PRESS RELEASE

Issued for immediate release: 25 February 2010

SEGRO PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

Resilient financial results

- Net Rental Income up 10.0% to £269.4 million (2008: £244.9 million) and Adjusted Profit Before Tax (recurring rental profits) up 16.8% to £104.3 million, reflecting inclusion of Brixton results for the last four months of the year.
- Adjusted EPS of 18.3 pence (2008: 29.1 pence), reflecting dilutive effects of rights issue.
- Loss for the year reported under IFRS of £234.1 million (2008: £938.1 million) and basic loss per share of 41.3 pence (2008: 312.2 pence).
- Adjusted NAV per share of 362 pence (2008: 459 pence – pro-forma) reflects second half investment property valuation gains of 9.8% in the UK (excluding Brixton assets) and a deficit of 3.1% in Continental Europe; 7.1% valuation uplift on Brixton assets between date of acquisition and year end.
- Final dividend of 9.4 pence per share making 14.0 pence for the full year (2008: 13.7 pence), in line with previous guidance. Subject to shareholder approval, a scrip alternative will be offered for the final dividend.

Successful acquisition and integration of Brixton plc (“Brixton”)

- £1,111.4 million enterprise value acquisition completed on 24 August 2009.
- Brixton business now fully integrated within SEGRO’s operations - annualised cost savings of £12.8 million delivered; one-off exceptional costs of £10.7 million incurred.
- Sale of Great Western Industrial Estate for £100 million in November represents an uplift of 7.5% over the valuation at the date of acquisition.

Robust lettings performance despite weak occupancy market

- 465,000 sq m of space let generating annualised rental income of £29.6 million (existing SEGRO portfolio only), (2008: 522,000 sq m and £38.2 million of income). Primarily reflects significantly reduced development activity in Continental Europe.
- Stable takebacks within existing SEGRO portfolio with 309,000 sq m returned representing annualised income of £20.6 million (2008: 300,000 sq m; £20.6 million).
- Group vacancy rate (by rental value) of 13.5% compared with 10.9% at June 2009 and 9.5% at December 2008, primarily reflecting inclusion of the Brixton portfolio.
- UK portfolio vacancy, excluding Brixton assets, of 10.8% compared with 10.3% at June 2009 and 9.1% at December 2008. Increase reflects disposals of let assets during 2009.
- Brixton portfolio vacancy of 22.1% compared with 20.6% at June 2009. Increase reflects sale of Great Western Industrial Estate and net takebacks. Encouraging start to 2010 with momentum building up in the lettings pipeline.
- Continental European portfolio vacancy of 10.7% compared with 12.1% at June 2009 and 10.1% at December 2008. H2 2009 improvement reflects letting success with improved occupancy particularly in Poland, Czech Republic and Belgium since the half year.
- Takebacks from insolvency at modest levels and better than expected at 1.6% of the rent roll (2008: 1.2%). A further 1.9% is represented by tenants in administration but still in occupation.

Prudent management of the Group's financial position

- Reduced development expenditure for the year of £191.5 million (2008: £323.2 million).
- £436.5 million of net proceeds from property and joint venture disposals (including £318.6 million completed in the second half).
- Renegotiation of bank gearing covenants in February, £500 million rights issue completed in April and placing and open offer for £242 million in July to underpin the Brixton acquisition.
- Weighted average debt maturity extended to 9.5 years through the £300 million 12-year bond issued in November, £100 million of new bank facilities, extension of £270 million of existing bank facilities and cancellation of £550 million of short term facilities.
- Net debt of £2,420.1 million (2008: £2,495.8 million), with cash and undrawn bank facilities of £824.5 million. Adjusted gearing ratio of 91.0% (2008: 119.0%).

Well positioned to benefit from a recovery in occupancy markets

- Potential rental income associated with empty properties of approximately £56 million (based on current ERVs) with a further £21 million of empty property costs.
- Longer term, substantial land bank of 520 hectares (1,285 acres) has the capacity to develop up to 1.8 million sq m of business space, generating annual rental income of approximately £147 million when fully let.

IAN COULL, CHIEF EXECUTIVE, COMMENTED:

"2009 was one of the most extraordinary years in SEGRO's 89 year history.

Faced with the twin headwinds of rapidly falling asset prices and a weakening global economy at the start of the year, with the support of our shareholders we weathered the storm, and completed the transformational acquisition of Brixton.

Whilst UK commercial property prices have surprised on the upside in the last quarter of the year and the situation in Continental Europe appears to be stabilising, we remain cautious about occupier markets, particularly in the UK where we expect the wider economy to lag much of the Continent for the coming year at least. Nonetheless, the Group is in a strong position and is well placed to benefit from any recovery.

Our focus remains on staying close to our customers to minimise take-backs, leasing vacant space, financial and risk management and continuing to seek further opportunities to capitalise on the present market conditions."

CONFERENCE CALL FOR INVESTORS AND ANALYSTS

At 9:30 AM today BST a live webcast results presentation will be available from SEGRO's website at:

http://www.segro.com/segro/Investors/Investors-Home.htm

A conference call facility also will be available to listen in at 09.30 hours on the following number:
Dial in: **+44 (0) 203 037 9101**

From midday the conference call will be available on a replay basis on the following number:
Replay Phone Number: **+44 (0) 208 196 1998**
Access Code: **3324776**

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES RESPECTIVELY:

SEGRO	Siva Shankar	Tel: + 44 20 7399 4500
The Maitland Consultancy	Liz Morley	Tel: + 44 20 7379 5151

Subject to shareholder approval at the AGM, a scrip dividend will be offered for future dividends. The timetable for the 2009 final dividend timetable will be as follows:

Ex Dividend Date	31 March 2010
Calculation Period for the Middle Market Price	31 March – 8 April 2010
Record Date	6 April 2010
Middle Market Price available and announced	9 April 2010
Final Date for Election	14 April 2010
AGM	29 April 2010
Payment Date	6 May 2010

The terms used in this report are defined in the Glossary of Terms on page 39.

SUMMARY FINANCIAL STATEMENT TABLES

INCOME STATEMENT

	2009	2008
Net rental income (£m)	**269.4**	244.9
Adjusted profit before taxation [1] – recurring rental profits (£m)	**104.3**	89.3
Realised (losses)/profits on disposals of property and investment in joint ventures [2] (£m)	**(41.2)**	(6.9)
Unrealised property valuation losses [2] (£m)	**(287.9)**	(979.6)
Loss after taxation (£m)	**234.1**	938.1

BALANCE SHEET

	31 December 2009	31 December 2008
Total properties, including share of joint ventures (£m)	**5,314.2**	4,821.7
Net assets excluding minority interests (£m)	**2,592.5**	2,007.5
Adjusted net assets (£m) [3]	**2,652.6**	2,094.9
Net assets per share (pence) [4]	**354**	668
Adjusted diluted net assets per share (pence) [3,5]	**362**	698
Net debt (£m)	**2,420.1**	2,495.8
Debt to equity [6] (%)	**91.0**	119.0
Loan to value [7] (%)	**47.0**	53.3

1. Profit before tax based solely on recurring rental profits – excludes realised and unrealised property gains or losses from investment, development, owner occupied and trading properties, fair value of derivatives gains or losses, other investment income or loss and exceptional items.
2. Including amounts in respect of investment and development properties, trading properties and disposals of the Group's investment in joint ventures.
3. Shareholders' funds adjusted to add back deferred tax associated with investment and development properties.
4. The comparative period's NAV per share has been restated following the rights issue on 7 April 2009 and the share consolidation effective from 31 July 2009. Further information on this is included within the Financial Review.
5. NAV per share adjusted to add back deferred tax associated with investment and development properties and to reflect the dilution caused by shares held on trust for employee share schemes.
6. Net debt as a percentage of net assets adjusted to add back deferred tax associated with investment and development properties.
7. Net debt as a percentage of the total property portfolio excluding joint ventures.

ANALYSIS OF INVESTMENT PROPERTIES [1]

	Valuation	Valuation gain/(loss) [2] Year	H2	Topped-up net initial yield [3]	True equivalent yield
	£m	%	%	%	%
UK by asset type					
Logistics warehousing	166.3	(1.8)	4.7	5.9	8.0
Industrial	2,503.5	(2.1)	8.3	6.6	8.4
Offices	471.9	(2.2)	12.5	7.7	8.1
Retail	30.0	1.9	15.4	7.2	7.7
Total UK	**3,171.7**	**(2.1)**	**8.9**	**6.8**	**8.4**
UK by geographical territory					
Thames Valley	1,189.8	(3.9)	9.8	7.3	8.4
London	1,286.2	1.1	9.7	5.9	7.9
National Markets	695.7	(4.4)	6.0	7.6	9.1
Total UK	**3,171.7**	**(2.1)**	**8.9**	**6.8**	**8.4**
Continental Europe by asset type					
Logistics warehousing	654.3	(11.5)	(4.3)	7.5	8.6
Industrial	427.0	(8.7)	(1.7)	7.0	8.3
Offices	151.6	(9.3)	(2.5)	6.7	7.0
Retail	26.0	14.0	(0.2)	6.6	6.5
Total Continental Europe	**1,258.9**	**(9.9)**	**(3.1)**	**7.2**	**8.1**
Continental Europe by Country					
Germany	319.1	(9.6)	(1.5)	7.6	8.1
Belgium	205.8	(9.7)	(2.5)	7.0	7.1
The Netherlands	76.7	(8.6)	(3.7)	7.6	8.8
France	344.7	(10.3)	(4.4)	6.5	8.4
Spain	1.1	(15.4)	(11.0)	9.0	5.9
Italy	94.6	(4.0)	(3.9)	6.6	7.1
Poland	182.0	(11.3)	(4.0)	7.7	8.8
Czech Republic	34.9	(17.7)	2.7	8.2	9.7
Total Continental Europe	**1,258.9**	**(9.9)**	**(3.1)**	**7.2**	**8.1**
Group Total - Investment Properties	**4,430.6**	**(4.4)**	**5.5**	**6.9**	**8.3**

Notes

1 Excludes assets in the course of construction, land, trading properties and assets held within joint ventures

2 Includes Brixton since date of acquisition. Excluding Brixton, the UK H209 gain would be 9.8%.

3 Net initial yield adjusted to include notional headline rent in respect of let properties which are subject to a rent free period at the valuation date.

Further details of the Group's property portfolio can be found on the Group's website at:
www.SEGRO.com

LETTINGS & OTHER PROPERTY DATA

LETTINGS ANALYSIS

	Area (000's sq m)				Rent pa (£m)[1]			
	Lettings 2009	Lettings 2008	**Space Returned 2009**	Space Returned 2008	**Lettings 2009**	Lettings 2008	**Space Returned 2009**	Space Returned 2008
UK[2]								
Lettings of new developments	**41.4**	52.7			**7.6**	8.6		
Existing vacant	**134.2**	125.9			**8.6**	8.3		
UK Total	**175.6**	178.6	**299.7**	166.8	**16.2**	16.9	**20.4**	11.9
Continental Europe								
Lettings of new developments	**169.5**	262.9			**8.5**	16.0		
Existing vacant	**136.8**	80.0			**6.3**	5.3		
Continental Europe Total	**306.3**	342.9	**75.4**	133.3	**14.8**	21.3	**4.5**	8.7
Group Total	**481.9**	521.5	**375.1**	300.1	**31.0**	38.2	**24.9**	20.6

1. Annualised rent, after the expiry of any rent free periods.

2. Includes Brixton since date of acquisition.

VACANCY ANALYSIS

	By rental value		
Completed Investment Properties	**31-Dec-09 %**	30-Jun-09 %	31-Dec-08 %
UK (excluding Brixton)			
– Investment properties	**10.7**	10.5	9.3
– Trading properties	**12.1**	11.6	27.0
– Share of joint ventures	**10.7**	2.6	0.2
Total	**10.8**	**10.3**	**9.1**
Brixton portfolio			
– Investment properties	**23.6**	22.1	
– Trading properties	**–**	–	
– Share of joint ventures	**0.8**	8.7	
Total	**22.1**	**20.6**[1]	
Continental Europe			
– Investment properties	**11.5**	12.7	10.8
– Trading properties	**7.1**	9.5	4.8
– Share of joint ventures	**4.9**	4.9	21.1
Total	**10.7**	**12.1**	**10.1**
Group total			
– Investment properties	**14.2**	11.3	9.8
– Trading properties	**7.4**	9.6	6.4
– Share of joint ventures	**3.1**	3.1	5.1
Total	**13.5**	**10.9**[1]	**9.5**

1. Brixton portfolio excluded from 30 June 2009 Group total vacancy figures.

Lease Expiries & Break Options

Passing rent subject to lease expiry or break options (investment and trading properties)	2010 (£m)	2011 (£m)	2012 (£m)	2013 (£m)	2014 (£m)
Lease Expiries					
UK	18.3	11.5	15.0	19.6	16.5
Continental Europe	4.4	3.0	8.0	9.7	4.5
Group Total	**22.7**	**14.5**	**23.0**	**29.3**	**21.0**
Break Options					
UK	12.1	15.5	12.3	8.8	4.1
Continental Europe	9.1	8.2	12.8	11.5	9.4
Group Total	**21.1**	**23.7**	**25.1**	**20.3**	**13.5**

Note: Included within the lease expiries from 2010 to 2014 is approximately £18m at rental income which has also been included in the amounts subject to break option.

CHIEF EXECUTIVE'S REVIEW

OVERVIEW OF 2009

Faced with the twin headwinds of rapidly falling asset prices and a weakening global economy at the start of 2009, with the support of our shareholders, we weathered the storm and completed the transformational acquisition of Brixton.

However, rather than being a 'game of two halves', 2009 was, in fact, a year comprised of four very different and distinct quarters.

The first quarter was characterised by concerns over the wider economy causing customers to freeze any plans they previously had for taking on new space and, wherever possible, occupiers reduced or consolidated their space commitments. Meanwhile the investment market continued the free fall which commenced after the collapse of Lehman Brothers in September 2008 with the IPD property derivatives market suggesting that further falls in asset prices of 30 per cent could be seen in 2009. For SEGRO and, indeed, most companies in the sector, our priority became to ensure the Group was able to withstand whatever the downturn threw at us. We completed a renegotiation of our banking covenants in February to provide further headroom against such valuation falls, and this involved discussions with over 20 different banks and syndicate members. At the beginning of March, having consulted major shareholders, we launched a fully‑underwritten rights issue in order to raise £500 million (net) of new equity and so provide the protection against what we felt was a "worst case" scenario.

We completed the rights issue at the start of the second quarter and, soon thereafter, it became clear that Brixton, our long term UK competitor, was in financial difficulty. Having carefully considered the situation as well as the potential difficulty in approaching our shareholders for equity for a second time within four months, we concluded this was an opportunity too good to allow to pass by. Accordingly, we approached the Brixton board in May and, after considerable due diligence, we launched our formal offer to buy the company on 9 July 2009.

During these first two quarters the general economic environment continued to decline and we saw asset prices fall significantly. Our portfolio declined in value by 13.7 per cent in the UK making a 'peak to trough' fall of 43 per cent and by 7.2 per cent in Continental Europe. However, our operating teams remained focused on their key priorities and we were able to report a very good operating performance for the first half of the year. Achieving a sale of almost any asset was extremely difficult with so few buyers willing to invest, but we nonetheless managed to dispose of properties for net proceeds of £118 million in that period.

The third quarter saw the Group complete the Brixton acquisition, along with an equity placing and open offer which raised net proceeds of £242 million and which allowed the enlarged Group to maintain the same balance sheet strength as had been the case immediately after the rights issue. With the Brixton acquisition, we acquired a high quality, well located portfolio in some of our core markets, completed at the bottom of the UK property market cycle. We were also able to strengthen significantly the overall team by integrating SEGRO and Brixton employees. By the end of the third quarter, we had integrated the two companies and introduced a new organisational structure resulting in a lower UK headcount than SEGRO alone had prior to the acquisition. Through this carefully planned and well executed integration process, we secured the cost synergies announced at the time of the offer to acquire Brixton. I am convinced this acquisition represents a rare, transformational opportunity for our business which, in time, will show tremendous benefits for our shareholders.

Whilst the general economy and occupier market conditions remained weak throughout the third quarter, we continued to focus on our customers and delivered satisfactory leasing results, albeit below the equivalent period in 2008. Meanwhile, somewhat earlier than we had anticipated, the investment market showed the first signs of a recovery, with the UK IPD monthly index registering a 1.1 per cent increase for September, the first improvement in the index since June 2007. We took advantage of these improving investment market conditions by completing £158 million of asset disposals in the quarter.

The final quarter of the year saw a continuation of the recovery in the investment market, with the UK IPD quarterly index reporting an 8.1 per cent surge in property values (6.7 per cent for industrial assets), one of the best quarters since IPD's records began. Our own UK portfolio which is valued every six months showed a 9.8 per cent improvement over the second half of the year (excluding the Brixton assets) and our Continental European portfolio, where the market has been lagging the UK, reported a decline of just 3.1 per cent which was smaller than we had anticipated.

The trigger for the turnaround in the investment market appears to have been the aggressive monetary policy stimulus put in place by UK, US and Euro‑zone monetary authorities in the early part of the year which, in turn, contributed to a stabilisation of economic indicators and a sharp bounce back in world equity markets. This led to an improvement in the relative attractiveness of property and a growing belief that, despite higher vacancy rates and downward pressure on rental values, commercial property values had fallen too far, at least for prime stock. Although the availability of debt finance has remained limited, demand for property has been boosted by exceptionally low short term interest rates which have led investors to increasingly switch out of cash and into property to take advantage of higher yields.

With the improved investment market conditions, we continued to press ahead with our plans to dispose of assets that no longer offered us significant upside. We completed £161 million of sales including Great Western Industrial Estate out of the Brixton portfolio and our 50 per cent share of the shopping centre joint venture we had with Tesco for net proceeds of £25 million. Meanwhile occupier markets remained challenging during the fourth quarter, particularly in the UK where we saw increased takebacks. However, more encouragingly, evidence that some of the main European economies have already pulled themselves out of recession, was supported by a good lettings quarter in our Continental European business.

2009 PERFORMANCE DELIVERING AGAINST OUR STATED PRIORITIES

In the context of this difficult economic backdrop and somewhat volatile investment market, I am very pleased to be able to report progress made against the priorities we set out to achieve at the start of the year. These were to stay close to our customers, to continue recycling capital by selling mature and non-core assets, to manage the Group's financial position and to capitalise on the economic environment. Following the acquisition of Brixton, we can report good progress on the additional priorities of integrating the two businesses and delivering the promised synergies.

Staying close to our customers

Staying close to our customers and delivering high levels of customer service is critical to our retention rates at lease expiry or break option and to our leasing success; it also helps us to manage situations where customers are facing financial difficulties.

Despite reduced enquiry levels and a much reduced development programme, we have achieved robust letting figures for the year, delivering £29.6 million of annualised rental income in 2009, from the letting up of 465,000 sq m (2008: £38.2 million of annualised rental income in 2008 from letting up of 522,000 sq m). Whilst the economic environment meant that many customers have been looking to reduce their costs and consolidate space, our overall income retention rates for the UK held up relatively well at 52 per cent compared with 64 per cent in 2008. Take-backs over the year amounted to 309,000 sq m in total (2008: 300,000 sq m) representing £20.6 million of annualised rental income (2008: £20.6 million). Note: all these amounts exclude the Brixton portfolio which is discussed separately below.

Within the takeback figures, customer insolvencies have been lower than we expected at the start of the year. Although the loss of 49 customers and £5.9 million of annualised rental income (representing 1.6 per cent of the total rent roll) is an increase compared to recent years, most of this is attributable to a small number of cases where the amounts involved were relatively large.

At year end, our vacancy rate by rental value for the Group was 13.5 per cent compared to 10.9 per cent at 30 June 2009 and 9.5 per cent at December 2008. Excluding the Brixton portfolio the underlying group vacancy rate was 10.7 per cent at year end. In the UK, the existing portfolio (excluding Brixton) has seen the vacancy rate increase from 10.3 per cent as at 30 June 2009 to 10.8 per cent, mainly as a result of disposals (1.1 per cent impact) and takebacks. In Continental Europe, the vacancy rate has decreased from 12.1 per cent at 30 June 2009 to 10.7 per cent as a result of lettings successes particularly in Belgium, Czech Republic and Poland.

The biggest impact on our overall vacancy rate has been the addition of the Brixton assets which had a vacancy rate of 20.6 per cent as at 30 June 2009, which has increased to 22.1 per cent as at 31 December 2009. This increase is mainly due to the impact of the sale of Great Western Industrial Estate and to net takebacks equivalent to annualised rental income of £2.9 million.

We have made good progress since the start of the new year applying SEGRO's approach to the Brixton portfolio and achieving a number of letting successes. Given the high quality and location of the assets and the more pragmatic approach now being taken by our leasing teams, we are confident that we will reduce the vacancy rate in the Brixton portfolio to 15 per cent within three years of the acquisition.

Capital recycling

As described earlier, throughout the year we continued to recycle capital from mature or non-core assets. In total, the Group generated net sales proceeds of £395 million from the disposal of investment properties, at an average net initial yield of 8.3 per cent. In addition, we generated £10 million of proceeds from land sales, £7 million of proceeds from trading sales and £25 million net, from the sale of the Group's joint venture interest with Tesco.

Financial and risk management

Maintaining the Group's balance sheet strength has been a key priority, particularly in light of the declining market conditions in the first half of the year and the forecasts from several sources which suggested a further substantial deterioration over the balance of 2009 and 2010. Accordingly, we strengthened our position by renegotiating our banking covenants, completing a £500 million rights issue, raising further equity of £242 million (net) to underpin the Brixton acquisition, negotiating £100 million of new bank facilities, extending £270 million of existing bank facilities, and cancelling £550 million of short term facilities. Finally, in November, we became the first real estate company to re-enter the corporate bond market, with the issuance of a £300 million, and a 12 year unsecured bond, further details of which can be found in the Financial Review.

In addition to generating liquidity from the disposals referred to above, we significantly reduced our exposure to speculative development. Development activity was and continues to be focused on pre-lets with no new speculative developments started during 2009. Our total development expenditure in the year amounted to £192 million, which compares to £323 million in 2008 and £367 million in 2007 and our remaining commitments at 31 December 2009 amount to £28 million (including £7 million of commitments relating to land purchases).

Capitalising on the current economic environment

At the start of the year, we indicated that we would look for opportunities presented by the market environment, although we did not expect to be making any significant investments until the latter part of the year at the earliest. However, the opportunity to acquire Brixton represented a unique opportunity to transform and strengthen our UK business and, accordingly, we moved swiftly to consider and, ultimately, complete the acquisition.

Brixton integration

Following the acquisition, we added a new business priority of integrating the two businesses and delivering the promised synergy savings. We have delivered the integration ahead of expectations at the time of the acquisition.

OUTLOOK AND FUTURE POTENTIAL

As we look ahead into 2010 and beyond, the key questions we and many of our shareholders are asking are first, whether the recovery in property investment markets in the UK will be sustained and whether it will be replicated on the Continent; and second, what the prospects are for a recovery in occupancy markets and for industrial rents.

I believe the answers to these questions depend largely on the speed of recovery of the underlying economies and on the fiscal and monetary policies of the main European governments. It has to be noted that whilst some of the main Western European economies already appeared to be out of recession by the start of the fourth quarter, the recovery appears fragile and there are threats to the stability of the Euro zone economies posed by the fiscal deficits of some of the Southern European countries. Meanwhile the UK barely grew in the fourth quarter of 2009 and our expectation is that it will continue to lag much of the Continent, at least for the balance of this year.

During 2010, we expect most of the countries in which we operate to continue their slow recovery, but with substantial amounts of industrial vacancy, particularly amongst the larger logistics warehouses, it is likely to be some time before we see overall demand for space outstripping supply. Whilst industrial rents have remained relatively resilient to date, we expect to see modest falls continuing across most of the UK and Europe in the first part of 2010.

Regarding property values, IPD Industrial yields in the UK have already compressed by some 70 basis points since the trough in the market last summer and it seems unlikely they will contract much further unless supported by a pick up in rents. Indeed, faced with potentially rising interest rates, there must be some scope for yields to expand at some stage over the next year. Meanwhile, the Continental European commercial property market has also shown signs of turning a corner towards the end of 2009 with yields beginning to stabilise after suffering a later and softer landing than in the UK.

In terms of SEGRO's own prospects, we have a good quality, well located portfolio which is well placed to benefit from any recovery in the underlying markets and continues to benefit from a strong tenant base. The Group's largest near-term opportunity is from letting up vacant space, particularly within the Brixton portfolio and we are very focused on making progress here. The current level of vacancy within the Group's entire portfolio represents a potential £56 million per annum of additional rent with corresponding potential annualised vacant property cost savings of approximately £21 million. Whilst it is not realistic to expect all of this space to become occupied, if the Group were able to reduce the annual vacancy rate of the enlarged portfolio to the Group's recent historic trend level of around 10 per cent, we estimate this could be worth an additional net rental income (including empty property cost savings) of some £23 million per annum.

Further out, our 520 hectare (1,285 acre) land bank offers both design-and-build and speculative development opportunities. The pre-let market is showing signs of renewed activity after a slow 2009 and we are well-positioned to provide flexible business space solutions to office, industrial and data centre markets. One of the strengths of the industrial asset class is that development pipelines can be adjusted quickly compared to office and retail, because of relatively short lead-times of six to nine months to completion for industrial projects. We are in active discussions with several potential customers regarding pre-letting opportunities. As and when the demand-supply balance appears attractive, we will look to re-start speculative development on a very selective basis.

In the near-term, however, we will complete our existing developments and strive to secure new pre-lets.

We currently have approximately 39,000 sq m under development and a further 10,000 sq m of committed development starts (of which 71 per cent is pre-let), which is expected to generate income of £10.5 million per annum with remaining expenditure to be incurred of approximately £21 million.

In conclusion, whilst markets have come a long way in the last 12 months, the recovery is still in its early stages. We look forward to 2010 with considerably more optimism than was the case a year ago, but our priorities remain largely unchanged:

- continue to stay close to our customers and minimise the portfolio vacancy level;

- ongoing financial and risk management;

- deliver further capital recycling in tandem with identifying attractive reinvestment opportunities, particularly pre-let development; and

- continue to look selectively for other investment opportunities presented by the current market conditions.

Overall, it has been a momentous year for the industry and for our Group, and one that positions us positively for the future. I am more confident than ever that we have a robust business model, an excellent portfolio and, most importantly, the people with the right skills, capabilities and commitment to drive this Company forward.

Ian Coull, Chief Executive

FINANCIAL REVIEW

2009 was a year of significant corporate financial activity for SEGRO which leaves the Company well positioned for the future.

BANK COVENANT RENEGOTIATION

On 25 February 2009 the Group concluded a renegotiation of the gearing covenant contained within its banking agreements to permanently increase the limit from 125 per cent to 160 per cent in order to provide additional financial flexibility. As part of the agreements, SEGRO paid a one-off fee of £8.6 million and the weighted average margin over LIBOR and EURIBOR was increased by 110 basis points over the previous levels.

£500 MILLION RIGHTS ISSUE

On 4 March 2009, SEGRO announced a rights issue to raise £500 million (net of expenses) by issuing 5,240.7 million new ordinary shares (pre share consolidation) at 10 pence per share on the basis of 12 new ordinary shares for every existing ordinary share. The rights issue was approved by shareholders at the General Meeting held on 20 March 2009 and proceeds were received in April 2009. The proceeds of the issue were used to pay down debt, although a significant proportion of these facilities still remain available to be re-drawn if required.

SHARE CONSOLIDATION

SEGRO completed a share consolidation on 31 July 2009, consolidating and re-classifying each 10 existing shares of the Company of 1 pence each into 1 new share of 10 pence each. The purpose of this exercise was to establish an appropriate number of shares in issue and likely share price for a company of SEGRO's size.

ACQUISITION OF BRIXTON PLC AND PLACING AND OPEN OFFER

On 22 June 2009, SEGRO announced that agreement had been reached with Brixton for an offer to acquire the entire issued share capital (271.7 million shares) on the basis of 0.175 SEGRO shares for each Brixton share. SEGRO's closing share price on this date was 227.5 pence, reflecting an offer price of £108.2 million.

On 9 July 2009, both Boards approved the offer and SEGRO completed the acquisition of Brixton on 24 August 2009, at which time the closing share price was 365.5 pence, resulting in consideration paid of £173.8 million, with a further £13.0 million of transaction costs incurred.

The book value of Brixton's net assets have been adjusted to reflect their fair value at the date of acquisition and details of the fair value adjustments are outlined in note 4 to the Accounts. After fair value adjustments, Brixton's net assets at the acquisition date were £195.4 million and the resulting gain of £8.6 million has been recognised in the income statement.

One-off integration costs of £10.7 million were incurred during 2009 in relation to the acquisition of Brixton, broadly consistent with the estimate of £11.0 million included in the Prospectus. £7.8 million of integration costs have been included in the income statement at 31 December 2009, classified as exceptional administration expenses, with £2.9 million included within Brixton's net assets acquired.

Annual synergy cost savings of £12.8 million have been delivered, slightly above the £12.0 million estimate made in the Prospectus.

In conjunction with the acquisition of Brixton, SEGRO raised £241.7 million (net of expenses) by way of a placing and open offer to maintain the enlarged Group's financial flexibility and covenant headroom at the levels achieved following the rights issue in April 2009. The placing and open offer was fully subscribed, with 119 million shares issued at a price of 210 pence and trading of these shares commenced on the London Stock Exchange on 31 July 2009.

ANALYSIS OF MOVEMENT IN NET ASSET VALUE (NAV) IN THE YEAR

Adjusted diluted NAV per share at 31 December 2009 was 362 pence, compared with 459 pence as at 31 December 2008 on a pro forma basis adjusting for the effects of the rights issue as if it had occurred on 31 December 2008 (refer below). The reduction from 31 December 2008 is largely as a result of the decline in property values in the first half of the year.

	£m	Number of shares	Pence per share
Adjusted equity attributable to shareholders at 31 December 2008 as reported in the 2008 annual report[(1)]	2,094.9	434.6	482
Adjusted equity attributable to shareholders at 31 December 2008 restated for the discount element of the rights issue and share consolidation[(1)]	2,094.9		698
Rights issue	499.7	524.0	95
Pro forma adjusted equity attributable to shareholders as if the rights issue had occurred as at 31 December 2008[(2)]	**2,594.6**	**566.2**	**459**
Movements to 30 June 2009			
Realised and unrealised property losses	(507.5)		(90)
Adjusted profit before tax – recurring rental profits	49.1		9
Dividends	(23.4)		(4)
Exchange	(54.8)		(10)
Other	(62.8)		(11)
Adjusted NAV at 30 June 2009	**1,995.2**	**566.2**	**353**
Placing and open offer	241.7	119.0	203
Brixton acquisition	195.4	47.6	411
Pro forma adjusted equity attributable to shareholders as if the placing and open offer and Brixton acquisition had occurred at 30 June 2009 [(3)]	**2,432.3**	**733.0**	**332**
Movements 30 June 2009 to 31 December 2009			
Realised and unrealised property gains	163.5		22
Adjusted profit before tax – recurring rental profits	55.2		8
Dividends	(31.6)		(4)
Exchange	19.3		3
Other	13.9		1
Adjusted equity attributable to shareholders at 31 December 2009	**2,652.6**	**733.0**	**362**

1. The 2008 adjusted net assets per share calculation has been restated in the accounts following the rights issue and the share consolidation in order to provide a comparable basis for the current year. The adjustment factor for the rights issue is 6.92, which adjusts for the discount element of the rights issue. Further information on this is included in note 13.

2. In order to aid comparison with the 2009 year end position, the net proceeds from the rights issue of £499.7 million have been added to the actual adjusted equity attributable to shareholders at 31 December 2008 and the adjusted net assets per share at that date has been calculated using 566.2 million shares, which incorporates the number of shares issued as part of the rights issue (net of own shares held).

3. The pro forma adjusted equity attributable to shareholders in relation to the placing and open offer and the Brixton acquisition incorporates the Brixton net assets acquired of £195.4 million and the net proceeds from the placing and open offer of £241.7 million into the net asset value and also adjusts for the new shares issued in relation to both those events as if they had occurred on 30 June 2009.

A reconciliation between adjusted equity attributable to shareholders and total shareholders' equity is provided in note 13.

PROPERTY VALUATION MOVEMENTS

Property losses of £344.0 million (2008: £970.6 million) are analysed in note 7 to the Accounts and include unrealised losses of £289.9 million (2008: £963.7 million) and realised losses of £54.1 million (2008: £6.9 million).

Unrealised losses include valuation deficits on investment, development and owner occupied properties of £273.8 million (2008: £959.7 million) and impairment provisions of £16.1 million (2008: £4.0 million) on certain trading properties as the fair value is deemed to be less than the original cost. Realised losses include losses on sale of investment properties of £54.7 million (2008: £34.8 million) offset by profits from the sale of trading properties of £0.6 million (2008: £27.9 million).

The Group's trading property portfolio has an unrealised valuation surplus of £27.1 million at 31 December 2009 (including share of joint ventures), which has not been recognised in the financial statements.

TOTAL PROPERTY RETURN

Total property return is a measure of the ungeared return from the portfolio and is calculated as property gains and losses (both realised and unrealised) plus net rental income, expressed as a percentage of capital employed.

Total property return for 2009 was -1.0 per cent, a significant improvement on the return in 2008 of -14.9 per cent and is attributable to lower valuation deficits during the year. Excluding Brixton, total property return would have been -3.8 per cent.

ADJUSTED PROFIT BEFORE TAX AND EARNINGS PER SHARE (EPS)

As recommended by the European Public Real Estate Association ("EPRA"), the Group has for a number of years presented adjusted profit before tax and adjusted earnings per share figures in addition to the amounts reported under IFRS. These amounts have excluded the effects of gains and losses associated with investment properties and certain financial derivatives, exceptional items and taxes associated with such items. The Directors regard the presentation of adjusted figures as providing useful additional information to highlight the underlying performance of the business.

In previous years, the adjusted earnings measures used by the Group included profits/losses on the sale of trading properties and other investment income (i.e. gains and losses associated with certain non-property private equity investments) within 'underlying earnings'. In March 2009 the Group revised its dividend policy such that, from 2009 onwards, dividends are based upon underlying recurring rental earnings excluding trading profits/losses and other investment income. 'Adjusted profit before tax – recurring rental profits' accords with the approach taken with regard to the new dividend policy and excludes trading profits/losses (including impairment losses) and other investment income/losses which do not relate to the Group's core property rental business. Adjusted profit before taxation (on both the previous reporting basis and on the basis of underlying recurring rental profits) can be analysed as follows:

	2009 £m	2008 £m
Gross rental income	**328.4**	296.1
Property operating expenses	**(59.0)**	(51.2)
Net rental income	**269.4**	244.9
Share of joint ventures' recurring rental profits[1]	**2.8**	0.9
Administration expenses, excluding exceptional costs	**(40.3)**	(40.0)
Operating profit	**231.9**	205.8
Net finance costs excluding fair value movements on derivatives	**(127.6)**	(116.5)
Adjusted profit before tax – recurring rental profits	**104.3**	89.3
(Loss)/profit on sale of trading properties less provisions		
– Group	**(15.5)**	23.9
– Share of joint ventures (after tax)	**(4.3)**	9.0
Other investment (loss)/income	**(8.0)**	1.7
Adjusted profit before tax – previous reporting basis	**76.5**	123.9

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

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

Adjusted profit before tax on the previous reporting basis decreased by £47.4 million compared to 2008. The decrease is almost entirely due to provisions for impairment of trading properties being recorded in 2009 compared with trading property profits of £23.9 million (including share of joint ventures) in 2008. Excluding profits/losses on trading properties and other investment income losses, the adjusted profit before tax from the underlying recurring rental profit showed a 16.8 per cent increase from £89.3 million to £104.3 million. This is primarily due to the Brixton acquisition, which contributed £14.8 million to recurring rental profit during the 4 month period of ownership.

Adjusted EPS (recurring rental profits basis) of 18.3 pence per share is lower compared to the 2008 calculation of 29.1 pence per share, largely as a result of the dilutive impact of the rights issue during the year.

RENTAL INCOME

Gross rental income for 2009 increased by £32.3 million (10.9 per cent) to £328.4 million. Gross rental income has increased in the UK mainly due to the impact of the Brixton acquisition and increased in Continental Europe mainly due to the letting of new developments and the beneficial impact of exchange rate movements. Like-for-like rental income on the underlying portfolio comprising only of completed properties owned throughout both years decreased by 1.3 per cent from £230.4 million to £227.3 million. Within this overall movement, the UK reported a 1.6 per cent decrease whilst in Continental Europe, the decrease was 0.9 per cent.

Like-for-like rental income	**2009 £m**	2008 £m
Completed properties owned throughout 2008 and 2009 (like-for-like rents)	**227.3**	230.4
Development lettings	**17.7**	5.0
Properties taken back for development	**0.3**	1.5
Gross rental income pre acquisitions/disposals	**245.3**	236.9
Properties acquired	**41.0**	7.4
Properties sold	**15.6**	35.9
Rent from trading properties	**22.1**	18.0
Gross rental income before surrenders, dilapidations and exchange	**324.0**	298.2
Lease surrenders and dilapidations	**4.4**	10.6
Exchange rate movements	**–**	(12.7)
Gross rental income per accounts	**328.4**	296.1

Net rental income increased by £24.5 million (10.0 per cent) to £269.4 million. Net rental income increased in the UK by £10.2 million (6.5 per cent) due to the acquisition of Brixton (£25.1 million), other acquisitions (£1.2 million), lettings of new developments (£3.5 million) and re-lettings (£7.2 million), offset by disposals (£16.7 million), lower surrender premiums (£4.9 million) and space returned (£7.6 million). In Continental Europe, net rental income increased by £14.3 million (16.0 per cent) due to acquisitions (£2.4 million), lettings of new developments (£6.4 million), re-lettings (£4.5 million), rent reviews (£1.3 million) and the effects of exchange rate movements (£11.1 million), offset by disposals (£4.8 million) and space returned (£2.6 million). The key drivers of the increase in net rental income are set out in the table below:

	£m
Net rental income 2008	**244.9**
Brixton acquisition	25.1
Other acquisitions	3.6
Disposals	(21.5)
New developments, re-lettings and rent reviews	23.2
Space returned	(10.2)
Increase in property operating expenses (net of service charge income)	(1.9)
Decrease in lease surrender premiums	(4.9)
Other (mainly exchange rate movements)	11.1
Net rental income 2009	**269.4**

OPERATING EXPENSES

Property operating expenses amounted to £59.0 million (2008: £51.2 million) and reflect the increased size of the portfolio. Within this amount, £21.2 million (2008: £18.9 million) relates to vacant property costs.

Administration expenses, excluding exceptional items amounted to £40.3 million (2008: £40.0 million) and include £1.0 million in respect of the Brixton business.

Total costs (property operating expenses and administration expenses, excluding exceptional items) as a percentage of gross rental income amounted to 30.2 per cent compared with 30.8 per cent in 2008.

NET FINANCE COSTS

Excluding fair value gains and losses on interest rate swaps and other derivatives, net finance costs increased by £11.1 million from £116.5 million to £127.6 million. The increase is mainly attributable to higher interest related to Brixton debt acquired (£11.2 million), with negative exchange rate movements and the higher costs of debt following the renegotiation of banking covenants, offset by interest savings generated from the proceeds from the rights issue received in April 2009 and lower interest costs as a result of closing out a number of interest rate hedges.

CASH FLOW

Free cash flow generated from operations was £79.3 million in 2009, an increase of £20.8 million from 2008. This is primarily due to the decrease in net finance costs paid compared to 2008 and an increase in dividends received from joint ventures.

The Brixton acquisition resulted in a net cash inflow of £54.7 million, being cash acquired less costs of the transaction. Immediately on acquisition, the entire Brixton derivatives portfolio was closed out for £126.3 million. In addition, £507.7 million of Brixton debt was repaid comprising, £245.0 million of borrowing facilities and £262.7 million of bonds.

Other significant items relate to the proceeds from sale of investment properties (£421.3 million) and net proceeds received from the rights issue and placing and open offer (£741.4 million), which were primarily used to fund the Brixton debt and derivatives repayments outlined above, paydown debt (£379.5 million) and close out of SEGRO related derivatives (£64.4 million). Overall this resulted in a net cash outflow in 2009 of £24.1 million (2008: £227.9 million).

A summary of cash flows for the year is set out in the table below:

	2009 £m	2008 £m
Cash flow from operations	**222.1**	226.0
Finance costs (net)	**(144.7)**	(160.1)
Dividends received (net)	**12.9**	6.5
Tax paid (net)	**(11.0)**	(13.9)
Free cash flow	**79.3**	58.5
REIT conversion charge paid	**–**	(45.2)
Sale of subsidiary undertakings	**–**	(13.5)
Net cash inflow arising on acquisition of Brixton	**54.7**	–
Settlement of Brixton derivatives	**(126.3)**	–
Tax paid on sale of US subsidiary undertaking	**–**	(217.0)
Capital expenditure (excluding trading properties)	**(191.2)**	(403.8)
Investment property sales (including joint ventures)	**421.3**	199.9
Dividends paid	**(59.2)**	(100.6)
Rights issue and placing and open offer net proceeds	**741.4**	–
Cost of derivatives close out	**(64.4)**	–
Other items	**7.5**	11.4
Net funds flow	**863.1**	(510.3)
Settlement of Brixton debt	**(507.7)**	–
Net (decrease)/increase in other borrowings	**(379.5)**	282.4
Net cash outflow	**(24.1)**	(227.9)
Opening cash and cash equivalents	**162.5**	340.2
Exchange rate movements	**(26.5)**	50.2
Closing cash and cash equivalents	**111.9**	162.5

CAPITAL EXPENDITURE/DIVESTMENT

As already noted, the Group has taken a cautious approach to the deployment of capital over the past 12 months and, accordingly, during 2009, there was a net divestment of capital amounting to £195.3 million compared with a net investment of £120.8 million in 2008. This comprised expenditure of £241.2 million (2008: £464.1 million), offset by sales proceeds of £436.5 million (2008: £343.3 million), including amounts relating to trading properties (which are included within operating cash flows).

	2009 £m	2008 £m
Capital expenditure on investment and development properties		
Land acquisitions	**49.7**	22.3
Acquisitions of income producing properties	**–**	118.6
Development expenditure	**161.3**	222.4
	211.0	363.3
Expenditure on trading properties	**25.0**	96.3
Expenditure on joint venture properties	**5.2**	4.5
Total capital expenditure	**241.2**	464.1
Less sales proceeds:		
– from disposals of investment properties	**(404.5)**	(201.5)
– from disposals of trading properties	**(6.9)**	(93.4)
– from disposals of joint ventures	**(25.1)**	(48.4)
Total sales proceeds	**(436.5)**	(343.3)
Net capital (divestment)/expenditure	**(195.3)**	120.8

Future development expenditure on projects currently in progress or committed will amount to approximately £20.8 million, with a further £7 million of commitments relating to land purchases.

TREASURY POLICIES AND GOVERNANCE

Group Treasury operates within a formal treasury policy covering all aspects of treasury activity including funding, counterparty exposure and management of interest rate, currency and liquidity risks. Group Treasury policies are reviewed by the Board at least once a year and Group Treasury reports on compliance with these policies on a quarterly basis to the Treasury Risk Committee which includes the Chief Executive and is chaired by the Finance Director.

FINANCIAL POSITION AND FUNDING

At 31 December 2009 the Group's net borrowings were £2,420.1 million (31 December 2008: £2,495.8 million) comprising gross borrowings of £2,532.8 million (31 December 2008: £2,661.6 million) and cash balances of £112.7 million (31 December 2008: £165.8 million).

Following the acquisition of Brixton, £245 million of borrowings drawn under Brixton bank facilities were immediately repaid and the facilities cancelled in full. The Group made a tender offer to Brixton bond holders as a result of which Brixton bonds with a face value of £264.4 million were repurchased on 28 August 2009 at a cash cost (excluding accrued interest) of £262.7 million. Brixton bonds with a face value of £365.5 million remain in place as part of the Group's debt portfolio.

In November 2009 SEGRO issued £300 million 6.75 per cent 12 year unsecured bonds with the majority of the proceeds being used to repay bank debt. All of the Group's unsecured bonds including the remaining Brixton bonds have a Fitch unsecured long-term senior debt rating of A-.

At 31 December 2009 the weighted average maturity of the gross borrowings of the Group was 9.5 years including the impact of a £270 million facility signed before year end but for which the final condition precedent was met on 29 January 2010. Secured borrowings at 31 December 2009 were £94.7 million representing just 4 per cent of the Group's total gross borrowings.

The market value of the gross borrowings of the Group at 31 December 2009 was £2,495 million, £38 million lower than the carrying value. The net market value of the Group's derivative portfolio of interest rate swaps and forward foreign exchange contracts at 31 December 2009 was a liability of £7.2 million.

GEARING AND FINANCIAL COVENANTS

The loan to value ratio (net debt divided by property assets) at 31 December 2009 was 47 per cent (2008: 53 per cent).

The adjusted gearing ratio of the Group at 31 December 2009 (consolidated net debt divided by consolidated net worth with deferred tax added back) was 91 per cent (2008: 119 per cent) significantly lower than the Group's tightest financial gearing covenant of 160 per cent. This covenant was increased from 125 per cent as part of the successful renegotiation of financial covenants with the Group's bankers in February 2009.

Property valuations would need to fall by more than 22 per cent from their 31 December 2009 values to reach the gearing covenant threshold of 160 per cent.

The Group's other key financial covenant is interest cover requiring that net interest before capitalisation be covered at least 1.25 times by net property rental income. At 31 December 2009 the Group comfortably met this ratio at 2.0 times (2008: 1.9 times).

LIQUIDITY POSITION

Funds availability at 31 December 2009, adjusted to include the £270 million bank facility in place at 31 December 2009, but only available from 29 January 2010, totalled £824.5 million comprising £112.7 million of cash and £711.8 million of undrawn bank facilities of which only £71.2 million were uncommitted.

GOING CONCERN

Whilst wider economic conditions remain challenging, as already described, the Group has completed significant refinancing activity during 2009 and, as a result, has a strong liquidity position, a favourable debt maturity profile, significant headroom against financial covenants and can reasonably expect to be able to continue to have good access to capital markets and other sources of funding.

Having made enquiries, the Directors have a reasonable expectation that the Company and the Group has 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.

DERIVATIVE CLOSE-OUTS

During the year a cash cost of £64.4 million was incurred in closing out SEGRO derivative positions, made up as follows:

- subsequent to the rights issue in March 2009, the Group closed out euro interest rate swaps that were no longer required for a cash cost of £42.4 million; and
- in order to adjust the hedge of foreign currency denominated assets with liabilities of the same currency, within the policy range of 60 per cent to 90 per cent, €200 million of net investment hedges were cancelled at a cash cost of £22.0 million.

In addition, on acquisition of Brixton, SEGRO closed out the entire Brixton derivatives portfolio for a cash cost of £126.3 million.

INTEREST RATE RISK EXPOSURE

The Group policy is that between 60 and 100 per cent of borrowings should be at fixed or capped rates.

At 31 December 2009, £1,979.2 million of gross borrowings were at fixed rates at an average rate of 6.0 per cent. Floating rate gross borrowings were at an average rate at 31 December 2009 (including margin) of 2.9 per cent giving a weighted average interest rate for gross borrowings at that date, before commitment fees and amortised costs of 5.3 per cent or 5.7 per cent after allowing for such items.

£1,639.6 million of fixed rate cover is provided by fixed rate bonds and notes with the remaining £339.6 million of fixed cover deriving from euro interest rate swaps, private placement notes and mortgages. The £300 million bond issued in November 2009 was swapped on issue date for the duration of the bond into sterling floating rates using interest rate swaps.

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

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

The Group policy is to hedge between 60 per cent and 90 per cent of foreign currency denominated assets with liabilities of the same currency to protect the Groups reported consolidated net asset value and financial gearing covenant.

As at 31 December 2009, the Group had gross foreign currency assets amounting to £1,899.9 million, which were 71 per cent hedged by gross foreign currency denominated liabilities of £1,340.7 million. A 10 per cent movement in the value of sterling at 31 December 2009 against all currencies in which the Group operates would have changed net assets by £62.1 million and adjusted gearing by less than 1 per cent.

DIVIDENDS

The Board recommends a final dividend of 9.4 pence per share. The final dividend will be paid on 6 May 2010 to shareholders on the register at the close of business on 6 April 2010. The total dividend for the year amounts to 14.0 pence. Subject to approval by shareholders, a scrip alternative will be offered for the final dividend. For shareholders taking up the scrip, this final dividend will not be treated as a Property Income Dividend (PID) for tax purposes. For shareholders taking the cash option, it will be paid as a PID.

David Sleath, Finance Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The statement of Directors' Responsibilities below has been prepared in connection with the Company's full Annual Report for the year ending 31 December 2009. Certain parts of the Annual Report have not been included in this announcement as set out in note 1 of the financial information.

'We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This responsibility statement was approved by the Board of Directors on 24 February 2010 and is signed on its behalf by:

Ian Coull
Chief Executive

David Sleath
Finance Director

GROUP INCOME STATEMENT[1]

For the year ended 31 December 2009

	Notes	**2009 £m**	2008 £m
Revenue	5	**365.5**	414.7
Gross rental income[2]	5	**328.4**	296.1
Property operating expenses[2]		**(59.0)**	(51.2)
Net rental income		**269.4**	244.9
Administration expenses	6	**(48.1)**	(42.6)
Share of profit/(loss) from joint ventures after tax	8	**4.6**	(7.4)
Property losses[3]	7	**(342.0)**	(986.5)
Gain on sale of investment in joint ventures	8	**12.9**	–
Other investment (loss)/income		**(8.0)**	1.7
Gain arising from bargain purchase	4	**8.6**	–
Operating loss		**(102.6)**	(789.9)
Finance income	9	**13.6**	15.1
Finance costs	10	**(159.1)**	(164.4)
Loss before tax		**(248.1)**	(939.2)
Tax	11	**14.0**	1.1
Loss after tax		**(234.1)**	(938.1)
Attributable to equity shareholders		**(233.1)**	(938.1)
Attributable to minority interests		**(1.0)**	–
		(234.1)	(938.1)
Earnings per share[4]			
Basic and diluted loss per share	13	**(41.3p)**	(312.2p)

Notes

1. All activities during the year are derived from continuing operations.

2. Service charge income was presented within gross rental income in prior years, however at 31 December 2009 it is presented net against property operating expenses. Prior period comparables also have been adjusted.

3. Property losses includes valuation deficits on investment and development properties. Previously, development properties were accounted for under IAS 16, but are now accounted for under IAS 40. This change has meant that with effect from 1 January 2009, revaluation surpluses and deficits on development properties are now recognised in the income statement rather than equity. There is no impact on previously reported figures in respect of this change, as prior year comparatives are not required to be restated.

4. Comparative earnings per share have been restated following the rights issue on 7 April 2009 and share consolidation effective from 31 July 2009. Further information on this is included in note 13.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	**2009 £m**	2008 £m
Loss for the year		**(234.1)**	(938.1)
Other comprehensive income			
Foreign exchange movement arising on translation of international operations		**(35.5)**	64.8
Valuation surplus on development properties (prior to 1 January 2009)	7	**–**	18.0
Valuation deficit on owner occupied properties	7	**(2.0)**	(2.1)
Actuarial loss on defined benefit pension schemes		**(3.8)**	(17.2)
Decrease in value of available-for-sale investments		**–**	(3.8)
Tax on items taken directly to equity		**1.9**	(0.5)
Net (loss)/gain recognised directly in equity		**(39.4)**	59.2
Transfer to income statement on sale and impairment of available-for-sale investments		**(1.9)**	(1.4)
Total comprehensive loss for the year		**(275.4)**	(880.3)
Attributable to equity shareholders		**(274.4)**	(881.6)
Attributable to minority interests		**(1.0)**	1.3
Total comprehensive loss for the year		**(275.4)**	(880.3)

GROUP BALANCE SHEET

As at 31 December 2009

	Notes	**2009 £m**	2008 £m
Assets			
Non-current assets			
Goodwill		**1.0**	1.0
Investment and development properties	14	**4,825.3**	4,311.1
Owner occupied properties		**8.1**	11.1
Plant and equipment		**7.5**	9.1
Investments in joint ventures	8	**79.3**	67.5
Finance lease receivables		**8.9**	10.2
Available-for-sale investments		**25.9**	41.9
		4,956.0	4,451.9
Current assets			
Trading properties	14	**337.8**	357.8
Trade and other receivables		**109.2**	136.2
Cash and cash equivalents		**112.7**	165.8
Tax recoverable		**3.6**	1.2
Finance lease receivables		**–**	0.2
		563.3	661.2
Total assets		**5,519.3**	5,113.1
Liabilities			
Non-current liabilities			
Borrowings	15	**2,187.6**	2,575.3
Deferred tax provision	16	**56.9**	78.2
Other provisions for liabilities and charges		**16.3**	7.1
Trade and other payables		**15.4**	17.5
		2,276.2	2,678.1
Current liabilities			
Borrowings	15	**345.2**	86.3
Tax liabilities		**41.2**	25.6
Trade and other payables		**263.5**	313.9
		649.9	425.8
Total liabilities		**2,926.1**	3,103.9
Net assets		**2,593.2**	2,009.2
Equity			
Share capital	17	**73.5**	118.3
Share premium		**1,047.6**	370.6
Capital redemption reserve		**113.9**	–
Own shares held		**(13.5)**	(13.4)
Revaluation reserve		**0.1**	438.4
Other reserves		**196.8**	36.6
Retained earnings		**1,174.1**	1,057.0
Total shareholders' equity		**2,592.5**	2,007.5
Minority interests		**0.7**	1.7
Total equity		**2,593.2**	2,009.2
Net assets per ordinary share(1)			
Basic and Diluted	13	**354p**	668p

Note:

1. Comparative net assets per ordinary share have been restated following the rights issue on 7 April 2009 and share consolidation effective from 31 July 2009. Further information on this is included in note 13.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Balance 1 January 2009 £m	**Exchange movement £m**	**Retained loss £m**	**Items taken directly to reserves £m**	**Shares (cancelled)/ issued £m**	**Other £m**	**Dividend paid £m**	**Transfers (3) £m**	**Balance 31 December 2009 £m**
Ordinary share capital	**118.3**	**–**	**–**	**–**	**(44.8)**	**–**	**–**	**–**	**73.5**
Share premium	**370.6**	**–**	**–**	**–**	**677.0**	**–**	**–**	**–**	**1,047.6**
Capital redemption reserve	**–**	**–**	**–**	**–**	**113.9**	**–**	**–**	**–**	**113.9**
Own shares held	**(13.4)**	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(13.5)**
Revaluation reserve[1]	**438.4**	**(11.1)**	**–**	**(1.2)**	**–**	**–**	**–**	**(426.0)**	**0.1**
Other reserves:									
Share based payments reserve	**3.9**	**–**	**–**	**–**	**–**	**1.1**	**–**	**(2.4)**	**2.6**
Fair value reserve for AFS[2]	**8.1**	**(0.7)**	**–**	**–**	**–**	**(2.6)**	**–**	**–**	**4.8**
Translation and other reserves	**24.6**	**(3.5)**	**–**	**–**	**–**	**–**	**–**	**(0.8)**	**20.3**
Merger reserve	**–**	**–**	**–**	**–**	**169.1**	**–**	**–**	**–**	**169.1**
Total other reserves	**36.6**	**(4.2)**	**–**	**–**	**169.1**	**(1.5)**	**–**	**(3.2)**	**196.8**
Retained earnings	**1,057.0**	**(20.2)**	**(233.1)**	**(3.8)**	**–**	**–**	**(55.0)**	**429.2**	**1,174.1**
Total equity attributable to equity shareholders	**2,007.5**	**(35.5)**	**(233.1)**	**(5.0)**	**915.2**	**(1.6)**	**(55.0)**	**–**	**2,592.5**
Minority interests	**1.7**	**–**	**(1.0)**	**–**	**–**	**–**	**–**	**–**	**0.7**
Total equity	**2,009.2**	**(35.5)**	**(234.1)**	**(5.0)**	**915.2**	**(1.6)**	**(55.0)**	**–**	**2,593.2**

For the year ended 31 December 2008

	Balance 1 January 2008 £m	Exchange movement £m	Retained loss £m	Items taken directly to reserves £m	Shares issued £m	Other £m	Dividend paid £m	Transfers(3) £m	Balance 31 December 2008 £m
Ordinary share capital	118.1	–	–	–	0.2	–	–	–	118.3
Share premium	368.9	–	–	–	1.7	–	–	–	370.6
Own shares held	(16.8)	–	–	–	–	3.4	–	–	(13.4)
Revaluation reserve[1]	1,535.7	42.6	–	14.0	–	–	–	(1,153.9)	438.4
Other reserves:									
Share based payments reserve	9.8	–	–	–	–	(5.2)	–	(0.7)	3.9
Fair value reserve for AFS[2]	9.6	2.3	–	(2.4)	–	(1.4)	–	–	8.1
Translation and other reserves	46.6	(22.0)	–	–	–	–	–	–	24.6
Total other reserves	66.0	(19.7)	–	(2.4)	–	(6.6)	–	(0.7)	36.6
Retained earnings	917.1	41.9	(938.1)	(17.2)	–	–	(100.0)	1,153.3	1,057.0
Total equity attributable to equity shareholders	2,989.0	64.8	(938.1)	(5.6)	1.9	(3.2)	(100.0)	(1.3)	2,007.5
Minority interests	0.7	–	–	–	–	(0.3)	–	1.3	1.7
Total equity	2,989.7	64.8	(938.1)	(5.6)	1.9	(3.5)	(100.0)	–	2,009.2

1. The revaluation reserve is shown net of deferred tax.

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

3. Revaluation movements on development properties, now under IAS 40, are taken through the income statement. Following this change in treatment it is considered more appropriate and consistent for cumulative revaluation movements on investment and development properties to be presented in retained earnings rather than revaluation reserve. A transfer to effect this reclassification has been made during the period accordingly.

CASH FLOW STATEMENT

For the year ended 31 December 2009

	Notes	**2009 £m**	2008 £m
Cash flows from operating activities	18(i)	**222.1**	226.0
Interest received on deposits and loans		**3.7**	14.2
Dividends received		**12.9**	6.5
Interest paid		**(148.4)**	(174.3)
Tax paid		**(11.0)**	(59.1)
Net cash received from/(used in) operating activities		**79.3**	13.3
Cash flows from investing activities			
Net cash inflow arising on the acquisition of Brixton	4	**54.7**	–
Sale of US property business (net of cash disposed of)		**–**	(7.3)
Tax paid on sale of US property business		**–**	(217.0)
Sale of Slough Heat & Power (net of cash disposed of)		**–**	(6.2)
Purchase and development of investment and development properties		**(187.5)**	(283.2)
Sale of investment and development properties		**396.2**	199.9
Purchase of property, plant and equipment		**(3.7)**	(120.6)
Sale of property, plant and equipment		**0.2**	1.2
Purchase of available-for-sale investments		**(2.3)**	(3.8)
Sale of available-for-sale investments		**2.9**	8.6
Sale of investment in joint ventures		**25.1**	–
Investments and loans to joint ventures		**(5.2)**	(0.7)
Loan repayments by joint ventures		**11.9**	0.5
Transfer from restricted deposits		**–**	4.1
Net cash received from/(used in) investing activities		**292.3**	(424.5)
Cash flows from financing activities			
Dividends paid to ordinary shareholders		**(59.2)**	(100.6)
Proceeds from new bonds and notes		**296.2**	615.3
Repayment of bonds and notes		**–**	(223.3)
Net decrease in other borrowings		**(675.7)**	(109.6)
Cost of early closure of financial derivatives		**(64.4)**	–
Close out of Brixton debt and derivatives	4	**(634.0)**	–
Proceeds from the issue of ordinary shares		**741.4**	1.9
Purchase of own shares		**–**	(0.4)
Net cash (used in)/received from financing activities		**(395.7)**	183.3
Net (decrease)/increase in cash and cash equivalents		**(24.1)**	(227.9)
Cash and cash equivalents at the beginning of the year		**162.5**	340.2
Effect of foreign exchange rate changes		**(26.5)**	50.2
Cash and cash equivalents at the end of the year		**111.9**	162.5
Cash and cash equivalents per balance sheet		**112.7**	165.8
Bank overdrafts		**(0.8)**	(3.3)
Cash and cash equivalents per cash flow		**111.9**	162.5

1. FINANCIAL INFORMATION

The preliminary financial information (financial information) set out in this announcement does not constitute the consolidated statutory accounts for the years ended 31 December 2008 and 2009, but is derived from those Accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Company's Annual General Meeting. The external auditors, Deloitte LLP, have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

Giving due consideration to the nature of the Group's business and financial position, including the financial resources available to the Group, the Directors consider that the Company and the Group are going concerns and this financial information is prepared on that basis.

The financial information set out in this announcement is based on the consolidated financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the European Union and complies with the disclosure requirements of the Listing Rules of the UK Financial Services Authority. The financial information is in accordance with the accounting policies set out in the 2008 financial statements except for adoption of new accounting standards in 2009, the most significant of which are outlined below.

During 2009 the Group has adopted the IASB's Annual Improvements of IFRSs as they relate to development properties, IFRS 8 'Operating Segments' and IAS 1 'Presentation of Financial Statements' (revised 2007).

Previously, development properties were accounted for under IAS 16, but are now accounted for under IAS 40. This change has meant that with effect from 1 January 2009, revaluation surpluses and deficits on development properties are now recognised in the income statement rather than in equity. There is no impact on previously reported figures in respect of this change, as prior year comparatives are not required to be restated.

IFRS 8 'Operating Segments' is effective from 1 January 2009, resulting in a change to presentation and disclosure of the Group's segmental analysis, whereby business segments are no longer shown.

IAS 1 (revised 2007) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a statement of changes in equity for each period is presented.

The amendments to IFRS 7 'Financial Instruments: Disclosures' expand the disclosures required in respect of fair value measurements and liquidity risk.

The Group also adopted IAS 23 (revised 2007), Borrowing Costs and IFRIC 15, Agreements for the Construction of Real Estate, none of which materially impact the current or prior year reported results.

Following the rights issue and share consolidation the comparative earnings per share and net assets per share calculations have been restated as discussed in more detail in note 13. This restatement has not impacted the income statement or balance sheet and therefore, since it has not changed from the previously presented figures, a balance sheet at 31 December 2007 has not been shown.

The principal exchange rates used to translate foreign currency denominated amounts are:

Balance sheet: £1 = €1.13 (31 December 2008: £1 = €1.05)

Income statement: £1 = €1.12 (2008: £1 = €1.26)

2 ADJUSTED PROFIT BEFORE TAX

	2009 £m	2008 £m
Loss before tax	**(248.1)**	(939.2)
Adjustments:		
Exceptional administration expenses	**7.8**	2.6
Loss on sale of investment and development properties	**54.7**	34.8
Valuation deficit on investment and development properties	**271.8**	975.6
Gain on sale of investment in joint ventures	**(12.9)**	–
Adjustments to the share of profit/(loss) from joint ventures after tax(1)	**(6.1)**	17.3
Gain arising from bargain purchase	**(8.6)**	–
Fair value gain on interest rate swaps and other derivatives	**(8.4)**	(3.8)
Fair value loss on interest rate swaps and other derivatives	**26.3**	36.6
Total adjustments	**324.6**	1,063.1
Adjusted profit before tax – previous reporting basis	**76.5**	123.9
Additional adjustments:		
Profit on sale of trading properties	**(0.6)**	(27.9)
Increase in provision for impairment of trading properties	**16.1**	4.0
Additional adjustments to the share of profit/(loss) from joint ventures after tax(1)	**4.3**	(9.0)
Other investment loss/(income)	**8.0**	(1.7)
Total additional adjustments	**27.8**	(34.6)
Adjusted profit before tax – recurring rental profits	**104.3**	89.3

1. A detailed breakdown of the adjustments and additional adjustments to the share of profit/(loss) from joint ventures are included in note 8.

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

'Adjusted profit before tax – previous reporting basis' relates to the Group's profit before tax adjusting for investment, development and owner occupied property gains and losses (whether realised or unrealised), fair value of derivatives gains or losses and excluding exceptional items. This approach is consistent with adjusted profit as reported in prior periods.

'Adjusted profit before tax – recurring rental profits' includes additional adjustments for trading property gains and losses (whether realised or unrealised) and other investment income. In March 2009, the Group revised its dividend policy such that, from 2009 onwards, dividends will be based upon underlying recurring rental earnings which excludes trading property gains/losses and other investment income. This approach is therefore consistent with the new dividend policy and relates to the Group's core property rental business. It is intended to adopt this approach as the Group's core 'Adjusted profit' metric for reporting purposes going forward.

3. SEGMENTAL ANALYSIS

Adoption of IFRS 8, Operating Segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has resulted in only geographical segments being disclosed on a consistent basis with prior year.

	United Kingdom		Continental Europe		Group	
Geographical segments	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Segment revenue	**219.8**	218.8	**145.7**	195.9	**365.5**	414.7
Gross rental income – investment properties	**205.7**	194.5	**100.6**	85.6	**306.3**	280.1
– trading properties	**1.3**	–	**20.8**	16.0	**22.1**	16.0
Gross rental income	**207.0**	194.5	**121.4**	101.6	**328.4**	296.1
Property operating expenses – investment properties	**(40.8)**	(38.5)	**(15.0)**	(9.0)	**(55.8)**	(47.5)
– trading properties	**(0.2)**	(0.2)	**(3.0)**	(3.5)	**(3.2)**	(3.7)
Property operating expenses	**(41.0)**	(38.7)	**(18.0)**	(12.5)	**(59.0)**	(51.2)
Net rental income – investment properties	**164.9**	156.0	**85.6**	76.6	**250.5**	232.6
– trading properties	**1.1**	(0.2)	**17.8**	12.5	**18.9**	12.3
Net rental income	**166.0**	155.8	**103.4**	89.1	**269.4**	244.9
Administration expenses (excluding exceptional items)	**(24.5)**	(21.3)	**(15.8)**	(18.7)	**(40.3)**	(40.0)
Share of joint ventures' recurring rental profit after tax	**2.6**	1.9	**0.2**	(1.0)	**2.8**	0.9
Adjusted operating profit before interest and tax	**144.1**	136.4	**87.8**	69.4	**231.9**	205.8
Net finance costs	**(86.9)**	(63.1)	**(40.7)**	(53.4)	**(127.6)**	(116.5)
Adjusted profit before tax – recurring rental profits	**57.2**	73.3	**47.1**	16.0	**104.3**	89.3
Exceptional administration expenses	**(7.8)**	(2.6)	**–**	–	**(7.8)**	(2.6)
Adjustments to the share of profit/(loss) from joint ventures after tax[1]	**1.8**	(17.7)	**–**	9.4	**1.8**	(8.3)
Loss on sale of investment and development properties	**(52.2)**	(34.8)	**(2.5)**	–	**(54.7)**	(34.8)
Valuation deficit on investment and development properties	**(100.2)**	(925.5)	**(171.6)**	(50.1)	**(271.8)**	(975.6)
Gain on sale of investment in joint ventures	**12.9**	–	**–**	–	**12.9**	–
(Loss)/profit on sale of trading properties	**(0.1)**	4.0	**0.7**	23.9	**0.6**	27.9
(Increase)/decrease in provision for impairment of trading properties	**(0.3)**	0.6	**(15.8)**	(4.6)	**(16.1)**	(4.0)
Gain arising from bargain purchase	**8.6**	–	**–**	–	**8.6**	–
Other investment (loss)/income	**(8.0)**	1.7	**–**	–	**(8.0)**	1.7
Net fair value loss on interest rate swaps and other derivatives	**(9.4)**	(18.3)	**(8.5)**	(14.5)	**(17.9)**	(32.8)
Loss before tax	**(97.5)**	(919.3)	**(150.6)**	(19.9)	**(248.1)**	(939.2)
Summary balance sheet						
Total property assets	**3,423.7**	2,607.7	**1,747.5**	2,072.3	**5,171.2**	4,680.0
Net borrowings	**(1,090.7)**	(1,220.7)	**(1,329.4)**	(1,275.1)	**(2,420.1)**	(2,495.8)
Other net (liabilities)/assets	**(425.4)**	(105.1)	**267.5**	(69.9)	**(157.9)**	(175.0)
Segment net assets	**1,907.6**	1,281.9	**685.6**	727.3	**2,593.2**	2,009.2
Capital expenditure in the year	**143.2**	105.7	**98.0**	358.4	**241.2**	464.1

1. A detailed breakdown of the adjustments to the share of profit/(loss) from joint ventures are included in note 8.

4. ACQUISITIONS

Brixton plc

On 24 August 2009, the Group acquired 100 per cent of the voting equity in Brixton, in a share for share exchange for £186.8 million. Brixton was previously an investor in industrial and warehousing property in the UK, listed on the London Stock Exchange. The benefits of the transaction are discussed more fully in the Financial Review.

The acquisition has been accounted for in accordance with IFRS 3, Business Combinations. A gain arose on acquisition which has been immediately credited to the income statement, shown separately as gain arising from bargain purchase. Details of the book values and the fair values of the assets and liabilities at the date of the acquisition, after making the necessary adjustments described below, are summarised as follows:

	Book values £m	Fair value adjustment £m	Fair value Total £m
Non-current assets – investment properties	1,143.7	–	1,143.7
Non-current assets – other	43.7	(0.8)	42.9
Receivables	21.0	(12.1)	8.9
Cash	67.7	–	67.7
Derivatives	(134.3)	–	(134.3)
Other current liabilities	(65.0)	–	(65.0)
Non-current liabilities – debt	(873.9)	15.9	(858.0)
Deferred tax liability	(4.6)	–	(4.6)
Other non-current liabilities	(5.9)	–	(5.9)
Net assets at date of acquisition	192.4	3.0	**195.4**
Total consideration for net assets acquired			**(186.8)**
Gain arising on bargain purchase			**8.6**

Fair value adjustments arise on debt, receivables and non-current assets. The book value of Brixton bonds was based on amortised cost at acquisition and therefore adjusted to fair value. Fair value was ascertained using comparable instruments actively traded. Receivables have been adjusted in respect of tenant incentive balances for rent free periods and letting fees paid prior to acquisition being written off. Receivables are stated net of £0.8 million bad debt provision. The non-current assets adjustment is in relation to the carrying value of joint ventures where tenant incentive balances have been adjusted as described above and the write off of Group's share of capitalised finance costs.

The enterprise value of the acquisition is £1,111.4 million and is calculated by adding back net debt and derivatives to total consideration for net assets acquired.

Consideration is made up as follows:

	£m
Market value of shares issued in exchange for net assets	173.8
Expenses paid	13.0
Total consideration for net assets acquired	**186.8**
Less non-cash consideration	(173.8)
Less cash acquired	(67.7)
Net cash inflow arising on acquisition	**(54.7)**
Settlement of bank borrowings	245.0
Buy back of bonds	262.7
Settlement of derivatives	126.3
Net cash outflow arising on closing out Brixton debt and derivatives	**634.0**

If the acquisition had been made at the beginning of the year, the results of continuing operations would have been as follows:

	Continuing Group results* £m	Pre-acquisition £m	Total £m
Revenue	365.5	52.5	418.0
Loss before tax	(248.1)	(403.3)	(651.4)
Tax	14.0	(13.6)	0.4
(Loss)/profit after tax	**(234.1)**	**(416.9)**	**(651.0)**

* The Group results include the post-acquisition results of Brixton. The profit before tax of Brixton, since the date of acquisition to 31 December 2009, amounts to £100.0 million.

There were no recognised gains or losses in the period other than the profit attributable to shareholders.

5. REVENUE

	2009 £m	2008 £m
Rental income received from investment properties	**295.8**	264.0
Rental income from short term licences	**0.5**	0.9
Rent averaging	**5.7**	4.9
Surrender premiums	**3.6**	9.5
Interest received on finance lease assets	**0.7**	0.8
Investment property rental income	**306.3**	280.1
Trading property rental income	**22.1**	16.0
Gross rental income	**328.4**	296.1
Service charge income	**30.2**	25.3
Proceeds from sale of trading properties	**6.9**	93.3
Total revenue	**365.5**	414.7

6. ADMINISTRATION EXPENSES

	2009 £m	2008 £m
Directors' remuneration	**3.6**	3.7
Depreciation	**2.1**	2.0
Other administration expenses	**34.6**	34.3
Administration expenses – excluding exceptional items	**40.3**	40.0
Exceptional administration expenses	**7.8**	2.6
Total administration expenses	**48.1**	42.6

Exceptional administration expenses in 2009 relate to one-off integration costs in relation to the acquisition of Brixton. Exceptional administration expenses in 2008 relate to costs incurred as a result of the business restructure that occurred in September of that year.

7. PROPERTY (LOSS)/GAIN

	2009 £m	2008 £m
Loss on sale of investment and development properties	**(54.7)**	(34.8)
Valuation deficit on investment and development (from 1 January 2009) properties	**(271.2)**	(975.5)
Valuation deficit on owner occupied properties	**(0.6)**	(0.1)
Profit on sale of trading properties	**0.6**	27.9
Increase in provision for impairment of trading properties	**(16.1)**	(4.0)
Total property loss per income statement	**(342.0)**	(986.5)
Valuation surplus on development properties (prior to 1 January 2009)	**–**	18.0
Valuation deficit on owner occupied properties	**(2.0)**	(2.1)
Total property (loss)/profit – other comprehensive income	**(2.0)**	15.9
Total property loss	**(344.0)**	(970.6)

Total property loss is broken down between realised and unrealised as follows:

	2009 £m	2008 £m
Realised loss	**(54.1)**	(6.9)
Unrealised loss	**(289.9)**	(963.7)

Previously, development properties were accounted for under IAS 16, but are now accounted for under IAS 40. This change has meant that with effect from 1 January 2009, revaluation surpluses and deficits on development properties are now recognised in the income statement rather than equity. There is no impact on previously reported figures in respect of this change, as prior year comparatives are not required to be restated.

For further details on the Group's portfolio, including details of the property gains and losses, please refer to the Property Analysis booklet available at www.SEGRO.com/property analysis. The information in the Property Analysis booklet is unaudited and does not form part of the financial statements.

8. INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

8(i) – Share of profit/(loss) from joint ventures after tax

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

	Helio Slough Limited £m	Shopping Centres Limited £m	Colnbrook Industrial Ltd Partnership £m	Heathrow Big Box Industrial and Distribution Fund £m	Other £m	2009 £m	2008 £m
Gross rental income	0.4	5.7	0.8	2.5	3.5	**12.9**	9.4
Property operating expenses	(1.4)	(0.4)	(0.1)	(0.1)	(0.6)	**(2.6)**	(2.2)
Net rental income	(1.0)	5.3	0.7	2.4	2.9	**10.3**	7.2
Net finance costs	(0.7)	(2.9)	–	(0.9)	(1.6)	**(6.1)**	(5.6)
Adjusted profit/(loss) before tax	(1.7)	2.4	0.7	1.5	1.3	**4.2**	1.6
Tax on adjusted operating profit/(loss)	–	(0.7)	–	–	(0.7)	**(1.4)**	(0.7)
Adjusted profit/(loss) after tax	(1.7)	1.7	0.7	1.5	0.6	**2.8**	0.9
Adjustments – previous reporting basis							
Profit on sale of investment and development properties	–	–	–	–	1.7	**1.7**	–
Valuation surplus/(deficit) on investment and development properties	–	–	(0.5)	5.3	(0.3)	**4.5**	(20.5)
Net fair value (loss)/gain on interest rate swaps and other derivatives	–	–	–	(0.5)	0.2	**(0.3)**	–
Tax on adjustments	–	–	–	–	0.2	**0.2**	3.2
Total adjustments – previous reporting basis	–	–	(0.5)	4.8	1.8	**6.1**	(17.3)
Additional adjustments							
(Loss)/profit on sale of trading properties	(0.3)	–	–	–	0.1	**(0.2)**	16.7
Increase in provision for impairment of trading properties	(4.0)	–	–	–	(0.1)	**(4.1)**	(3.3)
Tax on additional adjustments	–	–	–	–	–	**–**	(4.4)
Total additional adjustments	(4.3)	–	–	–	–	**(4.3)**	9.0
Total adjustments	(4.3)	–	(0.5)	4.8	1.8	**1.8**	(8.3)
Profit/(loss) after tax	(6.0)	1.7	0.2	6.3	2.4	**4.6**	(7.4)

Trading properties held by joint ventures were externally valued resulting in an increase in the provision for impairment of £4.1 million (2008 £3.3 million). Based on the fair value at 31 December 2009, the Group's share of joint ventures' trading property portfolio has an unrecognised surplus of £5.0 million (2008 £10.7 million).

8(ii) – Summarised balance sheet information of the Group's share of joint ventures.

	Helio Slough Limited £m	SAS Portes de France £m	Colnbrook Industrial Ltd Partnership £m	Heathrow BigBox Industrial and Distribution Fund £m	Other £m	2009 £m	2008 £m
Investment and development properties	–	–	11.3	84.1	4.9	**100.3**	94.5
Total non-current assets	–	–	11.3	84.1	4.9	**100.3**	94.5
Trading properties	7.8	–	–	–	34.9	**42.7**	47.2
Other receivables	0.1	0.3	0.2	0.7	7.6	**8.9**	8.7
Cash	–	1.1	0.4	1.2	0.7	**3.4**	29.7
Total current assets	7.9	1.4	0.6	1.9	43.2	**55.0**	85.6
Total assets	7.9	1.4	11.9	86.0	48.1	**155.3**	180.1
Borrowings	–	–	–	45.0	0.7	**45.7**	76.8
Deferred tax	–	–	–	–	1.3	**1.3**	8.6
Other liabilities	1.6	–	–	–	6.3	**7.9**	0.3
Total non-current liabilities	1.6	–	–	45.0	8.3	**54.9**	85.7
Borrowings	–	–	–	1.0	13.0	**14.0**	4.3
Other liabilities	1.2	1.1	0.3	2.2	2.3	**7.1**	22.6
Total current liabilities	1.2	1.1	0.3	3.2	15.3	**21.1**	26.9
Total liabilities	2.8	1.1	0.3	48.2	23.6	**76.0**	112.6
Group's share of net assets	5.1	0.3	11.6	37.8	24.5	**79.3**	67.5

8(iii) – Investments by the Group

	2009 £m	2008 £m
Cost or valuation at 1 January	**67.5**	73.4
Exchange movement	**(3.4)**	7.6
Acquisition	**42.4**	–
Disposals	**(12.2)**	(0.5)
Loan (repayments)/additions	**(6.7)**	0.7
Dividends received	**(12.9)**	(6.3)
Share of profit/(loss) after tax	**4.6**	(7.4)
Cost or valuation at 31 December	**79.3**	67.5

The amount of loans advanced by the Group to joint ventures is £152.0 million (2008 £49.5 million). The Group's investment (50 per cent stake) in Shopping Centres Limited was sold in December 2009 for net proceeds of £25.1 million, resulting in a profit on sale of £12.9 million.

9. FINANCE INCOME

	2009 £m	2008 £m
Interest received on bank deposits	**3.7**	10.2
Fair value gain on interest rate swaps and other derivatives	**8.4**	3.8
Return on pension assets less unwinding of discount on pension liabilities	**–**	1.0
Exchange differences	**1.5**	0.1
	13.6	15.1

10. FINANCE COSTS

	2009 £m	2008 £m
Interest on overdrafts and loans	**139.5**	134.2
Unwinding of discount on the pension liabilities less return on assets	**0.2**	0.1
Total borrowing costs	**139.7**	134.3
Less amounts capitalised on the development of properties	**(6.9)**	(6.5)
Net borrowing costs	**132.8**	127.8
Fair value loss on interest rate swaps and other derivatives	**26.3**	36.6
Total finance costs	**159.1**	164.4

The interest capitalisation rates for 2009 were: UK 6.25 per cent (2008 6.25 per cent) and in Continental Europe, rates ranging from 1.7 per cent to 5.0 per cent (2008 3.33 per cent to 6.07 per cent). Interest is capitalised gross of tax relief.

11. TAX

	2009 £m	2008 £m
Tax on		
Adjusted profit before tax – recurring rental profits	**1.5**	3.3
Trading property sales and impairment and other investment income	**0.2**	0.7
Investment property sales and revaluations and fair value of derivatives	**(15.7)**	(5.1)
Total tax credit	**(14.0)**	(1.1)
Current tax		
United Kingdom		
Adjustments in respect of earlier years	**–**	0.1
	–	0.1
International		
Current tax charge	**3.1**	3.4
SIIC conversion charge	**–**	1.2
Adjustments in respect of earlier years	**1.1**	–
	4.2	4.6
Total current tax charge	**4.2**	4.7
Deferred tax		
Released on conversion to SIIC/REIT in respect of investment properties	**–**	(1.1)
Origination and reversal of temporary differences	**6.4**	5.4
Released in respect of property disposals in the year	**(4.4)**	(0.6)
On valuation movements	**(22.7)**	(7.1)
Total deferred tax in respect of investment properties	**(20.7)**	(3.4)
Other deferred tax	**2.5**	(2.4)
Total deferred tax credit	**(18.2)**	(5.8)
Total tax credit on loss on ordinary activities	**(14.0)**	(1.1)

12. DIVIDENDS

	2009 £m	2008 £m
Ordinary dividends paid		
Interim dividend for 2009 @ 4.6 pence per share	**31.6**	–
Final dividend for 2008 @ 5.4 pence per share	**23.4**	–
Interim dividend for 2008 @ 8.3 pence per share	**–**	36.1
Final dividend for 2007 @ 14.7 pence per share	**–**	63.9
	55.0	100.0

The Board has proposed a final dividend for 2009 of 9.4 pence (2008 5.4 pence) which will result in further distribution of £69.0 million (2008 £23.4 million). The total dividend paid and proposed per share in respect of the year ended 31 December 2009 is 14.0 pence (2008 13.7 pence). The comparative per share data is based on the actual number of shares in issue at the time.

13. 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 year end. Both earnings per share and net assets per share calculations exclude 1.3 million shares held on trust for employee share schemes (2008 1.5 million).

On 7 April 2009, the Company issued 5,240.7 million new ordinary shares (pre-share consolidation) through a rights issue. The rights issue was offered at 10 pence per share and represented a discount to the fair value of the existing shares. The number of shares used for prior year calculations of earnings per share and net assets per share shown below have been adjusted for the discounted rights issue in order to provide a comparable basis for the current year. An adjustment factor of 6.92 has been applied based on the Company's share price of 136.5 pence per share on 20 March 2009, the day before the new shares commenced trading on the London Stock Exchange and the theoretical ex-rights price at that date of 19.73 pence per share. In addition, the impact of the 10 for 1 share consolidation has also resulted in an adjustment to the prior period comparables. Note 17 provides further detail on the rights issue and the share consolidation. As discussed in note 1, these adjustments to comparative earnings per share and net assets per share calculations have not impacted the income statement or balance sheet and therefore, since it has not changed from the previously presented figures, a balance sheet at 31 December 2007 has not been shown.

13(i) – Earnings per ordinary share

	2009			2008		
	Earnings £m	**Shares million**	**Pence per share**	Earnings £m	Shares million	Pence per share
Basic EPS	**(233.1)**	**563.8**	**(41.3)**	(938.1)	300.5	(312.2)
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**0.2**	**–**	–	–	–
Diluted EPS	**(233.1)**	**564.0**	**(41.3)**	(938.1)	300.5	(312.2)
Adjusted EPS						
Adjustments to profit before tax*	**324.6**		**57.6**	1,063.1		353.8
SIIC conversion charge	**–**		**–**	1.2		0.4
Deferred tax on investment and development property which does not crystallise unless sold	**(14.4)**		**(2.6)**	(3.4)		(1.1)
Other deferred tax	**(1.8)**		**(0.3)**	(1.7)		(0.6)
Other current tax	**0.5**		**0.1**	–		–
Minority interest on adjustments	**(0.4)**		**(0.1)**	0.4		0.1
Adjusted EPS – previous reporting basis – diluted	**75.4**		**13.4**	121.5		40.4
Additional adjustments*	**27.8**		**4.9**	(34.6)		(11.5)
Tax on additional adjustments	**0.2**		**–**	0.7		0.2
Adjusted EPS – recurring rental profits – diluted	**103.4**	**564.0**	**18.3**	87.6	300.5	29.1

* See note 2 for explanation of basis of adjustments.

The adjusted EPS calculation is the same for both diluted and basic for the previous reporting basis and the recurring rental profits basis.

13(ii) – Net assets per share

	2009			2008		
	Equity attributable to ordinary shareholders £m	**Shares million**	**Pence per share**	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic NAV	**2,592.5**	**733.0**	**354**	2,007.5	300.7	668
Dilution adjustments:						
Share options and save as you earn schemes	**–**	**0.2**	**–**	–	–	–
Diluted NAV	**2,592.5**	**733.2**	**354**	2,007.5	300.7	668
Adjusted NAV						
Adjustments for deferred tax on investment properties:						
– depreciation	**54.6**		**7**	53.6		18
– valuation surpluses	**5.5**		**1**	33.8		12
Adjusted diluted NAV	**2,652.6**	**733.2**	**362**	2,094.9	300.7	698
Adjusted basic NAV	**2,652.6**	**733.0**	**362**	2,094.9	300.7	698
Triple net NAV (NNNAV)						
Fair value adjustment in respect of debt	**38.0**		**5**	409.0		136
Tax effect of fair value adjustment in respect of debt	**(10.6)**		**(1)**	(116.6)		(39)
Deferred tax in respect of depreciation	**(54.6)**		**(7)**	(53.6)		(18)
Deferred tax in respect of valuation surpluses	**(5.5)**		**(1)**	(33.8)		(12)
Fair value adjustment in respect of trading properties	**27.1**		**4**	50.2		17
Diluted triple net NAV (NNNAV)	**2,647.0**	**733.2**	**362**	2,350.1	300.7	782
Basic triple net NAV (NNNAV)	**2,647.0**	**733.0**	**362**	2,350.1	300.7	782

As noted above, the number of shares used in the prior period net assets per share calculations have been adjusted for the rights issue (using an adjustment factor of 6.92) and the share consolidation. Net assets per share previously reported at 31 December 2008 were 462 pence and 482 pence for diluted and adjusted diluted, respectively. On a pro forma basis adjusting for the effects of the rights issue as if it had occurred on 31 December 2008, net assets per share at that date would be 443 pence and 459 pence for diluted and adjusted diluted, respectively.

14. PROPERTIES

14(i) – Investment and development properties

	Investment £m	Development £m	Total £m
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)	–
Transfer from 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**
At 1 January 2009	**3,935.0**	**334.6**	**4,269.6**
Reclassification	**(105.9)**	**105.9**	**–**
Exchange movement	**(101.3)**	**(18.6)**	**(119.9)**
Acquisitions arising from business combinations	**1,105.4**	**36.8**	**1,142.2**
Other acquisitions	**–**	**49.7**	**49.7**
Additions	**9.0**	**152.3**	**161.3**
Disposals	**(445.3)**	**(8.0)**	**(453.3)**
Transfers to investment property on completion of development	**191.4**	**(191.4)**	**–**
Revaluation deficit during the year	**(204.6)**	**(66.6)**	**(271.2)**
At 31 December 2009	**4,383.7**	**394.7**	**4,778.4**
Add tenant lease incentives, letting fees and rental guarantees	**46.9**	**–**	**46.9**
	4,430.6	**394.7**	**4,825.3**

For further details of the Group's portfolio, please refer to the Property Analysis booklet available at www.SEGRO.com/propertyanalysis. The information in the Property Analysis booklet is unaudited and does not form part of the financial statements.

Investment, development and owner occupied properties are stated at market value as at 31 December 2009 based on external valuations performed by professionally qualified valuers. In prior periods, the Group's wholly owned property portfolio was valued by DTZ Debenham Tie Leung ("DTZ") and CB Richard Ellis, however DTZ were appointed as sole external valuer of the wholly owned portfolio for the 31 December 2009 valuations. Valuations for some of the joint venture properties within the UK portfolio were performed by King Sturge and Colliers CRE at 31 December 2009 (consistent with prior years). The valuations conform to International Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties.

DTZ, CB Richard Ellis, 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 have advised us that the total fees paid by the Group represent less than 5 per cent of their total revenue in any year.

From 1 January 2009, all development properties are accounted for under IAS 40 (see note 1). As a result, properties under development that were previously classified as investment property have been reclassified to development property so that all properties being developed are grouped together.

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

The historical cost of investment and development properties was £4,660.4 million (2008 £3,732.9 million) and the cumulative valuation surplus at 31 December 2009 amounted to £164.9 million (2008 £578.2 million).

Long-term leasehold values within investment properties amount to £9.8 million (2008 £11.2 million). All other properties are freehold.

Net rental income in the period from rented investment properties was £290.7 million (2008 £236.6 million).

Prepaid operating lease incentives at 31 December 2009 were £32.7 million (2008 £31.1 million).

14(ii) – Trading properties

	UK £m	Continental Europe £m	Total £m
2009			
Completed properties	**9.0**	**240.3**	**249.3**
Development properties	**16.4**	**72.1**	**88.5**
At 31 December 2009	**25.4**	**312.4**	**337.8**
2008			
Completed properties	10.9	271.8	282.7
Development properties	0.9	74.2	75.1
At 31 December 2008	11.8	346.0	357.8

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

Trading properties were externally valued resulting in an increase in the provision for impairment of £16.1 million (2008 £4.0 million). Based on the fair value at 31 December 2009, the portfolio has an unrecognised surplus of £22.1 million (2008 £39.5 million).

15. BORROWINGS

	2009 £m	2008 £m
Secured Borrowings:		
Euro mortgages (repayable within 1 year)	**30.7**	38.9
Euro mortgages 2011 to 2014	**24.4**	25.9
Euro mortgages 2015 to 2027	**39.6**	44.0
Total secured (on land, buildings and other assets)	**94.7**	108.8
Unsecured Borrowings:		
Bonds		
6.0% bonds 2010	**17.3**	–
7.125% bonds 2010	**124.9**	124.7
5.25% bonds 2015	**134.7**	–
6.25% bonds 2015	**148.6**	148.5
5.5% bonds 2018	**198.3**	198.1
6.0% bonds 2019	**198.8**	–
5.625% bonds 2020	**247.3**	247.1
6.75% bonds 2021	**296.2**	–
7.0% bonds 2022	**148.9**	148.9
6.75% bonds 2024	**221.1**	221.0
5.75% bonds 2035	**198.0**	198.0
Notes		
6.0% unsecured loan notes 2010	**5.2**	5.2
6.417% Euro notes 2011	**44.1**	47.6
	1,983.4	1,339.1
Bank loans and overdrafts	**454.4**	1,213.4
Preference shares held by subsidiary	**0.3**	0.3
Total unsecured	**2,438.1**	2,552.8
Total borrowings	**2,532.8**	2,661.6

The maturity profile of borrowings is as follows:

Maturity profile of debt	2009 £m	2008 £m
In one year or less	**345.2**	86.3
In more than one year but less than two	**188.6**	373.9
In more than two years but less than five	**167.2**	995.5
In more than five years but less than ten	**718.6**	389.4
In more than ten years	**1,113.2**	816.5
Total debt	**2,532.8**	2,661.6

Maturity profile of undrawn borrowing facilities	2009 £m	2008 £m
In one year or less	**101.3**	85.1
In more than one year but less than two	**173.7**	28.7
In more than two years	**314.6**	497.9
Total available undrawn borrowing facilities	**589.6**	611.7

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

16. DEFERRED TAX

Movement in deferred tax was as follows:

	Balance 1 January £m	Exchange movement £m	Recognised in income £m	On acquisition £m	Recognised in equity £m	Balance 31 December £m
Valuation surpluses on properties	**33.8**	**(2.1)**	**(25.5)**	**–**	**(0.8)**	**5.4**
Accelerated tax allowances	**53.6**	**(4.5)**	**4.8**	**–**	**–**	**53.9**
Deferred tax asset on revenue losses	**(8.8)**	**–**	**2.0**	**–**	**–**	**(6.8)**
Others	**(0.4)**	**0.8**	**0.5**	**4.6**	**(1.1)**	**4.4**
Total deferred tax provision	**78.2**	**(5.8)**	**(18.2)**	**4.6**	**(1.9)**	**56.9**

At the balance sheet date, the Group has recognised revenue tax losses of £35.0 million (2008 £31.0 million) available for offset against future profits. Further unrecognised tax losses of £508.0 million also exist at 31 December 2009 (2008 £71.0 million), of which £41.0 million expires in 15 years.

17. SHARE CAPITAL AND SHARE-BASED PAYMENTS

	Number of shares				Par value of shares				
Authorised	Shares of 1p each Ordinary Shares m	Shares of 10p each Ordinary Shares m	Shares of 26 1/12p each Deferred Shares m	Shares of 27 1/12p each Ordinary Shares m	Shares of 1p each Ordinary £m	Shares of 10p each Ordinary £m	Shares of 26 1/12p each Deferred £m	Shares of 27 1/12p each Ordinary £m	Total £m
Balance at 1 January 2009	**–**	**–**	**–**	**541.3**	**–**	**–**	**–**	**146.6**	**146.6**
Reclassifications	3,268.9	–	436.7	(541.3)	32.7	–	113.9	(146.6)	–
Additions	10,340.0	–	–	–	103.4	–	–	–	103.4
	13,608.9	–	436.7	–	136.1	–	113.9	–	250.0
Consolidation	(13,608.9)	1,360.9	–	–	(136.1)	136.1	–	–	–
Balance at 31 December 2009	**–**	**1,360.9**	**436.7**	**–**	**–**	**136.1**	**113.9**	**–**	**250.0**

	Number of shares				Par value of shares				
Issued and fully paid	Shares of 1p each Ordinary Shares m	Shares of 10p each Ordinary Shares m	Shares of 26 1/12p each Deferred Shares m	Shares of 27 1/12p each Ordinary Shares m	Shares of 1p each Ordinary £m	Shares of 10p each Ordinary £m	Shares of 26 1/12p each Deferred £m	Shares of 27 1/12p each Ordinary £m	Total £m
Balance at 1 January 2009	**–**	**–**	**–**	**436.7**	**–**	**–**	**–**	**118.3**	**118.3**
Reclassification	436.7	–	436.7	(436.7)	4.4	–	113.9	(118.3)	–
Rights issue	5,240.7	–	–	–	52.4	–	–	–	52.4
Cancellation	–	–	(436.7)	–	–	–	(113.9)	–	(113.9)
Consolidation	(5,677.4)	567.7	–	–	(56.8)	56.8	–	–	–
Placing and open offer	–	119.0	–	–	–	11.9	–	–	11.9
Share issue	–	47.6	–	–	–	4.8	–	–	4.8
Balance at 31 December 2009	**–**	**734.3**	**–**	**–**	**–**	**73.5**	**–**	**–**	**73.5**

On 7 April 2009, the Company issued 5,240.7 million new ordinary shares (pre share consolidation) at 10 pence per share on the basis of 12 new ordinary shares for every 1 existing ordinary share to raise £500 million (net of expenses).

At the General Meeting held on 28 July 2009;

(a) an ordinary resolution was passed to conduct a share consolidation, consolidating and re-classifying 10 of each existing authorised and existing issued shares of the Company of 1 pence each into 1 share of 10 pence each. The purpose of the share consolidation was to reduce the number of the Company's shares in issue so that the likely share price is appropriate for a Company of SEGRO's size. The share consolidation took effect on 31 July 2009.

(b) a special resolution was passed for the Company to issue 119,047,619 10 pence ordinary shares under the placing and open offer at an issue price of 210p per ordinary share. The shares began trading on 31 July 2009.

Pursuant to the acquisition of Brixton plc (discussed in more detail in note 4) on 24 August 2009, as detailed in the scheme of arrangement document dated 17 July 2009, the Company issued 47,548,742 ordinary shares to Brixton shareholders which began trading on 25 August 2009.

18. NOTES TO THE CASH FLOW STATEMENTS

18(i) – Reconciliation of cash generated from operations

	2009 £m	2008 £m
Operating (loss)/profit	**(102.6)**	(789.9)
Adjustments for:		
Depreciation of property, plant and equipment	**2.8**	3.1
Share of (profit)/loss from joint ventures after tax	**(4.6)**	7.4
Loss on sale of investment and development properties	**54.7**	34.8
Gain on sale of investment in joint ventures	**(12.9)**	–
Gain arising from bargain purchase	**(8.6)**	–
Revaluation deficit on investment, development and owner occupied properties	**271.8**	975.6
Gain on sale of available-for-sale investments	**(1.0)**	(1.4)
Impairment of available-for-sale investments	**9.0**	–
Other provisions	**3.5**	(15.5)
	212.1	214.1
Changes in working capital:		
Increase in trading properties	**(2.1)**	(38.3)
Decrease in debtors	**20.1**	35.5
(Decrease)/increase in creditors	**(8.0)**	14.7
Net cash inflow generated from operations	**222.1**	226.0

18(ii) – Deposits

Term deposits for a period of three months or less are included within cash and cash equivalents.

18(iii) – Analysis of net debt

	Notes	At 1 January 2009 £m	Exchange movement £m	Cash flow £m	Non-cash adjustment* £m	On acquisition of Brixton £m	**At 31 December 2009 £m**
Group							
Banks loans and loan capital		2,672.7	(90.6)	(887.2)	–	873.3	**2,568.2**
Capitalised finance costs		(14.4)	–	(13.5)	7.0	(15.3)	**(36.2)**
Bank overdrafts		3.3	–	(2.5)	–	–	**0.8**
Total borrowings	15	2,661.6	(90.6)	(903.2)	7.0	858.0	**2,532.8**
Cash in hand and at bank		165.8	(26.5)	(94.2)	–	67.6	**112.7**
Net debt		2,495.8	(64.1)	(809.0)	7.0	790.4	**2,420.1**

* The non-cash adjustment relates to the amortisation of issue costs offset against borrowings.

GLOSSARY OF TERMS

Basis points

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

Brixton

On the 24 August 2009 SEGRO plc acquired the entire issued capital of Brixton plc (company number 202342). On acquisition of Brixton, shares were delisted and Brixton plc was re-registered as Brixton Limited.

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.

Enlarged Group

With effect from 24 August 2009, the combined SEGRO Group and Brixton Group.

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 and interest receivable on finance leases. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight line basis over the lease term.

Hectares (Ha)

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

Joint Venture

An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under 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 initial yield

Annualised current rent passing rent less non-recoverable property expenses such as empty rates, divided by the property valuation plus notional purchasers’ costs.

Net rental income

Gross rental income less ground rents paid, service charge expenses and property operating expenses.

Passing rent

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

Pre-Let

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

REIT

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

Rent Roll

See passing rent.

Square metres (sq m)

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

square feet.

Topped up net initial yield

Net initial yield adjusted to include notional headline rent in respect of let properties which are subject to a rent free period at the valuation date.

Topped up net initial yield excluding vacant properties

Topped up net initial yield adjusted to exclude the value of un-let buildings.

Total property return (TPR)

A measure of the ungeared return from the portfolio and is calculated as property gains and losses (both realised and unrealised) plus net rental income, expressed as a percentage of capital employed.

True equivalent yield

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