	2.5
Tax received/(paid) (net)	**(4.3)**	4.1
Free cash flow	**68.1**	63.9
REIT/SIIC conversion charge paid	**(45.2)**	(44.5)
Tax paid on PIDs	**(9.6)**	–
Sale of subsidiary undertakings	**(13.5)**	1,499.7
Tax paid on sale of US subsidiary undertaking	**(217.0)**	(87.2)
Capital expenditure	**(403.8)**	(756.9)
Property sales (including joint ventures)	**199.9**	207.3
Ordinary dividends	**(100.6)**	(335.9)
Other items	**11.4**	1.2
Net funds flow	**(510.3)**	547.6
Net increase/(decrease) in borrowings	**282.4**	(361.9)
Net cash (outflow)/inflow	**(227.9)**	185.7
Opening cash and cash equivalents	**340.2**	151.0
Exchange rate changes	**50.2**	3.5
Closing cash and cash equivalents	**162.5**	340.2

Cash flows generated from operations for the period were £226.0 million, an increase of 24.2 per cent from 2007 primarily as a result of increased net rental income. Cash flows generated from

continuing operations were £226.0 million (2007: £147.8 million) and from discontinued operations were £nil (2007: £34.1 million).

Finance costs of £160.1 million, net of interest income, increased 28.5 per cent, consistent with the increase in borrowings during the year. Net tax of £4.3 million was paid during the year (2007: £4.1 million tax refund). In addition, US tax of £217.0 million was paid in 2008 relating to the sale of the US property business in 2007, REIT and SIIC conversion charges of £40.9 million and £4.3 million, respectively, were paid and tax on PIDs of £9.6m was paid.

After payment of the dividend, there was a net funds outflow of £510.3 million (2007: £547.6 million inflow). Allowing for the increase in borrowings in 2008, the net cash outflow for the period was £227.9 million (2007: £185.7 million inflow).

Proceeds from disposals amounted to £199.9 million compared to 2007 (£1,707.0 million), which included £1,499.7 million from the sale of the US property business and Slough Heat & Power, and £207.3 million from the sale of investment and development properties.

Financial Position

At 31 December 2008, the Group's borrowings totalled £2,661.6 million (31 December 2007: £2,039.1 million). Cash balances totalled £165.8 million (2007: £348.3 million) resulting in reported net debt amounting to £2,495.8 million (2007: £1,690.8 million). The weighted average maturity of the debt portfolio was 8.1 years.

Unsecured borrowings represent 96 per cent of gross debt at the year end. Secured debt totalled £108.8 million representing some historical mortgage debt domiciled in the Group's overseas operations. £1,724.9 million of debt domiciled in the UK was unsecured and was issued by the Parent Company without any supporting up-stream guarantees. £827.9 million of unsecured debt was issued by subsidiary companies predominantly located overseas.

The market value of borrowings of the Group at the end of December 2008 was £2,252.6 million, £409.0 million lower than the book value representing approximately 94 pence per share.

Dividends

The Board recommends a final dividend of 5.4 pence per share to be paid on 6 May 2009 to shareholders on the register at the close of business on 3 April 2009. The total dividend for the year amounts to 13.7 pence, all of which will be paid as a PID.

Gearing and Financial Covenants

The loan to value ratio (net debt divided by property assets) was 53 per cent (2007: 34 per cent) at 31 December 2008 and the adjusted gearing ratio (consolidated net debt divided by consolidated net worth with deferred tax added back) was 119 per cent (2007: 56 per cent).

The gearing level has been adversely affected by the fall in UK property values and the weakening of sterling against the euro which contributed approximately 39 per cent and 14 per cent, respectively, to the increase in gearing. The Group's tightest financial covenant at 31 December 2008 required that adjusted financial gearing remained under 125 per cent and, subsequent to the year end, the Group negotiated an increase in this limit to 160 per cent in order to provide further financial flexibility.

Interest cover, based upon adjusted profit before interest and tax and adjusted net finance costs, was 1.9 times, or 2.0 times if capitalised interest is included. The Group's financial covenant on interest cover requires that net interest before capitalisation be covered at least 1.25 times by property rental income. The Group comfortably met this ratio at 1.9 times.

Liquidity Position

Funds availability at 31 December 2008 totalled £777.5 million, comprised of £165.8 million of cash deposits and £611.7 million of undrawn bank facilities. Only £44 million of the Group's facilities are uncommitted overdraft lines, with the balance of undrawn facilities being fully committed and with £501.5 million remaining available to 2011/13.

Hedging Policies

The Group has set policies on interest rate and foreign currency translation exposures, liquidity and funding which are regularly reviewed by the Board. The current policies are to hedge

approximately 85 per cent of the Group's debt portfolio with fixed or capped rates of interest and to hedge between 60 per cent and 90 per cent of foreign currency denominated assets with liabilities of the same currency.

Interest Rate Exposure

As at 31 December 2008, 89 per cent (2007: 83 per cent) of the gross debt portfolio attracted a fixed or capped rate of interest at a weighted average rate of 5.5 per cent (2007: 5.6 per cent). Much of this debt was in the form of fixed rate debt issues raised through Sterling Eurobonds with an average rate of 6.2 per cent. Such fixed rate debt issues are held in the balance sheet at amortised cost. Interest rate swaps, caps, collars and forward rate agreements are also used to convert variable rate bank debt to fixed rate and at 31 December 2008, the Group had £1,074.5 million of such borrowings (mostly euros) fixed at an average rate of 4.6 per cent. The 11 per cent of debt remaining at a variable rate of interest brought the overall weighted average cost of debt to 5.2 per cent (2007: 5.5 per cent) for the year.

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

Foreign Currency Translation Exposure

Due to the nature of the Group's business, it has no cross-border trading transactions and therefore foreign exchange transaction exposure is negligible. However, it does have operations located overseas which transact business in the domestic currency of the country in which the business is located – mostly in euros. The Group's main currency exposure, therefore, is the translation risk associated with converting foreign currency assets and liabilities back into sterling in the Group consolidated accounts at each balance sheet date. As at 31 December 2008, the Group had foreign currency assets amounting to £2,091 million, which were 87 per cent hedged by foreign currency denominated liabilities of £1,819 million. A 10 per cent movement in the value of sterling against all currencies in which the Group operates would change net assets by £30.2 million, net assets per share by 7 pence or 1 per cent and adjusted gearing by approximately 7 per cent.

Going Concern

As explained above, the Group had significant funds availability as at 31 December 2008, totalling £777.5 million and comprised of £165.8 million of cash deposits and £611.7 million of undrawn bank facilities. The Group has a relatively good debt maturity profile, with significant long term funding in place. Funds availability is more than adequate to meet the capital expenditure plans and other financial commitments of the Group for the foreseeable future.

In order to provide further financial flexibility, the Group renegotiated its bank gearing covenant to 160% in February 2009 and, on 4 March 2009 announced a fully underwritten rights issue which is expected to raise additional equity of approximately £500 million after costs.

The current economic conditions have created a number of uncertainties. Whilst there is uncertainty over future market-driven valuation movements which may affect our ability to remain within our bank covenants, we consider that the revised gearing covenant and the additional equity provide the Company and Group with sufficient financial flexibility for the foreseeable future.

Accordingly, after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Responsibility Statement

We confirm to the best of our knowledge:

- the financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 December 2008. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's statutory accounts for the years ended 31 December 2008 or 2007, but is derived from those accounts. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s237(2) or (3) of the Companies Act 1985;

- the Business Review and Financial Review within this announcement are extracted from the Company's Annual Report which gives a fair review of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and

- the Company's Annual Report, containing the Company's statutory accounts, are available at www.segro.com.

Signed on behalf of the Board on 4 March 2009

ID Coull Chief Executive Officer	DJR Sleath Group Finance Director

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Group income statement
For the year ended 31 December 2008

		2008			2007		
		Adjusted income & expense[1]	**Adjust-ments [2]**	**Total income & expense**	Adjusted income & expense[1]	Adjust-ments [2]	Total income & expense
Continuing operations	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	3	**414.7**	**-**	**414.7**	342.8	-	342.8
Gross property rental income	3	**321.4**	**-**	**321.4**	258.8	-	258.8
Property operating expenses		**(76.5)**	**-**	**(76.5)**	(54.9)	0.9	(54.0)
Net property rental income		**244.9**	**-**	**244.9**	203.9	0.9	204.8
Profit on sale of trading properties less provisions	2	**23.9**	**-**	**23.9**	22.0	-	22.0
Share of profits/(losses) from property joint ventures after tax	7	**9.9**	**(17.3)**	**(7.4)**	4.0	1.6	5.6
Other investment income	4	**1.7**	**-**	**1.7**	18.4	-	18.4
Administration expenses	5	**(40.0)**	**(2.6)**	**(42.6)**	(34.5)	-	(34.5)
Property losses	6	**-**	**(1,010.4)**	**(1,010.4)**	-	(382.2)	(382.2)
Operating profit/(loss)		**240.4**	**(1,030.3)**	**(789.9)**	213.8	(379.7)	(165.9)
Finance income	8	**11.3**	**3.8**	**15.1**	17.6	3.5	21.1
Finance costs	9	**(127.8)**	**(36.6)**	**(164.4)**	(100.1)	(1.6)	(101.7)
Profit/(loss) before tax		**123.9**	**(1,063.1)**	**(939.2)**	131.3	(377.8)	(246.5)
Tax (charge)/credit - current		**(3.5)**	**(1.2)**	**(4.7)**	(2.4)	(13.9)	(16.3)
- deferred		**0.7**	**5.1**	**5.8**	0.5	17.9	18.4
Total tax	10	**(2.8)**	**3.9**	**1.1**	(1.9)	4.0	2.1
Profit/(loss) from continuing operations		**121.1**	**(1,059.2)**	**(938.1)**	129.4	(373.8)	(244.4)
Discontinued operations							
Profit after tax from discontinued operations	33	**-**	**-**	**-**	18.7	151.9	170.6
Profit/(loss) for the year		**121.1**	**(1,059.2)**	**(938.1)**	148.1	(221.9)	(73.8)
Attributable to equity shareholders		**121.5**	**(1,059.6)**	**(938.1)**	147.6	(222.5)	(74.9)
Attributable to minority interests		**(0.4)**	**0.4**	**-**	0.5	0.6	1.1
		121.1	**(1,059.2)**	**(938.1)**	148.1	(221.9)	(73.8)
Earnings per share							
From continuing and discontinued operations							
Basic loss per share				**(215.9p)**			(16.4p)
Diluted loss per share				**(215.9p)**			(16.4p)
From continuing operations							
Basic loss per share	12			**(215.9p)**			(53.6p)
Diluted loss per share	12			**(215.9p)**			(53.6p)

Notes

1. 'Adjusted income & expense' relates to the Group's income and expense after EPRA adjustments and excluding exceptional items.

2. EPRA adjustments arise from adopting the recommendations of the Best Practices Committee of the European Public Real Estate Association (EPRA) as appropriate. Exceptional items are disclosed separately due to their size or incidence to enable a better understanding of performance. Both these types of adjustments are detailed in note 12.

Statements of recognised income and expense (SORIE)
For the year ended 31 December 2008

		Group		Company	
		2008	2007	**2008**	2007
Continuing and discontinued operations	Notes	**£m**	£m	**£m**	£m
Exchange movement arising on translation of international operations		**64.8**	14.3	**-**	-
Revaluation gains on properties in the course of development	6	**15.9**	3.3	**-**	-
Actuarial (losses)/gains on defined benefit pension schemes	22	**(17.2)**	6.8	**(17.2)**	6.6
(Decrease)/increase in value of available-for-sale investments	15	**(3.8)**	8.1	**-**	-
Tax on items taken directly to equity		**(0.5)**	0.1	**-**	-
Net gain/(loss) recognised directly in equity		**59.2**	32.6	**(17.2)**	6.6
Transfer to income statement on sale of available-for-sale investments		**(1.4)**	(4.3)	**-**	-
Transfer to income statement exchange realised on sale of US property business		**-**	3.5	**-**	-
(Loss)/profit for the year from continuing operations		**(938.1)**	(244.4)	**(241.9)**	686.0
Profit for the year from discontinued operations	33	**-**	170.6	**-**	-
Total recognised income and expense for the year		**(880.3)**	(42.0)	**(259.1)**	692.6
Attributable to equity shareholders		**(881.6)**	(43.1)	**(259.1)**	692.6
Attributable to minority interests		**1.3**	1.1	**-**	-
		(880.3)	(42.0)	**(259.1)**	692.6

Reconciliation of movements in equity
As at 31 December 2008

	Group		Company	
	2008	2007	**2008**	2007
	£m	£m	**£m**	£m
Balance at 1 January	**2,989.7**	3,382.4	**2,018.1**	1,669.9
Exchange movements	**64.8**	14.3	**-**	-
Retained (loss)/profit	**(938.1)**	(74.9)	**(241.9)**	686.0
Other items in SORIE	**(5.6)**	18.3	**(17.2)**	6.6
Shares issued	**1.9**	1.7	**1.9**	1.7
Dividends paid	**(100.0)**	(341.9)	**(100.0)**	(341.9)
Other	**(4.5)**	(1.2)	**1.7**	(4.2)
Minority interests	**1.0**	(9.0)	**-**	-
Balance at 31 December	**2,009.2**	2,989.7	**1,662.6**	2,018.1

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Balance Sheets

As at 31 December 2008

	Notes	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Assets					
Non-current assets					
Goodwill		**1.0**	0.8	**-**	-
Investment and development properties	13	**4,311.1**	4,761.9	**-**	-
Owner occupied properties	13	**11.1**	13.1	**-**	-
Plant and equipment		**9.1**	5.8	**-**	-
Investments in subsidiaries	7	**-**	-	**3,840.4**	3,800.8
Investments in joint ventures	7	**67.5**	73.4	**5.5**	5.5
Finance lease receivables	14	**10.2**	10.4	**-**	-
Available-for-sale investments	15	**41.9**	39.5	**-**	-
Deferred tax asset		**-**	-	**4.3**	4.3
		4,451.9	4,904.9	**3,850.2**	3,810.6
Current assets					
Trading properties	13	**357.8**	236.0	**-**	-
Trade and other receivables	16	**136.2**	134.5	**22.1**	18.8
Cash and cash equivalents	17	**165.8**	348.3	**1.3**	72.8
Tax recoverable		**1.2**	0.7	**-**	-
Finance leases receivables	14	**0.2**	0.1	**-**	-
		661.2	719.6	**23.4**	91.6
Total assets		**5,113.1**	5,624.5	**3,873.6**	3,902.2
Liabilities					
Non-current liabilities					
Borrowings	18	**2,575.3**	1,997.3	**1,724.9**	1,365.9
Deferred tax provision	20	**78.2**	65.4	**-**	-
Provisions for liabilities and charges		**7.1**	4.4	**6.6**	3.7
Trade and other payables	21	**17.5**	18.7	**352.3**	235.2
		2,678.1	2,085.8	**2,083.8**	1,604.8
Current liabilities					
Borrowings	18	**86.3**	41.8	**-**	7.5
Tax liabilities		**25.6**	283.3	**10.2**	225.6
Trade and other payables	21	**313.9**	223.9	**117.0**	46.2
		425.8	549.0	**127.2**	279.3
Total liabilities		**3,103.9**	2,634.8	**2,211.0**	1,884.1
Net assets		**2,009.2**	2,989.7	**1,662.6**	2,018.1
Equity					
Share capital	23	**118.3**	118.1	**118.3**	118.1
Share premium	24	**370.6**	368.9	**370.6**	368.9
Own shares held	25	**(13.4)**	(16.8)	**(13.4)**	(16.8)
Revaluation reserve	26	**438.4**	1,535.7	**-**	-
Other reserves	26	**36.6**	66.0	**48.6**	50.6
Retained earnings	26	**1,057.0**	917.1	**1,138.5**	1,497.3
Total shareholders' equity		**2,007.5**	2,989.0	**1,662.6**	2,018.1
Minority interests		**1.7**	0.7	**-**	-
Total equity		**2,009.2**	2,989.7	**1,662.6**	2,018.1
Net assets per ordinary share					
Basic	12	**462p**	690p		
Diluted	12	**462p**	689p		

Cash flow statements
For the year ended 31 December 2008

	Notes	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Cash flows from operating activities	31(i)	**226.0**	181.9	**(52.7)**	(17.4)
Interest received on deposits and loans		**14.2**	22.9	**99.9**	132.0
Dividends received		**6.5**	3.8	**86.1**	635.2
Interest paid		**(174.3)**	(147.5)	**(143.0)**	(87.8)
Minority dividends paid		**-**	(1.3)	-	-
Tax (paid)/recovered		**(59.1)**	(40.4)	**(0.3)**	5.3
Net cash received from/(used in) operating activities		**13.3**	19.4	**(10.0)**	667.3
Cash flows from investing activities					
Purchase of subsidiary undertakings (net of cash acquired)		**-**	(95.8)	**-**	-
Sale of US property business (net of cash disposed of)		**(7.3)**	1,451.9	**-**	-
Tax paid on sale of US property business		**(217.0)**	(87.2)	**(217.0)**	-
Sale of Slough Heat & Power		**(6.2)**	47.8	**(3.9)**	-
Purchase and development of investment properties		**(283.2)**	(390.7)	**-**	-
Sale of investment properties		**199.9**	193.4	**-**	-
Purchase and development of property, plant and equipment		**(120.6)**	(249.7)	**-**	-
Sale of property, plant and equipment		**1.2**	13.9	**-**	-
Purchase of available-for-sale investments		**(3.8)**	(4.7)	**-**	-
Proceeds from disposal of available-for-sale investments		**8.6**	27.6	**-**	-
Additional net investment in subsidiary undertakings		-	-	**(203.2)**	(123.6)
Loan repayments by/(advances to) subsidiary undertakings		-	-	**188.4**	(33.7)
Investments and loans to joint ventures		**(0.7)**	(21.0)	**-**	-
Loan repayments by/(advances to) joint ventures		**0.5**	5.2	**2.4**	(9.4)
Acquisition of minority interests		**-**	(20.7)	-	-
Transfer from/(to) restricted deposits		**4.1**	(0.2)	-	-
Net cash (used in)/received from investing activities		**(424.5)**	869.8	**(233.3)**	(166.7)
Cash flows from financing activities					
Dividends paid to ordinary shareholders		**(100.6)**	(335.9)	**(100.6)**	(335.9)
Proceeds from loans		**615.3**	62.4	**319.0**	43.8
Repayment of loans		**(223.3)**	(244.7)	**(47.4)**	(151.8)
Net decrease in other borrowings		**(109.6)**	(179.6)	**-**	-
Proceeds from the issue of ordinary shares		**1.9**	1.7	**1.9**	1.7
Purchase of own shares		**(0.4)**	(7.4)	**(0.4)**	(7.4)
Net cash received from/(used in) financing activities		**183.3**	(703.5)	**172.5**	(449.6)
Net (decrease)/increase in cash and cash equivalents		**(227.9)**	185.7	**(70.8)**	51.0
Cash and cash equivalents at the beginning of the year		**340.2**	151.0	**72.5**	20.8
Effect of foreign exchange rate changes		**50.2**	3.5	**(0.7)**	0.7
Cash and cash equivalents at the end of the year		**162.5**	340.2	**1.0**	72.5
Cash and cash equivalents per balance sheet	17	**165.8**	348.3	**1.3**	72.8
Less restricted deposits	31(ii)	**-**	(4.1)	**-**	-
Bank overdrafts		**(3.3)**	(4.0)	**(0.3)**	(0.3)
Cash and cash equivalents per cash flow		**162.5**	340.2	**1.0**	72.5

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Notes to the financial statements

1. Basis of preparation

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 December 2008. The Company's Annual Report, containing the Company's statutory accounts, are available at www.segro.com.

2. Segmental analysis

2(i) - Geographical segments

	United Kingdom		Continental Europe		Group	
	2008	2007	**2008**	2007	**2008**	2007
Adjusted profit	**£m**	£m	**£m**	£m	**£m**	£m
Segment revenue	**218.8**	254.9	**195.9**	87.9	**414.7**	342.8
Net property rental income – investment properties	**156.0**	160.1	**76.6**	35.6	**232.6**	195.7
Net property rental income – trading properties	**(0.2)**	-	**12.5**	8.2	**12.3**	8.2
Proceeds on sale of trading properties	**13.3**	48.3	**80.0**	35.7	**93.3**	84.0
Carrying value of trading properties sold	**(8.7)**	(33.4)	**(60.7)**	(28.6)	**(69.4)**	(62.0)
Profit on sale of trading properties	**4.6**	14.9	**19.3**	7.1	**23.9**	22.0
Share of profits/(losses) from property joint ventures after tax						
- investment properties	**2.7**	2.3	**0.2**	0.2	**2.9**	2.5
- trading properties	**(2.2)**	3.2	**9.2**	(1.7)	**7.0**	1.5
Other investment income	**1.7**	18.4	**-**	-	**1.7**	18.4
Administration expenses	**(21.3)**	(23.1)	**(18.7)**	(11.4)	**(40.0)**	(34.5)
Adjusted operating profit	**141.3**	175.8	**99.1**	38.0	**240.4**	213.8
Net finance costs	**(63.1)**	(54.4)	**(53.4)**	(28.1)	**(116.5)**	(82.5)
Adjusted profit before tax	**78.2**	121.4	**45.7**	9.9	**123.9**	131.3
Adjustments	**(997.5)**	(436.8)	**(65.6)**	59.0	**(1,063.1)**	(377.8)
(Loss)/profit before tax	**(919.3)**	(315.4)	**(19.9)**	68.9	**(939.2)**	(246.5)
Summary balance sheet						
Total property assets	**2,607.7**	3,672.4	**2,072.3**	1,338.6	**4,680.0**	5,011.0
Net borrowings	**(1,220.7)**	(791.4)	**(1,275.1)**	(899.4)	**(2,495.8)**	(1,690.8)
Other net liabilities	**(105.1)**	(274.7)	**(69.9)**	(55.8)	**(175.0)**	(330.5)
Segment net assets	**1,281.9**	2,606.3	**727.3**	383.4	**2,009.2**	2,989.7
Capital expenditure in the year	**105.7**	236.4	**358.4**	532.6	**464.1**	769.0

2(ii) - Business Segments

	Investment Property		Trading property		Other activities		Group	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Segment revenue	**303.4**	248.9	**111.3**	93.9	**-**	-	**414.7**	342.8
Segment net assets/(liabilities)	**4,148.5**	4,652.4	**398.4**	264.5	**(2,537.7)**	(1,927.2)	**2,009.2**	2,989.7
Capital expenditure in the year	**363.3**	680.6	**96.3**	85.7	**4.5**	2.7	**464.1**	769.0

3. Revenue

	2008	2007
	£m	£m
Rental income received from investment properties	**264.9**	215.7
Rent averaging	**4.9**	9.0
Surrender premiums	**9.5**	11.6
Interest received on finance lease assets	**0.8**	0.8
Service charge income	**23.3**	11.8
Investment property rental income	**303.4**	248.9
Trading property rental income	**18.0**	9.9
Gross property rental income	**321.4**	258.8
Proceeds from sale of trading properties	**93.3**	84.0
Total revenue	**414.7**	342.8

Notes to the financial statements (continued)

4. Other investment income

	2008 £m	2007 £m
Net profit on available-for-sale investments	**0.3**	10.2
Transfer of fair value surplus realised on sale of available-for-sale investments	**1.2**	7.9
Dividends from available-for-sale investments	**0.2**	0.3
Total other investment income	**1.7**	18.4

5. Administration expenses

	2008 £m	2007 £m
Directors' remuneration	**3.7**	3.6
Depreciation	**2.0**	1.3
Other administration expenses	**36.9**	29.6
Total administration expenses	**42.6**	34.5

In addition to the above, Directors' remuneration in 2007 included an additional £1.2 million paid in relation to Directors of discontinued operations. The full 2008 depreciation charge, including amounts charged under other headings, is £3.1 million (2007 £2.0 million), and relates to assets owned by the Group. Other administration expenses include the cost of services of the Group's auditor.

Services provided by the Group's auditor

	2008 £000	2007 £000
Audit services		
Fees payable to the Company's auditor for the audit of Company and consolidated accounts	**379**	309
Fees payable for the audit of the Company's subsidiaries pursuant to legislation	**171**	171
Non-audit services		
Fees payable to the Company's auditor and associates for other services:		
- Other services pursuant to legislation	**145**	135
- Tax services	**667**	712
Other services	**713**	1,092
	2,075	2,419

Other services include fees of £622,000 (2007 £573,000) provided by Deloitte that were contracted prior to their appointment as auditor and relate primarily to assistance with internal system projects. In addition, in 2007 there were £59,000 of internal audit fees incurred prior to their appointment as auditor.

Employees' staff costs were:	2008 £m	2007 £m
Wages and salaries	**26.1**	31.2
Social security costs	**4.3**	3.4
Pension costs	**2.4**	0.8
Share scheme costs	**(1.4)**	7.0
Termination benefits	**2.3**	2.2
National Insurance – unexercised share options	**-**	(0.2)
Total	**33.7**	44.4
Average number of Group employees	**348**	454

Disclosures required by the Companies Act 1985 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement and those specified by the Financial Services Authority are included in the Remuneration Report, within the full Annual Report.

The aggregate remuneration of employees of the Company is £3.7 million (2007 £4.8 million). All the Executive Directors are employees of SEGRO plc.

Notes to the financial statements (continued)

6. Property (losses)/gains

	2008 £m	2007 £m
Income statement - valuation deficits	**(975.6)**	(385.2)
- (losses)/profits from the sale of investment properties	**(34.8)**	3.0
Total property losses per income statement	**(1,010.4)**	(382.2)
Statement of recognised income and expense – development valuation surpluses	**15.9**	11.2
Share of joint ventures' valuation losses	**(20.5)**	(1.1)
Total property losses	**(1,015.0)**	(372.1)

7. Investments in joint ventures and subsidiaries

7(i) - Share of (losses)/profits from joint ventures after tax

	2008 £m	2007 £m
Adjusted profits before tax – investment properties	**3.6**	2.9
Adjusted profits before tax – trading properties	**11.4**	3.0
	15.0	5.9
Valuation deficits – investment properties	**(20.5)**	(1.1)
	(5.5)	4.8
Current tax – investment properties	**(0.7)**	(0.5)
Current tax – trading properties	**(4.4)**	(1.4)
Deferred tax – investment properties	**3.2**	2.7
Group share of (losses)/profits after tax	**(7.4)**	5.6

Trading properties held by joint ventures were externally valued resulting in an increase in the provision for impairment of £3.3 million (2007 increase of £1.6 million). The Group's share of trading properties held by joint ventures has an unrecognised surplus of £10.7 million (2007 £34.6 million).

7(ii) - Investments by the Group

The Group accounts for joint ventures under the equity method. Note 32 lists the significant joint ventures.

	2008 £m	2007 £m
Cost or valuation at 1 January	**73.4**	84.5
Exchange movement	**7.6**	0.8
Additions	**-**	4.2
Disposals	**(0.5)**	(26.5)
Loan additions	**0.7**	7.8
Dividends received	**(6.3)**	(4.8)
Valuation deficits	**(20.5)**	-
Deferred tax on valuations and capital allowances	**3.2**	2.7
Share of profits net of tax	**9.9**	4.7
Cost or valuation at 31 December	**67.5**	**73.4**

The amount of loans advanced by the Group to joint ventures is £49.5 million (2007 £43.9 million).

Notes to the financial statements (continued)

7. Investments in joint ventures and subsidiaries (continued)

7(ii) - Investments by the Group (continued)

Summarised financial information of Group's share of joint ventures

	2008 £m	2007 £m
Balance sheet (Group's share)		
Investment and development properties	**94.5**	111.0
Total non-current assets	**94.5**	111.0
Trading properties	**47.2**	60.6
Other receivables	**8.7**	22.6
Cash	**29.7**	12.7
Total current assets	**85.6**	95.9
Total assets	**180.1**	206.9
Mortgages and loans	**76.8**	87.5
Deferred tax	**8.6**	12.0
Other liabilities	**0.3**	24.7
Total non-current liabilities	**85.7**	124.2
Mortgages and loans	**4.3**	-
Other liabilities	**22.6**	9.3
Total current liabilities	**26.9**	9.3
Total liabilities	**112.6**	133.5
Group's share of net assets	**67.5**	73.4

7(iii) - Investments by the Company

	Subsidiaries 2008 £m	Joint ventures 2008 £m	Subsidiaries 2007 £m	Joint ventures 2007 £m
Cost or valuation at 1 January	**3,800.8**	**5.5**	3,491.0	5.5
Exchange movement	**123.4**	**-**	20.5	-
Additions	**203.2**	**-**	123.7	-
Net loan movement	**(69.1)**	**-**	187.8	-
Loan write-offs against provisions	**-**	**-**	20.0	-
Increase in provision for investments and loans in the income statement	**(217.9)**	**-**	(42.2)	-
Cost or valuation at 31 December	**3,840.4**	**5.5**	3,800.8	5.5

8. Finance income

	2008 £m	2007 £m
Interest received on bank deposits	**10.2**	16.6
Fair value gains on interest rate swaps and other derivatives	**3.8**	3.5
Return on pension assets less unwinding of discount on pension liabilities	**1.0**	0.7
Exchange differences	**0.1**	0.3
	15.1	21.1

Notes to the financial statements (continued)

9. Finance costs

	2008 £m	2007 £m
Interest on overdrafts and loans	**134.2**	106.5
Unwinding of discount on the pension liabilities less return on assets	**0.1**	0.1
Total borrowing costs	**134.3**	106.6
Less amounts capitalised on the development of - trading properties	**(0.6)**	(0.9)
- investment and development properties	**(5.9)**	(5.6)
Net borrowing costs	**127.8**	100.1
Fair value losses on interest rate swaps and other derivatives	**36.6**	1.6
Total finance costs	**164.4**	101.7

The interest capitalisation rates for 2008 were: UK 6.25 per cent (2007 6.25 per cent) and in Continental Europe, rates ranging from 3.33 per cent to 6.07 per cent (2007 3.95 per cent to 5.25 per cent). Interest is capitalised gross of tax relief.

10. Tax (credit)/charge

10(i) - Tax on profit

	2008 £m	2007 £m
Current tax		
United Kingdom		
Corporation tax charged at 28.5 per cent*	**-**	0.8
Adjustments in respect of earlier years	**0.1**	(1.7)
	0.1	(0.9)
International		
Current tax charge	**3.4**	2.7
SIIC conversion charge	**1.2**	13.9
Adjustments in respect of earlier years	**-**	0.6
	4.6	17.2
Total current tax	**4.7**	16.3
Deferred tax		
Released on conversion to SIIC/REIT in respect of investment properties	**(1.1)**	(30.2)
Origination and reversal of timing differences	**5.4**	2.7
Released in respect of property disposals in the year	**(0.6)**	(0.1)
On valuation movements	**(7.1)**	8.9
Total deferred tax in respect of investment properties	**(3.4)**	(18.7)
Other deferred tax	**(2.4)**	0.3
Total deferred tax	**(5.8)**	(18.4)
Total tax credit on profit on ordinary activities	**(1.1)**	(2.1)

Notes to the financial statements (continued)

10. Tax (credit)/charge (continued)

10(ii) - Factors affecting tax charge for the year

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

	2008 £m	2007 £m
Loss on ordinary activities before tax	**(939.2)**	(246.5)
Add back valuation deficit in respect of UK properties not taxable	**925.4**	441.7
	(13.8)	195.2
Multiplied by standard rate of UK corporation tax of 28.5 per cent*	**(3.9)**	58.6
Effects of :		
Release of deferred tax provision on conversion to SIIC/REIT	**(1.1)**	(30.2)
SIIC/REIT conversion charge	**1.2**	13.9
Exempt SIIC & REIT profits and gains	**(0.9)**	(35.3)
Permanent differences	**(0.8)**	(2.7)
Loss/(profit) on joint ventures already taxed	**2.1**	(1.6)
Higher tax rates on international earnings	**(0.6)**	(3.7)
Adjustments in respect of earlier years	**2.9**	(1.1)
Total tax credit on profit on ordinary activities	**(1.1)**	(2.1)

* The UK corporation tax rate changed from 30 per cent to 28 per cent on 1 April 2008, therefore an effective rate of 28.5 per cent has been applied for the 2008 year.

10(iii) - Factors that may affect future tax charges

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

11. Dividends

	2008 £m	2007 £m
Ordinary dividends paid		
Interim dividend for 2008 @ 8.3 pence per share	**36.1**	-
Final dividend for 2007 @ 14.7 pence per share	**63.9**	-
Interim dividend for 2007 @ 8.3 pence per share	**-**	35.0
Special dividend for 2007 @ 53.0 pence per share	**-**	250.0
Final dividend for 2006 @ 12.1 pence per share	**-**	56.9
	100.0	341.9

Notes to the financial statements (continued)

12. Earnings and net assets per 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 year end. Both the earnings per share and net assets per share calculations exclude 2.1 million shares held by the ESOP Trust (2007 2.9 million).

12(i) - Earnings per share

	2008			2007		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic	**(938.1)**	**434.4**	**(215.9)**	(245.3)	457.1	(53.6)
Dilution adjustments:						
Share options and save as you earn schemes	**-**	**-**	**-**	-	0.7	-
Diluted	**(938.1)**	**434.4**	**(215.9)**	(245.3)	457.8	(53.6)
Adjusted						
EPRA adjustments:						
Negative goodwill credited, net	**-**		**-**	(0.9)		(0.2)
Share of joint ventures revaluation deficit/(surplus) after tax	**17.3**		**4.0**	(1.6)		(0.3)
Investment property revaluation deficit	**975.6**		**224.6**	385.2		84.2
Loss/(profit) on sale of investment properties	**34.8**		**8.0**	(3.0)		(0.6)
Adjustments for fair value of derivatives, finance income	**(3.8)**		**(0.9)**	(3.5)		(0.8)
Adjustments for fair value of derivatives, finance costs	**36.6**		**8.4**	1.6		0.3
EPRA adjustments before tax	**1,060.5**		**244.1**	377.8		82.6
Deferred tax on investment and development property which does not crystallise unless sold	**(3.4)**		**(0.8)**	(18.1)		(3.9)
Other deferred tax	**(1.7)**		**(0.4)**	0.2		-
Total EPRA adjustments after tax	**1,055.4**		**242.9**	359.9		78.7
Exceptional items (excluding minority interests)						
Restructuring costs	**2.6**		**0.6**	-		-
France SIIC conversion charge	**1.2**		**0.3**	13.9		3.0
Total exceptional items before tax	**3.8**		**0.9**	13.9		3.0
Tax effect of exceptional items	**-**		**-**	-		-
Total exceptional items after tax	**3.8**		**0.9**	13.9		3.0
Minority interest on adjustments	**0.4**		**0.1**	0.6		0.1
Total adjustments	**1,059.6**		**243.9**	374.4		81.8
Adjusted diluted	**121.5**	**434.4**	**28.0**	129.1	457.8	28.2
Adjusted basic	**121.5**	**434.4**	**28.0**	129.1	457.1	28.2

SEGRO plc

Notes to the financial statements (continued)

12. Earnings and net assets per ordinary share (continued)

12(ii) - Net assets per share

	2008			2007		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic	**2,007.5**	**434.6**	**462**	2,989.0	433.2	690
Dilution adjustments:						
Share options and save as you earn schemes	**-**	**-**	**-**	-	0.7	1
Diluted	**2,007.5**	**434.6**	**462**	2,989.0	433.9	689
Adjusted						
Adjustment for deferred tax on investment properties:						
- capital allowances	**53.6**		**12**	30.8		7
- valuation surpluses	**33.8**		**8**	36.2		8
Adjusted diluted NAV	**2,094.9**	**434.6**	**482**	3,056.0	433.9	704
Adjusted basic NAV	**2,094.9**	**434.6**	**482**	3,056.0	433.2	705
Triple net NAV (NNNAV)						
Fair value adjustment in respect of debt	**409.0**		**94**	64.1		15
Tax effect of fair value adjustment in respect of debt	**(116.6)**		**(27)**	(19.2)		(5)
Deferred tax in respect of capital allowances	**(53.6)**		**(12)**	(30.8)		(7)
Deferred tax in respect of valuation surpluses	**(33.8)**		**(8)**	(36.2)		(8)
Fair value adjustment in respect of trading properties	**50.2**		**12**	74.3		17
Diluted triple net NAV (NNNAV)	**2,350.1**	**434.6**	**541**	3,108.2	433.9	716
Basic triple net NAV (NNNAV)	**2,350.1**	**434.6**	**541**	3,108.2	433.2	717

13. Properties

13(i) - Total property assets, including joint ventures

Properties are included in the balance sheet as follows :

Properties carried at valuation :	UK 2008 £m	Continental Europe 2008 £m	**2008 £m**	2007 £m
Investment properties	2,525.0	1,451.5	**3,976.5**	4,485.5
Development properties	61.4	273.2	**334.6**	276.4
	2,586.4	1,724.7	**4,311.1**	4,761.9
Owner occupied properties, net of depreciation	9.5	1.6	**11.1**	13.1
	2,595.9	1,726.3	**4,322.2**	4,775.0
Group's share of investment properties within joint ventures	88.0	6.5	**94.5**	111.0
Total properties carried at valuation	2,683.9	1,732.8	**4,416.7**	4,886.0
Properties carried at the lower of cost and net realisable value :				
Trading properties	11.8	346.0	**357.8**	236.0
Group's share of trading properties within joint ventures	11.4	35.8	**47.2**	60.6
Total properties carried at the lower of cost and net realisable value	23.2	381.8	**405.0**	296.6
Total properties at 31 December	2,707.1	2,114.6	**4,821.7**	5,182.6

Notes to the financial statements (continued)

13. Properties (continued)

13(i) - Total property assets, including joint ventures (continued)

Investment, development and owner occupied properties were externally valued as at 31 December 2008 by CB Richard Ellis, DTZ Debenham Tie Leung, Colliers CRE or King Sturge. The valuation basis is market value, conforms to international valuation standards and was arrived at by reference to market evidence of the transaction prices paid for similar properties. In relation to the property valuations applied by the Group's independent, professionally qualified property valuers, the current volatility in the global financial system has created a significant degree of turbulence in commercial real estate markets across the world and the lack of liquidity in the capital markets means that it may be very difficult to achieve a sale of property assets in the short-term. Therefore, the property valuers are of the opinion that 'abnormal' market conditions currently prevail and that there is likely to be a greater than usual degree of uncertainty in respect of the property valuation figures now reported. Until the number and consistency of comparable transactions increases, this situation is likely to remain. The value of the Group's portfolio is affected by the prevailing market and economic conditions and thus the Group's net asset value can increase or decrease due to external factors outside of the Group's control. However, the Group has a diverse portfolio spread across ten countries in Europe and it is anticipated that this should help to mitigate the impact of the current market and economic conditions on the Group. All the valuers listed above are qualified independent valuers who hold a recognised and relevant professional qualification and have recent experience in the relevant location and the category of properties being valued. All the valuers have adopted policies for the regular rotation of the responsible valuer.

CB Richard Ellis, DTZ Debenham Tie Leung, Colliers CRE and King Sturge also undertake some professional and letting work on behalf of the Group, although this is limited in relation to the activities of the Group as a whole. All four firms advise us that the total fees paid by the Group represent less than 5 per cent of their total revenue in any year.

13(ii) – Investment and development properties

	Investment £m	Development £m	Total £m
At 1 January 2007	**5,130.0**	**468.7**	**5,598.7**
Exchange movement	37.7	7.7	45.4
Acquisitions	423.6	74.8	498.4
Additions	97.7	178.7	276.4
Disposals	(1,176.4)	(173.1)	(1,349.5)
Transfers between investment and development properties	236.7	(236.7)	-
Transfer from trading properties	1.5	2.3	3.8
Revaluation deficit during the year	(300.3)	(46.0)	(346.3)
At 31 December 2007	**4,450.5**	**276.4**	**4,726.9**
Add tenant lease incentives, letting fees and rental guarantees	35.0	-	35.0
	4,485.5	**276.4**	**4,761.9**
At 1 January 2008	**4,450.5**	**276.4**	**4,726.9**
Exchange movement	314.4	59.1	373.5
Acquisitions	118.6	22.3	140.9
Additions	125.0	97.4	222.4
Disposals	(234.7)	-	(234.7)
Transfers between investment and development properties	78.1	(78.1)	-
Transfers to trading properties	-	(1.9)	(1.9)
Revaluation deficit during the year	(916.9)	(40.6)	(957.5)
At 31 December 2008	**3,935.0**	**334.6**	**4,269.6**
Add tenant lease incentives, letting fees and rental guarantees	41.5	-	41.5
	3,976.5	**334.6**	**4,311.1**

Further information on investment and development properties is contained within the Property Analysis section of the website (www.segro.com/segro/Investors/Property/htm).

Investment properties include £105.9 million (2007 £173.4 million) in respect of properties held for re-development. The balance comprises completed buildings. Investment and development properties include £345.5 million (2007 £409.6 million) of undeveloped land.

The historical cost of investment properties was £3,273.4 million (2007 £2,865.4 million) and the cumulative valuation surplus at 31 December 2008 amounted to £703.1 million (2007 £1,620.1 million). The historical cost of development properties was £459.5 million (2007 £360.8 million) and the cumulative valuation deficit at 31 December 2008 amounted to £124.9 million (2007 £84.4 million deficit).

Notes to the financial statements (continued)

13. Properties (continued)
13(ii) – Investment and development properties (continued)

Long-term leasehold values within investment properties amount to £11.2 million (2007 £49.1 million). All other properties are freehold.

Net rental income in the period from rented investment properties was £236.6 million (2007 £241.6 million).

Prepaid operating lease incentives at 31 December 2008 were £31.1 million (2007 £29.4 million).

13(iii) - Trading properties

	UK £m	Continental Europe £m	Total £m
2007			
Completed properties	5.0	150.1	155.1
Properties under development	3.1	77.8	80.9
At 31 December 2007	8.1	227.9	236.0
2008			
Completed properties	10.9	271.8	282.7
Properties under development	0.9	74.2	75.1
At 31 December 2008	**11.8**	**346.0**	**357.8**

Trading properties were externally valued resulting in an increase in the provision for impairment of £4.0 million (2007 increase of £2.3 million). The remaining portfolio has an unrecognised surplus of £39.5 million (2007 £39.7 million).

14. Finance lease receivables

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

	Minimum lease payments		Present value of minimum lease payments	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Amounts receivable under finance leases:				
Within one year	**1.0**	0.9	**0.2**	0.1
In the second to fifth years inclusive	**3.6**	3.5	**0.6**	0.5
Later than five years	**25.2**	26.3	**9.6**	9.9
	29.8	30.7	**10.4**	10.5
Less unearned finance income	**(19.4)**	(20.2)	**n/a**	n/a
Present value of minimum lease payments receivable	**10.4**	10.5	**10.4**	10.5
Analysed as :				
Non-current finance lease receivables	**28.8**	29.8	**10.2**	10.4
Current finance lease receivables	**1.0**	0.9	**0.2**	0.1
	29.8	30.7	**10.4**	10.5

The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at 31 December 2008 is 7.7 per cent (2007 7.7 per cent).

At 31 December 2008, the fair value of the Group's finance lease receivables is £10.4 million (2007 £10.5 million), while the unguaranteed residual values of assets leased under finance leases are estimated at £2.4 million (2007 £2.4 million).

Notes to the financial statements (continued)

15. Available-for-sale investments

	2008 £m	2007 £m
Valuation at 1 January	**39.5**	44.1
Exchange movement	**11.0**	1.3
Additions	**3.8**	2.8
Fair value movement	**(3.8)**	8.1
Disposals and return of capital	**(8.6)**	(16.8)
Valuation at 31 December	**41.9**	39.5

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

16. Trade and other receivables

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Current				
Trade receivables	**54.4**	59.0	**0.6**	1.6
Other receivables	**27.9**	25.1	**-**	-
Prepayments and accrued income	**40.4**	26.9	**-**	-
Fair value of interest rate swaps – non hedge	**0.7**	5.0	**-**	1.5
Fair value of forward foreign exchange contracts – non hedge	**0.1**	-	**0.2**	-
Fair value of forward foreign exchange contracts – hedge	**0.1**	-	**-**	-
Amounts due from subsidiaries	**-**	-	**10.4**	2.4
Amounts due from related parties	**12.4**	-	**10.9**	-
	136.0	116.0	**22.1**	5.5
Non-current				
Other receivables	**0.2**	11.8	**-**	-
Amounts due from related parties	**-**	6.7	**-**	13.3
Total trade and other receivables	**136.2**	134.5	**22.1**	18.8

Trade receivables are net of provisions for doubtful debts of £2.7 million (2007 £1.3 million).

17. Cash and cash equivalents

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

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Bank balance	**39.4**	97.9	**0.3**	72.8
Call deposits	**126.4**	250.4	**1.0**	-
Cash and cash equivalents	**165.8**	348.3	**1.3**	72.8

Notes to the financial statements (continued)

18. Borrowings

18(i) – Borrowings by type

	Group		Company	
	2008	2007	**2008**	2007
	£m	£m	**£m**	£m
Secured Borrowings:				
European mortgages (repayable within 1 year)	**38.9**	22.1	**-**	-
Euro mortgages 2010 to 2013	**25.9**	22.4	**-**	-
Euro mortgages 2014 to 2027	**44.0**	35.7	**-**	-
Total secured (on land, buildings and other assets)	**108.8**	80.2	**-**	-
Unsecured Borrowings:				
Bonds				
7.125% bonds 2010	**124.7**	124.6	**124.7**	124.6
6.25% bonds 2015	**148.5**	148.3	**148.5**	148.3
5.5% bonds 2018	**198.1**	198.0	**198.1**	198.0
5.625% bonds 2020	**247.1**	247.0	**247.1**	247.0
7.0% bonds 2022	**148.9**	148.8	**148.9**	148.8
6.75% bonds 2024	**221.0**	220.8	**221.0**	220.8
5.75% bonds 2035	**198.0**	198.0	**198.0**	198.0
Notes				
6.0% unsecured loan notes 2010	**5.2**	-	-	-
6.417% Euro notes 2011	**47.6**	36.8	**-**	-
	1,339.1	1,322.3	**1,286.3**	1,285.5
Bank loans and overdrafts	**1,213.4**	636.3	**438.6**	87.9
Preference shares held by subsidiary	**0.3**	0.3	**-**	-
Total unsecured	**2,552.8**	1,958.9	**1,724.9**	1,373.4
Total borrowings	**2,661.6**	2,039.1	**1,724.9**	1,373.4

The fair value of forward foreign exchange contract liabilities were included in borrowings in prior years within bank loans and overdrafts; however, they have now been presented within trade and other payables at 31 December 2008 and 2007. Please refer to note 21.

The maturity profile of borrowings is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Maturity profile of debt	**£m**	£m	**£m**	£m
In one year or less	**86.3**	41.8	**-**	7.5
In more than one year but less than two	**373.9**	4.6	**145.3**	-
In more than two years but less than five	**995.5**	796.1	**418.0**	205.0
In more than five years but less than ten	**389.4**	182.8	**346.6**	148.3
In more than ten years	**816.5**	1,013.8	**815.0**	1,012.6
Total debt	**2,661.6**	2,039.1	**1,724.9**	1,373.4

	Group		Company	
	2008	2007	**2008**	2007
Maturity profile of undrawn borrowing facilities	**£m**	£m	**£m**	£m
In one year or less	**85.1**	49.3	**14.3**	27.5
In more than one year but less than two	**28.7**	-	**20.0**	-
In more than two years	**497.9**	738.9	**467.0**	604.8
Total available undrawn borrowing facilities	**611.7**	788.2	**501.3**	632.3

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

Notes to the financial statements (continued)

18. Borrowings (continued)
18(ii) – Borrowings by interest rates

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

	31 December 2008					31 December 2007				
	Fixed Rate	**Fixed Period**	**Fixed Debt**	**Variable Debt**	**Total**	Fixed Rate	Fixed Period	Fixed Debt	Variable Debt	Total
Interest rate profile – Group	**%**	**Years**	**£m**	**£m**	**£m**	%	Years	£m	£m	£m
Borrowings	**Weighted average after swaps**					Weighted average after swaps				
Sterling	**6.19**	**12.3**	**1,291.5**	**0.7**	**1,292.2**	6.19	13.3	1,285.5	-	1,285.5
Euros	**4.56**	**2.7**	**1,074.5**	**284.1**	**1,358.6**	4.56	3.5	730.2	400.6	1,130.8
US dollars	**-**	**-**	**-**	**10.5**	**10.5**	-	-	-	-	-
Subsidiary preference shares	**-**	**-**	**0.3**	**-**	**0.3**	-	-	0.3	-	0.3
Total before currency swaps	**5.45**	**8.0**	**2,366.3**	**295.3**	**2,661.6**	5.59	9.8	2,016.0	400.6	2,416.6
US dollars cash swapped into euros			**-**	**-**	**-**			-	(43.0)	(43.0)
Sterling cash swapped into euros			**-**	**-**	**-**			-	(334.5)	(334.5)
Total borrowings			**2,366.3**	**295.3**	**2,661.6**			2,016.0	23.1	2,039.1
Cash and deposits										
Sterling				**(100.6)**	**(100.6)**				(112.3)	(112.3)
US dollars				**(13.6)**	**(13.6)**				(177.4)	(177.4)
Canadian dollars				**(1.7)**	**(1.7)**				(4.4)	(4.4)
Polish Zloty				**(23.3)**	**(23.3)**				-	-
Euros				**(26.6)**	**(26.6)**				(54.2)	(54.2)
Total cash and deposits				**(165.8)**	**(165.8)**				(348.3)	(348.3)
Net borrowings			**2,366.3**	**129.5**	**2,495.8**			2,016.0	(325.2)	1,690.8

	31 December 2008					31 December 2007				
	Fixed Rate	**Fixed Period**	**Fixed Debt**	**Variable Debt**	**Total**	Fixed Rate	Fixed Period	Fixed Debt	Variable Debt	Total
Interest rate profile – Company	**%**	**Years**	**£m**	**£m**	**£m**	%	Years	£m	£m	£m
Borrowings	**Weighted average after swaps**					Weighted average after swaps				
Sterling	**6.20**	**12.3**	**1,286.3**	**-**	**1,286.3**	6.19	13.3	1,285.5	-	1,285.5
US dollars	**-**	**-**	**-**	**10.5**	**10.5**	-	-	-	-	-
Euros	**4.43**	**2.6**	**425.7**	**2.4**	**428.1**	4.31	3.4	283.1	182.3	465.4
Total before currency Swaps	**5.76**	**8.8**	**1,712.0**	**12.9**	**1,724.9**	5.86	10.6	1,568.6	182.3	1,750.9
Sterling cash swapped into Euros			**-**	**-**	**-**			-	(334.5)	(334.5)
US dollars cash swapped into Euros			**-**	**-**	**-**			-	(43.0)	(43.0)
Total borrowings			**1,712.0**	**12.9**	**1,724.9**			1,568.6	(195.2)	1,373.4
Cash and deposits										
Sterling				**(0.1)**	**(0.1)**				(3.0)	(3.0)
US dollars				**-**	**-**				(69.8)	(69.8)
Euros				**(1.2)**	**(1.2)**				-	-
Total cash and deposits				**(1.3)**	**(1.3)**				(72.8)	(72.8)
Net borrowings			**1,712.0**	**11.6**	**1,723.6**			1,568.6	(268.0)	1,300.6

Notes to the financial statements (continued)

19. Financial instruments and fair values

Categories of financial instruments

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

Financial liabilities in the Group comprise interest rate swaps and forward foreign exchange contracts, some of which are categorised as derivatives designated as fair value through the income statement (non hedge) and other forward foreign exchange contracts which are classified as derivatives designated as hedges. Financial liabilities also include secured bank loans, unsecured bond issues, unsecured loan notes, bank loans and overdrafts and preference shares, all of which are categorised as debt at amortised cost, and trade and other payables, provisions and current tax liabilities, which are classified as other financial liabilities.

The carrying values of these financial assets and liabilities approximate their fair value, with the exception of unsecured bond issues, secured bank loans and unsecured loan notes. At 31 December 2008 the fair value of £1,286.3 million of unsecured bond issues was £875.8 million (2007 £1,285.5 million compared to £1,238.7 million fair value), the fair value of £108.8 million of secured bank loans was £109.2 million (2007 £80.2 million compared to £80.2 million fair value), and the fair value of £52.8 million of unsecured loans was £53.9 million (2007 £36.8 million compared to £38.7 million fair value).

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

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns and as such it aims to maintain a prudent mix between debt and equity financing. The current capital structure of the Group consists of a mix of equity and debt. Equity comprises issued capital, reserves and retained earnings as disclosed in notes 23 to 26. Debt primarily comprises long-term debt issues and drawings against medium-term committed revolving credit facilities from banks as disclosed in note 18.

The Group is not subject to externally imposed capital requirements.

Foreign currency risk management

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

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

19. Financial instruments and fair values (continued)

Financial currency risk management (continued)

The Group's balance sheet translation exposure is summarised below:

	2008			2007		
	Euros	US dollars	**Total**	Euros	US dollars	Total
Group	£m	£m	**£m**	£m	£m	£m
Gross currency assets	2,054.9	35.7	**2,090.6**	1,502.6	225.2	1,727.8
Gross currency liabilities	(1,791.0)	(27.6)	**(1,818.6)**	(1,287.9)	(218.8)	(1,506.7)
Net exposure	**263.9**	**8.1**	**272.0**	214.7	6.4	221.1
Company						
Gross currency assets	433.5	-	**433.5**	328.5	214.0	542.5
Gross currency liabilities	(859.6)	(27.6)	**(887.2)**	(476.2)	(218.8)	(695.0)
Net exposure	**(426.1)**	**(27.6)**	**(453.7)**	(147.7)	(4.8)	(152.5)

2008 gross currency liabilities include EUR455.7 million (£434.0 million) and USD40.3 million (£27.6 million) designated as net investment hedges.
2007 gross currency liabilities include EUR200.0 million (£147.0 million) designated as a net investment hedge.

Foreign currency sensitivity analysis
The Group's main currency exposure is the Euro. The blended sensitivity of the net assets of the Group to a 10 per cent change in the value of sterling against the relevant currencies is £30.2 million (2007 £27.1 million), with a sensitivity of £29.3 million against the Euro (2007 £25.5 million) and £0.9 million against the US dollar (2007 £1.6 million).

For the Company, the blended sensitivity is £50.4 million (2007 £17.5 million) with a sensitivity of £47.3 million against the Euro (2007 £17.0 million) and £3.1 million against the US dollar (2007 £0.5 million).

Forward foreign exchange contracts
In the current year, the Group has entered into various forward sales and currency swap contracts. Some of these are designated as net investment hedges, and hedge accounted. The others are effectively cash flow hedges, using the surplus cash in one currency to temporarily fund paying off debt in another currency. These have not been designated as hedges and as a consequence their change in fair value is taken through the income statement.

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

	Average exchange rates		**Currency contract (local currency)**		**Contract value**		**Fair value**	
	2008 rate	2007 rate	**2008 m**	2007 m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Group								
Cash flow hedges								
Sell euros (buy sterling)	**1.20**	1.41	**242.7**	267.1	**231.1**	196.4	**(28.0)**	(7.2)
Sell euros (buy US dollars)	**-**	1.42	**-**	60.2	**-**	44.3	**-**	(1.3)
Net investment hedges								
Sell euros (buy sterling)	**1.23**	1.38	**209.7**	200.0	**199.8**	147.1	**(29.1)**	(1.8)
Sell US dollars (buy sterling)	**1.45**	-	**25.0**	-	**17.1**	-	**0.1**	-
							(57.0)	(10.3)
Company								
Cash flow hedges								
Sell euros (buy sterling)	**1.21**	1.41	**452.4**	467.1	**430.9**	343.5	**(57.1)**	(9.0)
Sell euros (buy US dollars)	**-**	1.42	**-**	60.2	**-**	44.3	**-**	(1.3)
Sell US dollars (buy eterling)	**1.45**	-	**25.0**	-	**17.1**	-	**0.1**	-
							(57.0)	(10.3)

Notes to the financial statements (continued)

19. Financial instruments and fair values (continued)

Interest rate risk management
The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The current Group policy states that around 85 per cent of gross borrowings should be at fixed rate provided by long-term debt issues attracting a fixed coupon or from floating rate bank borrowings converted into fixed rate or hedged via interest rate swaps, forwards, caps, collars or floors or options on these products. Hedging activities require the approval of the Treasury Risk Committee and are evaluated and reported on regularly to ensure that the policy is being adhered to. The Group Board reviews the policy on interest rate exposure annually with a view to establishing that it is still relevant in the prevailing and forecast economic environment.

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

If interest rates had been 1 per cent higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2008 would decrease/increase by £3.0 million (2007 decrease/increase by £3.1 million). This is attributable to the Group's exposure to interest rates on its variable rate borrowings and cash deposits. Fixed rate debt issues are held at amortised cost and are not re-valued in the balance sheet to reflect interest rate movements.

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

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

Economic cash flow hedges
Outstanding pay fixed, received floating contracts are as follows:

	Average contract - fixed interest rate		Notional principal amount		Fair value	
	2008	2007	**2008**	2007	**2008**	2007
	%	%	**£m**	£m	**£m**	£m
Group						
In one year or less	**-**	3.2	**-**	6.3	**-**	0.1
In more than one year but less than two	**4.4**	-	**212.4**	-	**(4.7)**	-
In more than two years but less than five	**3.9**	4.0	**761.9**	568.3	**(30.2)**	4.1
Total			**974.3**	574.6	**(34.9)**	4.2
Company						
In one year or less	**4.3**	-	**123.8**	-	**(2.3)**	-
In more than two years but less than five	**4.0**	4.1	**423.8**	423.0	**(19.2)**	1.5
Total			**547.6**	423.0	**(21.5)**	1.5

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

The interest rate swaps settle on either a 3 month or 6 month basis with the floating rate side based on the EURIBOR rate for the relevant period. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential customers are evaluated for creditworthiness and where necessary collateral is secured. There is no concentration of credit risk within the lease portfolio to either business sector or individual company as the Group has a well spread diverse customer base with no one customer accounting for more than 5 per cent of rental income. Trade receivables (which include unpaid rent and amounts receivable in respect of property disposals) were approximately 1 per cent of total assets at 31 December 2008 and at 31 December 2007. The Directors are of the opinion that the credit risk associated with unpaid rent is low. In excess of 95 per cent of rent due is generally collected within 21 days of the due date.

Notes to the financial statements (continued)

19. Financial instruments and fair values (continued)

Credit risk management (continued)

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by having a policy that requires adequate cash and committed bank facilities remain available to cover and match all debt maturities, development spend, trade related and corporate cash flows forward over a rolling 12 month period. This is achieved by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Liquidity risk management is discussed in more detail in the Liquidity Position and Going Concern sections in the Financial Review.

Liquidity and interest risk tables

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

	2008						2007					
	Weighted average interest rate %	**Under 1 year £m**	**1 – 2 years £m**	**2 – 5 years £m**	**Over 5 years £m**	**Total £m**	Weighted average interest rate %	Under 1 year £m	1 – 2 years £m	2 – 5 years £m	Over 5 years £m	Total £m
Group												
Non-derivative financial liabilities:												
Trade payables		**221.1**	**22.7**	**0.1**	**1.8**	**245.7**		213.6	22.6	-	0.5	236.7
Non-interest bearing liabilities		**25.6**	**-**	**-**	**78.2**	**103.8**		283.3	-	-	65.4	348.7
Variable rate debt instruments	**4.3**	**107.6**	**298.4**	**997.7**	**-**	**1,403.7**	5.0	73.6	34.7	679.6	-	787.9
Fixed rate debt instruments	**6.2**	**88.0**	**212.6**	**291.7**	**1,881.9**	**2,474.2**	6.2	86.4	86.3	392.5	1,961.6	2,526.8
Derivative financial instruments:												
Net settled interest rate swaps		**7.8**	**12.8**	**7.6**	**-**	**28.2**		(4.2)	-	(1.3)	(5.2)	(10.7)
Gross settled foreign exchange – Forward contracts												
- Sold		**(390.8)**	**-**	**-**	**-**	**(390.8)**		(376.4)	-	-	-	(376.4)
- Purchased		**447.8**	**-**	**-**	**-**	**447.8**		386.7	-	-	-	386.7
Total		**507.1**	**546.5**	**1,297.1**	**1,961.9**	**4,312.6**		663.0	143.6	1,070.8	2,022.3	3,899.7
Company												
Non-derivative financial liabilities:												
Trade payables		**31.1**	**358.9**	**-**	**-**	**390.0**		35.9	238.9	-	-	274.8
Non-interest bearing liabilities		**10.2**	**-**	**-**	**-**	**10.2**		225.6	-	-	-	225.6
Variable rate debt instruments	**4.4**	**18.9**	**18.9**	**446.8**	**-**	**484.6**	5.0	11.9	4.0	88.8	-	104.7
Fixed rate debt instruments	**6.2**	**80.5**	**206.3**	**214.9**	**1,848.9**	**2,350.6**	6.2	80.5	80.5	344.3	1,920.6	2,425.9
Derivative financial instruments:												
Net settled interest rate swaps		**4.1**	**7.7**	**5.0**	**-**	**16.8**		(2.4)	-	(0.4)	(2.7)	(5.5)
Gross settled foreign exchange – Forward contracts												
- Sold		**(390.8)**	**-**	**-**	**-**	**(390.8)**		(376.4)	-	-	-	(376.4)
- Purchased		**447.8**	**-**	**-**	**-**	**447.8**		386.7	-	-	-	386.7
Total		**201.8**	**591.8**	**666.7**	**1,848.9**	**3,309.2**		361.8	323.4	432.7	1,917.9	3,035.8

The Group has access to cash and financing facilities, the total unused amount of which was £777.5 million (2007 £1,136.5 million) at the balance sheet date.

Notes to the financial statements (continued)

20. Deferred tax provisions

Movement in deferred tax was as follows:

Group – 2008	Balance 1 January £m	Exchange movement £m	Recognised in income £m	Recognised in equity £m	Balance 31 December £m
Valuation surpluses on properties	31.9	7.7	(7.7)	1.9	**33.8**
Accelerated tax allowances	37.4	11.9	4.3	-	**53.6**
Deferred tax asset	(8.7)	(0.7)	0.6	-	**(8.8)**
Others	4.8	(0.9)	(3.0)	(1.3)	**(0.4)**
Total deferred tax provision	**65.4**	**18.0**	**(5.8)**	**0.6**	**78.2**

At the balance sheet date, the Group has unused revenue tax losses of £31.0 million (2007 £31.0 million) available for offset against future profits. A deferred tax asset has been recognised in respect of all of these losses as it is expected that future profits will be available.

21. Trade and other payables

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Due within one year				
Trade payables	**72.4**	61.5	**-**	-
Non-trade payables and accrued expenses	**148.7**	152.1	**31.1**	35.9
Fair value of interest rate swaps – non hedge	**35.6**	-	**28.7**	-
Fair value of forward foreign exchange contracts – non hedge	**29.1**	8.5	**57.2**	10.3
Fair value of forward foreign exchange contracts – hedge	**28.1**	1.8	**-**	-
Total trade and other payables due within one year	**313.9**	223.9	**117.0**	46.2
Due after one year				
Obligations under finance leases	**0.4**	0.5	**-**	-
Other payables	**17.1**	18.2	**-**	-
Loans from subsidiaries	**-**	-	**352.3**	235.2
Total other payables due after one year	**17.5**	18.7	**352.3**	235.2

In 2007 and prior years, the fair value of forward foreign exchange contract liabilities were included within borrowings; however they have now been reclassified and shown within trade and other payables. Please refer to note 18.

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

	Minimum lease payments		Present value of minimum lease payments	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Payable between second to fifth years	**0.1**	0.2	**-**	-
Payable after five years	**2.2**	2.3	**0.4**	0.4
	2.3	2.5	**0.4**	0.4
Less future finance charges	**(1.9)**	(2.0)	**n/a**	n/a
Present value of lease obligations	**0.4**	0.5	**0.4**	0.4

These are non-current finance lease liabilities on investment properties with a carrying value of £11.2 million (2007 £13.5 million). Lease agreements range between 99-150 years. There are no restrictions, and contingent rents are not payable, but leased assets revert to the lessor in the event of default.

Notes to the financial statements (continued)

22. Retirement benefit schemes

Background

The Group has two defined benefit schemes in the UK, the Slough Estates (1957) Pension Scheme (the "Slough scheme") and the Bilton Group Pension Scheme (the "Bilton scheme"). Their assets are held by Trustees separately from the assets of the employer. The Bilton scheme was closed to new members from 2003, and the Slough scheme from October 2005.

Valuation of the Slough and Bilton schemes has been based on the most recent actuarial valuation at 31 March 2007 for Slough and 5 April 2007 for Bilton and updated by the independent actuaries in order to assess the liabilities of the schemes at 31 December 2008.

The Company has an unfunded unapproved retirement benefit scheme (UURBS) for one employee, the Chief Executive. This arrangement is a defined benefit scheme in nature. The calculation of the value of this unapproved benefit promise uses assumptions which are consistent with those used for the Slough scheme. There are no assets supporting this UURBS.

The Group also has a number of defined contribution schemes in the UK and Continental Europe.

Defined benefit schemes

The most recent full formal actuarial valuations for defined benefit schemes have been updated by qualified actuaries for the financial year ended 31 December 2008 to provide the IAS 19 disclosures below:

The major assumptions used were as follows:	**2008 %**	2007 %
Discount rate for scheme liabilities	**6.0**	5.9
Rate of inflation	**2.9**	3.3
Rate of increase to pensions in payment in excess of GMP		
Before April 2003 (Slough/Bilton)	**4.2 / 2.8**	4.1 / 3.3
From April 2003 to October 2005	**2.8**	3.3
After October 2005	**2.0**	2.4
Rate of general long-term increase in salaries	**4.9**	5.3

Composition of scheme assets	**Expected return 2008 %**	**Analysis of assets 2008 £m**	Expected return 2007 %	Analysis of assets 2007 £m
Equities	**7.9**	**45.0**	7.8	62.1
Bonds	**4.9**	**64.0**	4.9	53.0
Property	**6.9**	**0.9**	6.8	1.3
Other assets	**2.8**	**0.2**	6.0	0.6
Overall – Slough scheme	**6.2**	**89.1**	6.6	93.5
Overall – Bilton scheme	**5.9**	**21.0**	5.9	23.5

The mortality rates used are as follows:	Mortality table	Life expectancy at age 65 (years)	
		Male	Female
Current pensioners	PNxA00U2007MC with 1% p.a. underpin to future improvements	22.0	24.4
Future pensioners	PNxA00U2007MC with 1% p.a. underpin to future improvements	23.5	25.9

The expected return on plan assets is a blended average of projected long-term returns for the various asset classes. Asset class returns are based on a forward looking building block approach. Equity returns are developed based on the selection of an equity risk premium above the risk free rate which is measured in accordance with the yields on government bonds. Returns on property are assumed to be 1 per cent per annum lower than those on equities. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the schemes' holdings of these instruments.

Notes to the financial statements (continued)

22. Retirement benefit schemes (continued)

Charges on the basis of the assumptions were:	2008 £m	2007 £m
(Charge)/credit to Group income statement		
Operating profit: Current service cost	**2.5**	3.2
Past service costs	**0.3**	0.1
Curtailments	**(0.9)**	(3.0)
Net finance costs: Interest on pension liabilities	**6.9**	6.5
Expected return on scheme assets	**(7.8)**	(7.0)
Total included within staff costs and finance costs/(income)	**1.0**	(0.2)
Charge/(credit) to Group statement of recognised income and expense	**17.2**	(6.8)

All actuarial gains and losses are recognised immediately and relate to continuing operations. The cumulative recognised actuarial losses are £14.9 million (2007 £2.3 million gain).

Fair value of the assets and liabilities of the schemes
The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement schemes is as follows:

	2008 £m	2007 £m
Movement in assets		
1 January	**117.0**	112.3
Expected return on scheme assets	**7.8**	7.0
Actuarial losses	**(24.1)**	(2.9)
Employer cash contributions	**15.5**	3.9
Member cash contributions	**0.6**	0.8
Benefits paid	**(6.6)**	(4.1)
31 December	**110.2**	117.0
Movement in liabilities		
1 January	**118.6**	127.1
Service cost	**2.5**	3.2
Curtailments	**(0.9)**	(3.0)
Past service cost	**0.3**	0.1
Interest cost	**6.9**	6.5
Actuarial gains	**(5.6)**	(9.7)
Benefits paid	**(6.6)**	(4.1)
Other	**0.4**	(1.5)
31 December	**115.6**	118.6
Analysis of net (liabilities)/assets:		
Market value of schemes' assets	**110.2**	117.0
Present value of funded schemes' liabilities	**(112.9)**	(116.4)
Net (liabilities)/assets for funded schemes	**(2.7)**	0.6
Less Bilton surplus which cannot be utilised	**(1.0)**	(2.4)
Present value of UURBS' liabilities	**(2.6)**	(2.2)
Retirement benefit obligation recognised in the balance sheet	**(6.3)**	(4.0)

A further provision of £0.3 million (2007 £0.3 million) is held in the Group in relation to a pension payable to a former Director.

The Group does not recognise the surplus in the Bilton scheme and consequently it has been reversed and the movement taken to the SORIE.

The actual return on the scheme assets in the period was a loss of £16.3 million (2007 gain of £4.1 million).

22. Retirement benefit schemes (continued)

History of experience adjustments	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Present value of defined benefit obligations	**(116.5)**	(121.0)	(129.5)	(132.7)	(111.4)
Fair value of schemes' assets	**110.2**	117.0	112.3	103.6	71.2
Deficit in schemes	**(6.3)**	(4.0)	(17.2)	(29.1)	(40.2)
Experience adjustments on schemes' assets					
Amounts	**(21.4)**	(2.9)	0.3	10.2	1.1
Percentage of schemes' assets	**(19.4%)**	(2.5%)	0.3%	9.8%	1.5%
Experience adjustments on schemes' liabilities					
Amounts	**(0.7)**	1.7	(1.8)	(0.4)	6.0
Percentage of present value of schemes' liabilities	**0.6%**	(1.4%)	1.4%	0.3%	(5.4%)
Effect of changes in assumptions underlying the present value of the schemes' liabilities	**6.3**	7.9	12.3	(13.2)	(18.0)
Total amount recognised in the statement of recognised income and expense					
Amounts	**(17.2)**	6.8	10.2	(4.0)	(10.5)
Percentage of present value of schemes' liabilities	**14.8%**	(5.6%)	(7.9%)	3.0%	9.4%

The expected employer's contributions to be paid in the year ending 31 December 2009 is £2.0 million.

23. Share capital and share-based payments

23(i) - Share capital

	Authorised		Issued and fully paid	
Group and Company	**Shares m**	**£m**	**Shares m**	**£m**
Ordinary shares of 27 1/12p each at 1 January 2008	**541.3**	146.6	**436.1**	118.1
Shares issued during the period to 31 December 2008	**-**	-	**0.6**	0.2
Ordinary shares of 27 1/12p at 31 December 2008	**541.3**	146.6	**436.7**	118.3

All shares issued during the year were issued in connection with the Group's share based payments schemes, details of which are provided below.

23(ii) - Executive share option plan

The options in the Executive share option plan are exercisable after three years but before ten years, subject to performance criteria. The employee would normally have to remain with the Group for the three year period. If the performance conditions have not been met by the third anniversary of the date of the grant, the options lapse. The performance criteria are based on an increase in adjusted diluted earnings per share by the Retail Price Index (RPI) plus 3 per cent per annum over the three year period. At 2 March 2009, the number of ordinary shares under option in respect of the 1994 approved scheme was 5,415 at an option price of 356.5p. These options expire on 27 March 2011. As at 2 March 2009, the number of ordinary shares under option in respect of the 2002 approved and unapproved schemes were 37,746 and 624,447 respectively with option prices ranging from 290.0p to 476.8p expiring on various dates up to 28 April 2015. The last award under these schemes was made in 2005.

	2008		2007	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
At 1 January	**848,028**	**425.8p**	2,209,295	473.4p
Options exercised	**(179,473)**	**307.3p**	(219,699)	323.5p
Options expired/lapsed	**(947)**	**356.5p**	(1,141,568)	467.8p
At 31 December	**667,608**	**457.8p**	848,028	425.8p

The options outstanding at 31 December 2008 were exercisable between 290.0p and 476.8p per share. The grants made since 7 November 2002 have been fair valued using the Black-Scholes model. The main assumptions are as follows:

Date of grant	20-Mar-03	29-Apr-05
Exercise price/market price	290.0p	476.8p
Risk-free interest rate	5.1%	4.8%
Dividend yield	4.8%	4.0%
Volatility	21.3%	21.0%
Term of option	4 years	4 years
Fair value per share	42p	73p

Notes to the Financial Statements (continued)

23. Share capital and share-based payments (continued)

23(iii) - Save as you earn (SAYE)

The SAYE options are exercisable after three or five or seven years and are not subject to any performance criteria except the employees must remain with the Group for the term of the option. Options during the year were granted at not less than 80% of the market price of shares on 4 April 2008. At 2 March 2009, the number of ordinary shares under option was 247,520 at option prices ranging from 218.4p to 608.4p expiring on various dates up to 31 October 2015. During 2008, movements in SAYE options to subscribe for ordinary shares of the Company are as follows:

	2008		2007	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
At 1 January	**814,238**	**341.2p**	810,285	325.4p
Options granted	**129,750**	**389.2p**	275,863	446.2p
Options exercised	**(354,662)**	**245.4p**	(135,225)	299.0p
Options expired/lapsed	**(305,466)**	**423.8p**	(136,685)	502.8p
At 31 December	**283,860**	**394.0p**	814,238	341.2p

The consideration received by the Company from options exercised during the year was £0.9 million. The options outstanding at 31 December 2008 were exercisable between 218.4p and 608.4p per share. The grants made since 7 November 2002 have been fair valued using the Black-Scholes model. The assumptions are as follows:

	Market price	**Exercise price**	**Risk-free interest rate**	**Dividend yield**	**Volatility**	**Term of option**	**Fair value per share three years**	**Fair value per share five years**	**Fair value per share seven years**
19 March 2003	290.0p	218.4p	5.1%	4.8%	21.2%	3-5-7 years	74p	74p	73p
28 August 2003	380.8p	304.6p	5.1%	3.8%	22.4%	3-5-7 years	96p	103p	106p
17 March 2004	465.5p	372.4p	5.1%	4.8%	22.6%	3-5-7 years	123p	135p	142p
26 August 2004	465.0p	372.0p	5.1%	4.1%	22.7%	3-5-7 years	122p	134p	140p
23 March 2005	493.5p	394.8p	4.8%	3.8%	21.0%	3-5-7 years	118p	126p	129p
22 September 2005	540.5p	432.4p	4.8%	3.5%	21.2%	3-5-7 years	134p	144p	150p
13 April 2006	604.0p	483.2p	4.7%	2.9%	22.0%	3-5-7 years	158p	174p	184p
13 September 2006	660.5p	528.4p	4.7%	2.9%	22.0%	3-5-7 years	172p	191p	202p
30 March 2007	760.5p	608.4p	5.2%	2.7%	22.1%	3-5-7 years	209p	234p	250p
26 September 2007	514.0p	411.2p	5.8%	3.7%	23.3%	3-5-7 years	137p	149p	156p
04 April 2008	486.5p	389.2p	4.1%	4.8%	46.5%	3-5-7 years	162p	174p	177p

Details of share options exercisable at 31 December 2008

Date of grant	**Scheme**	**Price per share**	**Number of shares**	**Exercisable between**
28 March 2001	Executive share option plan 1994	356.5p	5,415	2004 and 2011
30 August 2001	Save as you earn	284.8p	1,032	2004 and 2008
29 August 2002	Save as you earn	276.4p	1,669	2004 and 2008
19 March 2003	Save as you earn	218.4p	19,503	2006 and 2010
20 March 2003	Executive share option plan 2002	290.0p	64,309	2006 and 2013
28 August 2003	Save as you earn	304.6p	15,304	2006 and 2010
17 March 2004	Save as you earn	372.4p	7,184	2007 and 2011
26 August 2004	Save as you earn	372.0p	3,866	2007 and 2011
23 March 2005	Save as you earn	394.8p	15,110	2008 and 2012
29 April 2005	Executive share option plan 2002	476.8p	597,884	2008 and 2015
22 September 2005	Save as you earn	432.4p	12,286	2008 and 2012
13 April 2006	Save as you earn	483.2p	15,763	2009 and 2013
13 September 2006	Save as you earn	528.4p	9,152	2009 and 2013
30 March 2007	Save as you earn	608.4p	5,997	2010 and 2014
26 September 2007	Save as you earn	411.2p	81,750	2010 and 2014
04 April 2008	Save as you earn	389.2p	95,244	2011 and 2015
Total			**951,468**	

The weighted average remaining contractual life for share options outstanding at the year end is 2.18 years (2007 1.77 years)

Notes to the financial statements (continued)

23. Share Capital and share-based payments (continued)

23(iv) - Long term incentive plan (LTIP) and long term incentive scheme (LTIS)

Awards under the LTIS are granted at the discretion of the Trustees of the scheme on the recommendation of the Remuneration Committee. Employees are granted the right to shares which will vest at the end of a three year period subject to meeting certain performance criteria. The Company does not issue shares. The shares are purchased on the open market and placed with the Trustees. Dividends are waived.

	2008		2007	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
At 1 January	**2,439,538**	**585.6p**	1,780,340	536.8p
Shares granted LTIP	**2,177,634**	**635.9p**	-	-
Shares granted LTIS	**-**	**-**	1,056,937	635.1p
Shares vested	**(302,332)**	**491.2p**	(169,456)	522.1p
Shares sold	**(212,777)**	**491.2p**	(103,280)	522.6p
Shares expired/lapsed	**(51,817)**	**494.0p**	(125,003)	454.6p
At 31 December	**4,050,246**	**495.3p**	2,439,538	585.6p

Further information on the LTIP and LTIS Schemes can be found in the Remuneration Report, included in the full Annual Report.

The Black-Scholes model has been used to fair value the shares granted since 7 November 2002. The assumptions used are as follows:

Date of grant	**25-May-06**	**29-Jun-07**	**30-May-08**
Exercise price / market price	589.2p	635.1p	416.5p
Risk-free interest rate	4.6%	5.8%	4.0%
Dividend yield	2.9%	3.0%	5.8%
Volatility	22.0%	22.0%	25.5%
Term of option	3 years	3 years	3 years
Fair value per share	540p	580p	349.9p

23(v) - Share incentive plan

The share incentive plan started in May 2003. For 2008, eligible employees were awarded shares based on a percentage of their salary, which is capped. The value of the award was also linked to the Company's prior year performance. In respect of the 2008 award, the shares are held in trust for a three year period. During the year, 108,580 ordinary shares were subscribed in cash at a price of 404.1p per share and were issued to the Trustees of the Share Incentive Plan (SIP) and allocated at that price to eligible employees under the SIP. At 2 March 2009, 285,340 ordinary shares were held under the plan. This interest is shown in the Directors' Interests in Shares section in the Remuneration Report (included in the full Annual Report) which represents all of the shares which those Directors hold in a non-beneficial capacity as Trustees but also included therein are those shares beneficially owned under the plan by the Trustees.

	2008		2007	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
At 1 January	**511,464**	**512.5p**	485,725	467.0p
Shares granted	**116,778**	**404.1p**	118,168	578.7p
Shares paid out to leavers – pre-consolidation	**-**	**-**	(21,983)	456.5p
Shares not paid out to leavers – pre-consolidation	**-**	**-**	(6,901)	531.1p
Share consolidation August 2007	**-**	**-**	(44,359)	490.4p
Shares not paid out to leavers – post consolidation	**(8,198)**	**600.0p**	-	-
Shares paid out to leavers – post consolidation	**(334,704)**	**517.8p**	(19,186)	496.7p
At 31 December	**285,340**	**493.9p**	511,464	512.5p

Of the shares outstanding at 31 December 2008, 282,609 (2007 509,575) were exercisable. The fair values of the share incentive plan were determined by the price of the shares at the date of the grant.

Notes to the financial statements (continued)

23. Share Capital and share based payments (continued)

23(vi) - Global share incentive plan

The global share incentive plan was launched in 2008. This plan is designed on a similar basis to the Share Incentive Plan, but is not HMRC approved, and is only operated for non-UK employees. Awards are made on the basis of the Company's performance against budgeted profit before tax for the previous year. Awards are calculated as a percentage of base salary, which is capped. Awards are released by the plan Trustees at the conclusion of a three year holding period at nil cost to the employee.

	2008	
	Number	**Weighted average exercise price**
At 1 January	**-**	**-**
Shares granted	**44,388**	**402.1p**
Shares paid out to leavers	**(1,365)**	**402.1p**
Shares not paid out to leavers	**(3,590)**	**402.1p**
At 31 December	**39,433**	**402.1p**

Of the shares outstanding at 31 December 2008, 39,433 were exercisable. The fair value of the global share incentive plan was determined by the price of the shares at the date of the grant.

23(vii) – Cash settled overseas senior employees' scheme

The plan for overseas senior employees is a cash settlement scheme which mirrors the performance of the Executive share option plan in 23(ii) above. A notional number of shares are granted to the employee equal to 100 per cent of their salary and divided by the share price on the date of the grant. 78,271 shares were granted in 2005, based on the performance and assumptions of the Executive share option plan on 29 April 2005. The Black-Scholes model was used to fair value these shares at prevailing market rates, at a share price of 476.8p per share.

23(viii) - Total share-based payments income statement impact

Due to the release of excess reserves for share-based payments schemes where performance criteria is not expected to be met, income of £1.4 million has been recognised in the income statement for the Group (2007 £6.9 million expense).

24. Share premium account

Group and Company	**2008 £m**	2007 £m
Balance at 1 January	**368.9**	367.3
Premium arising on the issue of shares	**1.7**	1.6
Balance at 31 December	**370.6**	368.9

25. Own shares held

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Balance at 1 January	**16.8**	10.6	**16.8**	10.6
Shares issued	**-**	0.6	**-**	0.6
Shares purchased	**0.4**	6.8	**0.4**	6.8
Disposed of on exercise of options	**(3.8)**	(1.2)	**(3.8)**	(1.2)
Balance at 31 December	**13.4**	16.8	**13.4**	16.8

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

Notes to the financial statements (continued)

26. Reserves

Group	Revaluation reserve £m	Other reserves: Share-based payment reserve £m	Other reserves: Fair value reserve for AFS investments £m	Other reserves: Translation and other reserves £m	Retained earnings £m
Balance at 1 January 2007	2,129.3	4.5	7.4	58.5	698.3
Exchange movement	5.2	-	0.4	-	7.9
Loss for the year	-	-	-	-	(74.9)
Dividends paid	-	-	-	-	(341.9)
Actuarial gains on defined benefit pension schemes	-	-	-	-	6.5
Surplus on development properties – SORIE	5.7	-	-	-	-
Valuation deficit on investment properties transferred from retained earnings	(351.2)	-	-	-	351.2
Valuation surplus on joint ventures transferred from retained earnings	2.7	-	-	-	(2.7)
Minority interest on investment property valuation surplus	(0.6)	-	-	-	0.6
Reserve transfer	-	(0.4)	-	15.3	(14.9)
Fair value movement	-	6.9	6.1	-	-
Surplus realised on disposal	(34.8)	-	(4.3)	-	34.8
Exchange arising on translation of international operations	-	-	-	0.9	-
Exchange recycled on the sale of the US property business	-	-	-	(28.1)	31.6
Reserves realised on the sale of the US property business	(220.6)	-	-	-	220.6
Shares vested	-	(1.2)	-	-	-
Balance at 1 January 2008	1,535.7	9.8	9.6	46.6	917.1
Exchange movement	42.6	-	2.3	0.3	41.9
Loss for the year	-	-	-	-	(938.1)
Dividends paid	-	-	-	-	(100.0)
Actuarial gains on defined benefit pension schemes	-	-	-	-	(17.2)
Surplus on development properties – SORIE	14.0	-	-	-	-
Valuation deficit on investment properties transferred from retained earnings	(967.9)	-	-	-	967.9
Valuation surplus on joint ventures transferred from retained earnings	(16.9)	-	-	-	16.9
Minority interest on investment property valuation surplus	(1.3)	-	-	-	-
Reserve transfer	-	(0.7)	-	-	0.7
Fair value movement	-	(1.4)	(2.4)	-	-
Surplus realised on disposal	(167.8)	-	(1.4)	-	167.8
Exchange arising on translation of international operations	-	-	-	(22.3)	-
Shares vested	-	(3.8)	-	-	-
Balance at 31 December 2008	**438.4**	**3.9**	**8.1**	**24.6**	**1,057.0**

Company	Other reserves: Share-based payment reserve £m	Other reserves: Translation and other reserves £m	Retained earnings £m
Balance at 1 January 2007	1.5	47.4	1,146.3
Retained profit	-	-	686.0
Dividends paid	-	-	(341.9)
Other items in SORIE	-	-	6.6
Other	1.7	-	0.3
Balance at 1 January 2008	3.2	47.4	1,497.3
Retained profit	-	-	(241.9)
Dividends paid	-	-	(100.0)
Other items in SORIE	-	-	(17.2)
Other	(2.0)	-	0.3
Balance at 31 December 2008	**1.2**	**47.4**	**1,138.5**

Notes to the financial statements (continued)

27. Commitments

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

	UK		International		Total	
	2008	2007	**2008**	2007	**2008**	2007
Group	**£m**	£m	**£m**	£m	**£m**	£m
Properties	**163.3**	97.8	**70.6**	216.0	**233.9**	313.8
Available-for-sale investments	**-**	1.0	**4.6**	4.9	**4.6**	5.9
Total capital commitments	**163.3**	98.8	**75.2**	220.9	**238.5**	319.7
The Group's share of capital commitments of joint ventures is:						
Properties	**-**	3.3	**-**	7.3	**-**	10.6

There are no significant commitments relating to repairs, maintenance or enhancements relating to investment properties at 31 December 2008 and 2007.

28. Contingent liabilities

The Group sold Slough Heat & Power and the US property business in 2007 and has provided certain representations and warranties which are usual for transactions of this nature, including representations and warranties relating to financial, regulatory, tax, employee, intellectual property, environmental, insurance and legal matters. The Group is not aware of any event that has occurred that would result in a provision to be made at 31 December 2008 in relation to the representations and warranties provided.

The Group has given performance guarantees to third parties amounting to £8.7 million (2007 £9.4 million) in respect of development contracts of subsidiary undertakings. It is unlikely that these contingencies will crystallise.

The Company has guaranteed loans and bank overdrafts of subsidiary undertakings aggregating £800.8 million (2007 £569.2 million) and indicated its intention to provide the necessary support required by its subsidiaries.

29. Operating leases

The Group as lessor

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

	2008	2007
	£m	£m
Not later than one year	**260.8**	255.7
Later than one year but not later than five years	**782.1**	848.7
Later than five years	**679.3**	685.3
	1,722.2	1,789.7

The Group as lessee

One of the leased properties, which has been sublet by the Group, has been classified as an onerous lease. The lease and sublease expire in 2017. Sublease payments of £0.2 million are expected to be received during next year. The Group has recognised a provision of £0.1 million in respect of this lease.

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

	2008	2007
	£m	£m
Not later than one year	**0.6**	0.5
Later than one year but not later than five years	**7.2**	6.7
Later than five years	**3.7**	4.7
	11.5	11.9

Notes to the financial statements (continued)

30. Related party transactions

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

	2008 **£m**	2007 £m
New loans during the year	**0.3**	9.2
Loans outstanding at the year end	**49.5**	43.9
Dividends received	**6.3**	4.8

Company
Balances outstanding between the Company and external related parties at balance sheet date are £10.9 million (2007 £13.3 million). Transactions between the Company and its subsidiaries eliminate on consolidation and are not disclosed in this note.

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

Directors' and Executives' remuneration
Full details of remuneration payable to the Directors and other members of key management during the year, as required under the Companies Act 1985, are disclosed in the audited sections of the Remuneration Report, included in the full Annual Report. Key management have been determined as the four members of the Executive Committee.

31. Notes to the cash flow statements

31(i) – Reconciliation of cash generated from operations

	Group		**Company**	
Continuing operations	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Operating (loss)/profit	**(789.9)**	(165.9)	**(139.4)**	627.6
Adjustments for:				
Depreciation of property, plant and equipment	**3.1**	1.3	**-**	-
Share of losses/(profits) from joint ventures	**7.4**	(5.6)	**-**	-
Loss/(profit) on sale of properties	**34.8**	(3.0)	**-**	-
Net negative goodwill written off	**-**	(0.9)	**-**	-
Revaluation deficit on investment properties	**975.6**	385.2	**-**	-
Other income reallocated	**(1.4)**	(18.9)	**(86.1)**	(635.2)
Other provisions	**(15.5)**	-	**173.6**	(9.1)
	214.1	192.2	**(51.9)**	(16.7)
Changes in working capital:				
Increase in trading properties	**(38.3)**	(19.2)	**-**	-
Decrease/(increase) in debtors	**35.5**	(55.5)	**1.0**	0.2
Increase/(decrease) in creditors	**14.7**	30.3	**(1.8)**	(0.9)
Net cash inflow/(outflow) generated from continuing operations	**226.0**	147.8	**(52.7)**	(17.4)
Net cash inflow generated from discontinued operations	**-**	34.1	**-**	-
Net cash inflow/(outflow) generated from operations	**226.0**	181.9	**(52.7)**	(17.4)

31(ii) – Deposits
Term deposits for a period of three months or less are included within cash and cash equivalents. The restricted deposit, in 2007 related to cash held within an account against which a Letter of Credit has been issued.

Notes to the financial statements (continued)

31. Notes to the cash flow statements (continued)
31(iii) – Analysis of net debt

	Notes	At 1 January 2008 £m	Exchange movement £m	Cash flow £m	Non-cash adjustment* £m	On purchase of subsidiaries £m	On disposal of subsidiaries £m	At 31 December 2008 £m
Group								
Banks loans and loan capital		2,035.1	334.7	282.4	6.1	-	-	**2,658.3**
Bank overdrafts		4.0	-	(0.7)	-	-	-	**3.3**
Total borrowings	18	**2,039.1**	**334.7**	**281.7**	**6.1**	**-**	**-**	**2,661.6**
Cash in hand and at bank	17	344.2	50.2	(228.6)	-	-	-	**165.8**
Restricted deposits		4.1	-	(4.1)	-	-	-	**-**
Net debt		**1,690.8**	**284.5**	**514.4**	**6.1**	**-**	**-**	**2,495.8**
Company								
Banks loans and loan capital		1,373.1	78.9	271.6	1.0	-	-	**1,724.6**
Bank overdrafts		0.3	-	-	-	-	-	**0.3**
Total borrowings	18	**1,373.4**	**78.9**	**271.6**	**1.0**	**-**	**-**	**1,724.9**
Cash in hand and at bank	17	72.8	(0.7)	(70.8)	-	-	-	**1.3**
Net debt		**1,300.6**	**79.6**	**342.4**	**1.0**	**-**	**-**	**1,723.6**

* The non-cash adjustment relates to the issue of a £5.2 million loan note in settlement of a trading property purchase and the amortisation of issue costs offset against borrowings.

32. Group entities
The principal entities at 31 December 2008 are listed below (all equity holdings unless otherwise stated).

	County of incorporation/ operation	Subsidiaries % holding	Joint ventures % holding
Property			
* Allnatt London Properties plc	Great Britain	100	
* Bilton plc	Great Britain	100	
Farnborough Business Park Limited	Great Britain	100	
HelioSlough Limited	Great Britain		50
Le Blanc Mesnil	France	100	
SEGRO Belgium NV	Belgium	100	
SEGRO BV (operating in Netherlands, Italy and Central Europe)	Netherlands	100	
* Shopping Centres Limited	Great Britain		50
SEGRO Germany GmbH	Germany	100	
SEGRO France SA	France	100	
SEGRO Industrial Estates Limited	Great Britain	100	
SEGRO (KNBC) Limited	Great Britain	100	
SEGRO Management NV	Belgium	100	
SEGRO Marly le Ville	France	100	
* SEGRO Properties Limited	Great Britain	100	
SEGRO (Winnersh) Limited	Great Britain	100	
SEGRO 12	Germany	100	
SEGRO 23	Germany	100	
* Slough Trading Estate Limited	Great Britain	100	
Quendis Polska	Poland	100	
The Heywood Unit Trust	Great Britain	100	
The Woodside Unit Trust	Great Britain	100	
Service			
* SEGRO Administration Limited	Great Britain	100	
* SEGRO Finance plc	Great Britain	100	
Other			
* SEGRO Overseas Holdings Limited	Great Britain	100	
* SEGRO Holdings France SAS	France	100	

* Held directly by SEGRO plc

Notes to the financial statements (continued)

33. Disclosures of discontinued operations

Discontinued operations comprised the Group's US property business and Slough Heat & Power Limited (a company which provided electricity, water and steam). The agreement to dispose of the US property business was signed on 4 June 2007 and the disposal completed on 1 August 2007. The agreement to dispose of Slough Heat & Power Limited was signed on 14 November 2007 and the disposal was completed on 31 December 2007.

For the year ended 31 December 2007, profit after tax from discontinued operations was £170.6 million.

	Year to 31 December 2007		
Summarised income statement of discontinued operations	US property business £m	Slough Heat & Power £m	Total £m
Revenue	54.4	44.7	**99.1**
Expenses	(48.5)	(42.3)	**(90.8)**
Valuation gains	36.1	-	**36.1**
Profit before tax	**42.0**	**2.4**	**44.4**
Tax credit/(charge) - current	2.2	-	**2.2**
- deferred	(18.6)	-	**(18.6)**
Profit after tax from operations	**25.6**	**2.4**	**28.0**
Profit from sale after tax	**134.9**	**7.7**	**142.6**
Total profit after tax	**160.5**	**10.1**	**170.6**

34. Post balance sheet events

On 4 March the Company announced a fully underwritten Rights Issue to raise approximately £524 million. The net proceeds are expected to be £500 million, after expenses of approximately £24 million in connection with the Rights Issue.

SEGRO plc

Five year financial results

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Group income statement					
Net property rental income	**244.9**	246.3	247.2	223.9	228.1
Profit on sale of trading properties	**23.9**	22.0	6.1	7.0	3.7
Share of pre-tax operating profit from investment property, joint ventures and associates less valuation gains	**2.9**	3.1	3.2	4.7	13.5
Share of operating profits/(losses) from trading property joint ventures	**7.0**	1.6	3.8	0.6	(0.8)
Net income/(loss) from utilities	**-**	2.4	2.1	1.2	(4.1)
Net loss from gas	**-**	-	-	(2.1)	(3.3)
Other investment income	**1.7**	18.4	8.5	5.5	6.1
Administration expenses	**(40.0)**	(39.7)	(28.9)	(20.7)	(14.7)
Net finance costs including notional preference share interest less debt repayment and close out costs	**(116.5)**	(100.4)	(99.3)	(100.6)	(108.4)
Adjusted profit before tax and exceptional items	**123.9**	**153.7**	**142.7**	**119.5**	**120.1**
Exceptional lease surrender premium	**-**	-	-	36.4	7.5
Goodwill	**-**	0.9	-	-	-
Profits from the sale of Slough Heat & Power and US property business	**-**	445.0	-	-	-
Profits from the sale of Quail West, Tipperary and joint ventures	**-**	-	-	121.7	12.7
Property (losses)/gains	**(34.8)**	3.0	4.8	14.4	56.4
Net valuation gains and losses including joint ventures and associates	**(996.1)**	(349.1)	541.5	419.6	182.1
Notional interest on preference shares	**-**	-	-	-	13.2
Net (losses)/gains on derivatives	**(32.8)**	3.1	4.1	(1.0)	-
Exceptional cost of debt repayment	**-**	(16.4)	-	(126.0)	-
Joint ventures' tax	**3.2**	2.7	(3.0)	(2.3)	(4.0)
Exceptional restructure costs	**(2.6)**	**-**	**-**	**-**	**-**
(Loss)/profit before tax	**(939.2)**	**242.9**	**690.1**	**582.3**	**388.0**
Group balance sheet					
Investment, development and owner occupied properties	**4,322.2**	4,775.0	5,683.0	4,876.4	3,729.5
Trading properties	**357.8**	236.0	232.3	123.6	125.3
Total properties	**4,680.0**	**5,011.0**	**5,915.3**	**5,000.0**	**3,854.8**
Plant and equipment	**9.1**	5.8	48.1	45.0	118.0
Joint ventures and associates	**67.5**	73.4	84.5	100.1	84.1
Other assets	**190.7**	186.0	180.7	238.9	166.5
Cash and deposits	**165.8**	348.3	161.4	172.6	397.4
Total assets	**5,113.1**	**5,624.5**	**6,390.0**	**5,556.6**	**4,620.8**
Borrowings	**(2,661.6)**	(2,039.1)	(2,384.8)	(2,264.9)	(1,722.7)
Deferred tax provision	**(78.2)**	(65.4)	(298.5)	(635.9)	(448.4)
Other liabilities and minority interests	**(365.8)**	(531.0)	(334.0)	(215.4)	(284.6)
Shareholders' funds	**2,007.5**	**2,989.0**	**3,372.7**	**2,440.4**	**2,165.1**
Total return					
(Loss)/profit attributable to ordinary shareholders	**(938.1)**	(74.9)	916.5	385.1	285.8
Items taken directly to equity	**(43.4)**	(308.8)	15.8	(6.2)	(63.1)
	(981.5)	**(383.7)**	**932.3**	**378.9**	**222.7**
Data per ordinary share:					
Earnings per share:					
Basic (loss)/earnings per share	**(215.9p)**	(16.4p)	201.8p	91.7p	68.5p
Adjusted diluted earnings per share	**28.0p**	32.2p	25.1p	24.3p	24.4p
Net assets per share basic:					
Basic net assets per share	**462p**	690p	718p	579p	486p
Adjusted basic net assets per share	**482p**	705p	777p	733p	595p
Net assets per share diluted:					
Basic diluted net assets per share	**462p**	689p	716p	542p	461p
Adjusted diluted net assets per share	**482p**	704p	775p	680p	558p

Glossary of Terms*

Basis points
A unit that is equal to 1/100th of 1%.

Combined portfolio
The investment, development and trading properties of the Group, including the relevant share of joint ventures' properties.

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

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. Assumes rent is received quarterly in advance. See also True equivalent yield.

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.

Gross rental income
Contracted rental income recognised in the period, including surrender premiums, interest receivable on finance leases and service charge income. 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.

Initial yield
Annualised current passing rent expressed as a percentage of the property valuation.

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.

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 – see over-rented and reversionary).

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

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

Rent roll
See passing rent.

Reversionary yield
The ERV of a property, expressed as a percentage of the property's valuation. In the case of portfolio data, the reversionary yield assumes all properties are fully occupied.

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.

Topped up initial yield
Annualised current passing rent plus the value of annualised rent free periods expressed as a percentage of the property valuation.

Topped up initial yield excluding vacant properties
Topped up initial yield calculated for occupied properties only.

Total Property Return (TPR)
The change in capital value less any capital expenditure incurred plus net income and plus or minus any gains or losses on disposals expressed as a percentage of capital employed.

True equivalent yield
The equivalent yield assuming rent is received quarterly in arrears.

TSR
Total shareholder return based upon share price movement over the period and assuming reinvestment of dividends.

* For full Glossary of Terms go to http://www.segro.com/segro/investors/glossaryofterms.htm