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SEGRO PLC – HALF YEAR RESULTS 2009

SEGRO, the leading European provider of flexible business space, announces its results for the six months ended 30 June 2009

Good operating performance despite the challenging economic environment

- Net rental income up 8.7% to £129.7 million, reflecting the benefit of newly let developments and an increase in underlying like-for-like rental income of 3.1%.
- Strong lettings performance with 263,000 sq m of space let in H1 2009, up 11.4% from H1 08, generating new annualised rental income of £14.0 million.
- Group vacancy rate of 11.3% (by rental value) up from 9.8% at December 2008 - due to impact of development completions, take-backs and disposals of let assets.
- The write down of trading properties has contributed to trading property losses of £14.1 million (H1 2008: profit of £19.5 million).
- Underlying adjusted profit before tax (recurring rental profits basis) was up 7.0% to £49.1 million.
- Loss for the period reported under IFRS of £481.0 million (H1 2008: £324.6 million).

NAV per share down 23% on a pro forma basis (adjusting for the effects of the rights issue as if it had occurred on 31 December 2008), reflecting property valuation declines

- Group valuation losses on completed investment properties of 11.3%, comprising deficits of 13.7% and 7.2% in the UK and in Continental Europe, respectively.

Active management of the Group's financial position

- Renegotiation of bank gearing covenants in February 2009 and £500 million rights issue in April 2009.
- Tight control maintained on all new development activity with no new schemes authorised in the period and 67% of current developments already pre-let or sold.
- £238 million of disposals in the period to 27 August 2009 (including £118 million completed in the first half) with a further £47 million contracted but not yet completed.
- Adjusted gearing ratio of 98.0% (31 December 2008: 119.1%).

Acquisition of Brixton plc

- Subsequent to the period end, SEGRO completed the acquisition of Brixton plc ("Brixton") on 24 August 2009 and raised approximately £241 million of additional equity by way of a placing and open offer which completed on 31 July 2009.

Dividends

- The Board has declared an interim dividend of 4.6 pence per share, comprising a Property Income Distribution of 1.5 pence and a regular dividend of 3.1 pence (H1 2008: 8.3 pence) in line with previous guidance.

Ian Coull, CEO of SEGRO said:

“Despite the economic environment, the Group’s underlying operating performance held up well in the first half of the year and the outlook is in line with the trading statement published in the prospectus on 9 July 2009. The Directors anticipate that conditions will remain challenging during the remainder of the year but the Group’s focus on staying close to its customers and its pragmatic approach to leasing should enable it to deliver a satisfactory operating performance during the remainder of the year. The Directors are encouraged by the moderation in the rate of capital value declines in the UK IPD All Property Index and by early signs that the investment market may be close to bottoming out.

The Directors were delighted with the support shown by the Group’s shareholders for both the rights issue and, more recently, the acquisition of Brixton. The Directors believe that a number of positive opportunities will emerge from the combination of these high quality and well located UK industrial portfolios. Our key priority is to work with Brixton’s customers and stakeholders over the months ahead as we implement the Group’s integration plan and deliver the benefits of this transaction.”

SUMMARY FINANCIAL TABLES

All figures in this report exclude Brixton, unless otherwise stated.

INCOME STATEMENT	Six months to	Six months to
	30 June 2009	30 June 2008
Net rental income (£m)	129.7	119.3
Adjusted profit before taxation ⁽¹⁾ – previous reporting basis (£m)	33.6	67.4
Adjusted profit before taxation ⁽²⁾ – recurring rental profits (£m)	49.1	45.9
Trading property (losses)/profits and provisions for impairment (£m)	(14.1)	19.5
Property losses (£m)	(505.4)	(389.3)
Loss before taxation (£m)	(493.3)	(315.3)
Loss per share – basic ⁽³⁾ (pence)	(113.2)	(108.1)
Half-year dividend (pence)	4.6	8.3

BALANCE SHEET	30 June	31 December
	2009	2008
Total properties, excluding share of joint ventures (£m)	3,942.3	4,680.0
Net assets excluding minority interests (£m)	1,930.4	2,007.5
Adjusted net assets ⁽⁴⁾ (£m)	1,995.2	2,094.9
Net assets per share ⁽⁵⁾ (pence)	341	668
Adjusted diluted net assets per share ⁽⁶⁾ (pence)	353	698
Net debt (£m)	1,954.7	2,495.8
Debt to equity ⁽⁷⁾ (%)	98.0	119.1
Loan to value ⁽⁸⁾ (%)	49.6	53.3

1. Profit before tax adjusted for EPRA and exceptional items but including trading property gains/losses and other investment income.

2. Profit before tax based solely on recurring rental profits and in accordance with the new dividend policy - excludes trading profits/losses (including impairment losses) and other investment income.

3. The comparative period’s earnings per share have 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.

4. Shareholders’ funds adjusted to add back deferred tax associated with investment properties.

5. Comparative net assets per ordinary share have been restated following the rights issue on 7 April 2009 and the share consolidation on 31 July 2009. Further information on this is included within the Financial Review.

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

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

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

CONFERENCE CALL FOR INVESTORS AND ANALYSTS

At 9:30 AM today BST a live webcast results presentation and Q&A session will be available from the analysts' presentations page of SEGRO's website, at:

http://www.thomson-webcast.net/uk/dispatching/?event_id=53c1b6a52ab57b18567158c8149c1af6&portal_id=6a92849fc2a79254c939ec0a2f25296b

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

UK	Tel: 0845 359 0150 (freephone)
International	Tel: +44 207 070 5465

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

+ 44 (0) 208 196 1998
Access code 3324776#

CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES RESPECTIVELY:

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SHAREHOLDER INFORMATION

Ex-dividend date for interim dividend	Property Income Distribution & Dividend	19 August 2009
Record date	Property Income Distribution & Dividend	21 August 2009
Payment	Property Income Distribution & Dividend	2 October 2009

The terms used in this half year report are defined in the Glossary of Terms on page 45.

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

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

SEGRO PLC – 2009 HALF-YEAR RESULTS DETAIL
COMPLETED INVESTMENT PROPERTIES as at 30 June 2009

Excluding joint ventures, trading properties, properties for own occupation, land and properties in the course of construction

	Lettable space (sq m)	Passing rent (£m)	Market rental value (ERV) (£m)	Vacancy rate by rental value %	Gross rental income for H1 2009 (£m)	Net rental Income for H1 2009 (£m)
UK						
Slough Trading Estate	617,072	70.3	76.8	5.2	35.2	21.2
London Markets	476,814	35.2	43.8	11.4	19.3	24.0
National Markets	1,106,843	65.0	82.7	15.0	35.2	30.4
Total UK	2,200,729	170.5	203.3	10.5	89.7	75.6
Continental Europe						
France	567,826	23.2	30.2	18.9	12.8	11.3
Germany	736,195	26.7	27.7	3.6	14.2	13.6
Belgium	178,092	15.3	17.8	18.5	8.4	8.3
Netherlands	94,987	5.6	5.3	7.5	2.8	2.3
Italy	48,063	5.9	5.4	-	3.0	2.7
Spain	2,222	0.1	0.1	-	0.1	-
Central Europe	510,921	11.8	19.5	15.9	7.0	6.3
Total Continental	2,138,306	88.6	106.0	12.7	48.3	44.5
Group Total	4,339,035	259.1	309.3	11.3	138.0	120.1

	Valuation 30.06.09 (£m)	Valuation deficit %	Net initial yield ⁽¹⁾ %	Topped up initial yield 1 ⁽²⁾ %	Topped up initial yield 2 ⁽³⁾ %	True equivalent yield %
UK						
Slough Trading Estate	830.1	(11.9)	8.1	8.2	8.8	9.1
London Markets	431.5	(15.5)	6.7	7.4	8.8	8.8
National Markets	759.8	(14.6)	7.4	8.1	10.0	9.9
Total UK	2,021.4	(13.7)	7.5	8.0	9.2	9.4
Continental Europe						
France	353.3	(6.3)	6.1	6.5	7.8	8.1
Germany	319.5	(8.3)	7.5	7.5	7.8	8.0
Belgium	242.1	(6.5)	6.0	6.8	8.1	7.3
Netherlands	56.8	(7.2)	7.9	7.9	8.5	7.9
Italy	74.7	-	6.9	7.3	7.3	7.0
Spain	1.2	-	8.0	8.0	8.0	5.2
Central Europe	215.0	(10.1)	6.5	7.5	9.0	9.0
Total Continental	1,262.6	(7.2)	6.6	7.1	8.1	8.0
Group Total	3,284.0	(11.3)	7.2	7.6	8.8	8.9

(1) Net initial yield: rent passing less non-recoverable property expenses, divided by the gross valuation inclusive of estimated purchasers' costs.

(2) Net initial yield adjusted to include notional rent in respect of leases which are currently subject to a rent free incentive.

(3) Topped up net initial yield excluding vacant buildings.

Further analysis of the Group's property portfolio is contained in the Property Analysis section of the website <http://www.segro.com/segro/Investors/Results-Reporting/Property-Analysis.htm>

LETTINGS ANALYSIS

Investment property only, excluding joint ventures and short term licences.

	Area 000's sq m				Rent ⁽¹⁾ pa (£m)	
	Lettings		Space returned		Lettings	Space returned
	H1 2009	H1 2008	H1 2009	H1 2008	H1 2009	H1 2009
UK						
- New developments	11	15			1.5	
- Existing properties	67	61			4.5	
Total UK	78	76	147	98	6.0	9.4
Continental Europe						
- New developments	122	111			5.3	
- Existing properties	63	49			2.7	
Total Continental Europe	185	160	40	67	8.0	2.0
Total Group	263	236	187	165	14.0	11.4

1 Annualised rent after the expiry of any rent free periods

VACANCY ANALYSIS

Investment property only, excluding joint ventures.

	By ERV		By space	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	(%)	(%)	(%)	(%)
UK	10.5	9.3	12.3	9.9
Continental Europe	12.7	10.8	11.7	9.4
Group Total	11.3	9.8	12.0	9.7

LEASE EXPIRIES

Investment property only, excluding joint ventures.

Investment properties only	Average lease length to:		Passing rent of leases which expire in:				Passing rent subject to breaks in:			
	Break (Years)	Expiry (Years)	2009 (£m)	2010 (£m)	2011 (£m)	2012 (£m)	2009 (£m)	2010 (£m)	2011 (£m)	2012 (£m)
UK	5.8	8.1	8.1	11.4	8.7	11.5	2.8	12.0	11.4	10.0
Continental Europe	5.2	7.2	2.6	2.6	3.7	6.6	4.1	14.1	5.4	12.2
Total	5.6	7.8	10.7	14.0	12.4	18.1	6.9	26.1	16.8	22.2

DEVELOPMENT PIPELINE SUMMARY – CURRENT PROJECTS AS AT 30 JUNE 2009

	Space to be built (sq m)	Pre-let space (sq m)	Est. rental income £m	Pre-let contracted income £m	Current book value £m	Est. future spend £m	Est. total spend £m	Expected completion
UK								
Winnersh, Reading	9,797	-			10.1	13.4	23.5	Jan-10
Winnersh, Reading	6,740	6,740			7.0	9.3	16.3	Nov-09
Winnersh, Reading	12,468	12,468			17.3	10.6	27.9	Nov-09
Treforest, Cardiff	1,488	1,488			0.5	1.1	1.6	Oct-09
Farnborough Business Park	12,592	12,592			8.1	24.4	32.5	May-10
Yeovil Road, Slough Trading Estate	3,990	-			4.5	1.7	6.2	Aug-09
Bedford Avenue, Slough Trading Estate	10,777	10,777			11.9	5.0	16.9	Jan-10
Sub-total UK	57,852	44,065	13.3	9.9	59.4	65.5	124.9	
Farnborough Business Park ¹	7,046	7,046			5.9	13.8	19.7	May-10
Total UK	64,898	51,111	13.3	9.9	65.3	79.3	144.6	
		79%⁽²⁾		75%⁽²⁾				
Europe								
Germany - Aachen	5,568	2,264			4.3	0.5	4.8	Aug-09
Germany - Willich-Münchheide	3,099	-			0.8	1.3	2.1	Jul-09
Netherlands - Hoofddorp	19,842	9,844			19.5	-	19.5	Jul-09
Italy - Milan	11,312	6,009			11.1	9.3	20.4	Nov-09
Hungary - Budapest Infrastructure	-	-			1.4	0.9	2.3	Mar-10
Total Europe	39,821	18,117	4.1	1.7	37.1	12.0	49.1	
		45%⁽²⁾		42%⁽²⁾				
Total Group	104,719	69,228	17.4	11.6	102.4	91.3	193.7	
		66%⁽²⁾		67%⁽²⁾				

(1) Pre-sold freehold sale on completion of development.

(2) Percentage of space / rental value pre-let / pre-sold

Further details of the investment portfolio and the development pipeline will be published on the Investors Relations section of the Group's website <http://www.segro.com>. All amounts are indicative only and are liable to change.

BUSINESS REVIEW

Overview – Delivering on the Group's priorities and shaping the Group's future

In March 2009, the Directors said that the Group's priorities were:

- Stay close to its customers;
- Capital recycling;
- Financial and risk management; and
- Capitalise on the current economic environment.

The Group is pleased to be able to report significant progress made against its priorities. Its ability to anticipate and respond to the needs of its customers maintained leasing momentum in challenging markets with lettings up 11.4% to 263,000 sq m and net rental income up 8.7% to £129.7 million (including a 3.1% increase in like-for-like rental income).

After scaling back its development pipeline in 2008, the Group has continued to maintain tight control on any speculative development activity. It has also made good progress with its asset recycling programme through the disposal of £237 million of stabilised or non-core assets to date, with a further £47 million contracted but not yet completed.

While strengthening its balance sheet through the rights issue, the Group has taken advantage of the current economic environment to acquire the high quality and well located assets of Brixton at a price which delivers compelling value and reinforces its position as Europe's leading provider of flexible business space. Unless otherwise stated, all figures in this Half Year Report exclude Brixton.

Portfolio valuation

As at 30 June 2009, the Group's total portfolio amounted to £3,942 million including trading assets of £321 million but excluding its share of assets in joint ventures and associates of £131 million. In the six months to 30 June 2009, the valuation of the Group's portfolio reflected continued downward adjustments in capital values in both the UK and Continental Europe, and incurred a like-for-like valuation decline of 11.1% over the period.

The 13.7% decline in the UK portfolio of completed investment properties was in line with the 13.2% decline in the IPD All Property Capital Index but worse than the 10.8% decline recorded by the IPD All Industrial Property Capital Index. Among the three UK business units, the Slough Trading Estate fell in value by 11.9% caused by a reduction in estimated rental values of approximately 2% and an initial yield shift of around 120 basis points. The valuation decline recorded in the London Markets region was 15.5% with prime yields in Heathrow and Park Royal moving out by some 100 basis points. The National Markets business unit recorded a like-for-like valuation decline of 14.6%, similarly driven by a significant outward movement in yields but also caused in part by a number of regional factors such as the effects of the automotive downturn in the Luton area.

Belgium, France, Germany, the Netherlands and Poland comprise 91% of the completed investment properties in Continental Europe, and these incurred valuation declines ranging from 6.3% to 8.3%. In the Group's main Western European markets, the valuation decline primarily reflected a yield increase of, typically, 50 basis points on logistics assets and up to 90 basis points on light industrial assets, with reductions in ERV also having a significant impact in Belgium. In its main Central European market, Poland,

an overall valuation decline of 7.9% reflected a yield shift in logistics assets ranging from 50 to 125 basis points, depending on location, partly offset by a modest improvement of 3% in ERV.

Previously, the Group's wholly owned properties were externally valued by two valuers, and in line with the Group's initiatives to reduce costs and simplify processes, the external valuation was put to tender. DTZ Debenham Tie Leung was appointed as the sole external valuer of the Group's wholly owned portfolio from April 2009.

UK investment market potentially showing early signs of stabilisation

During the two years from June 2007 to June 2009, UK prime industrial initial yields have increased 290 basis points from 5.3% to 8.2% and UK prime all-property initial yields have increased 330 basis points from 4.6% to 7.9% (source: IPD). However, the adjustment in capital values has recently shown signs of moderation during H1 2009 where IPD All Industrial Capital Index declines of 6.1% in Q3 2008 and 13.3% in Q4 2008 have been followed by smaller declines of 7.3% in Q1 2009 and 3.8% in Q2 2009 (source: IPD). For the first time since May 2007, IPD has also reported a hardening of yields in the IPD All Property Capital Index in July 2009.

There has also been a significant improvement in capital value forecasts implied by the IPD All Property derivatives market. In March 2009, derivatives trades implied a forecast capital decline from December 2008 to December 2010 of 33.4%, but the outlook has significantly improved with recent trading implying a forecast decline of only 15% over the same period.

There are also tentative signs of a pick up in the investment market with a growing number of transactions in the UK, specifically for prime well let stock. For the first time since the start of the credit crunch in August 2007, instances have been noted of buyers' capital competing for assets as an increasing number of potential buyers believe the UK is nearing the bottom of the cycle.

Although property values fell sharply in the UK from mid 2007, in Continental Europe industrial yields never reached the extreme lows seen in the UK, and Continental European capital values only started falling from mid 2008. The Directors anticipate that the Continental European market still has some way to go in terms of adjustment of capital values but do not anticipate valuation reductions on the scale witnessed in the UK.

Maintaining leasing momentum with lettings up 11.4%

Despite challenging occupier market conditions, the Group has let 263,000 sq m of space (excluding joint ventures and short term licences) which is up 11.4% on the space let in the equivalent period in 2008. This contributed to 8.7% growth in net rental income. The space let corresponded with annualised new rental income of £14.0 million which is slightly down on the £15.4 million of new income generated in H1 2008 due to the current period's letting figures having a lower office content. While the Group has made very significant progress in letting 133,000 sq m of new developments (up 5.6% on H1 2008), the Group has also maintained momentum with leasing existing assets with 130,000 sq m of re-lettings secured (up 18.2% on H1 2008).

The occupier market in the UK continued to weaken due to companies delaying relocation or expansion in light of economic uncertainty. Enquiry levels were down approximately 20% compared to a year ago and the majority of leasing transactions have been of smaller, more flexible units whilst lettings involving larger units above 5,000 sq m have been less prevalent. Despite the weakening occupier market, the UK team delivered lettings of 78,000 sq m (corresponding with £6.0 million of annualised rental income) in line with the 76,000 sq m of lettings secured in H1 2008 (with £5.9 million of annualised rental income). Whilst the nature of the UK portfolio means there are many relatively small transactions which make up this letting figure, one transaction of particular note was the 9,000 sq m logistics distribution unit in Hatton Cross (LHR1), near

Heathrow Airport, let to Geodis Wilson UK Ltd (part of the international logistics group Geodis). This was the Group's largest single vacancy by rental value at the start of this year.

In Continental Europe, occupiers have also been more cautious about taking new space and the time taken to convert new enquiries into transactions has become longer. Despite this, the Continental European team identified and took advantage of pockets of demand (especially in France, Germany and Poland) to deliver lettings of 185,000 sq m (annualised rental income of £8.0 million) which was up 15.6% on the 160,000 sq m of space delivered in H1 2008 (annualised rental income of £9.5 million). Key lettings included 10,700 sq m of industrial assets to Novostrat in St Lyon (France), 11,000 sq m of logistics warehousing to Oettinger Brauerei GmbH in Krefelder (Germany), 10,000 sq m of logistics warehousing to Logwin Air & Ocean in Warsaw (Poland) and 10,000 sq m of logistics warehousing to Novatech Technology in Willich (Germany).

The Continental European team also delivered, on schedule, the pre-lets signed last year including 24,500 sq m of logistics warehousing to Athletic International in Warsaw (Poland) and 14,300 sq m and 10,200 sq m logistics warehousing to Plastic Omnium and Black & Decker, respectively, in Gliwice (Poland).

Space returned across the Group amounted to 187,000 sq m compared to 165,000 sq m of space returned in the first half of 2008. The corresponding rental income lost from take backs of £11.4 million was 7.5% than the £10.6 million lost in the first half of 2008. The UK accounted for 147,000 sq m of the space returned while Continental Europe accounted for 40,000 sq m. In the UK, the blended percentage of leases renewed and breaks not exercised was 45% by value in H1 2009, but following a large volume of customers' decisions on lease renewals and breaks in July, the rate has climbed to 55% for the seven months to 31 July 2009, more in line with prior years.

After allowing for the impact of space returned, the surplus of space let over space returned for H1 2009 across the Group was 76,000 sq m which corresponded with a net increase in annualised rental income of £2.6 million.

Rental levels modestly declined in the UK and Continental Europe

Rent reviews and lease renewals in H1 2009 in the UK operations were, on average, secured in line with valuers' estimates of rental values as at 31 December 2008. New lettings averaged 2.1% below valuers' estimated rental values (which is favorable compared to the 2.9% decline in the IPD All Industrial Rental Index and the 9.5% decline reported in the IPD All Office Rental Index). Lease incentives, measured as a percentage of total rent to the earlier of first break or expiry, have increased from approximately 5% in H2 2009 to approximately 11% in H1 2009.

In Continental Europe, the industrial sectors in both France and Germany have been affected by the economic slowdown, but a shortage of prime stock in Germany has provided some support for rental values. In France, rental values have fallen over the last six months by approximately 3% for light industrial assets and by approximately 5% for logistics assets. In Germany, while rental values have fallen by approximately 3.5% for logistics assets, they have increased by approximately 2% for light industrial stock. In Poland and the Czech Republic, where SEGRO holds 17% of its Continental European portfolio, the weaker economic backdrop and last year's falls in currencies have added to the downward pressure on headline rental values (which are commonly set in Euro). In Poland, logistics assets have experienced falls in rental values of approximately 4.5%. Across Continental Europe, there has also been an increase in lease incentives (in the form of rent free periods) which have increased over the last six months from approximately 5% to 9% of the period to first lease break.

Insolvencies at manageable levels

Insolvencies to date have been at lower levels than might have been expected in the current environment and the Directors believe that this is partly due to the diligence with which covenant strength is assessed

before contracting new lettings. Across the Group, 18 properties comprising 40,800 sq m of space with £2.4 million of annualised rental income were returned in the period due to customer insolvencies, of which 46% (by rental value) has already been relet. The loss in annualised rental income equated to 0.8% of the Group's annualised rent roll and to 0.7% and 0.8% of the annualised rent rolls of the UK and Continental Europe respectively. In the equivalent period in 2008, 19 properties comprising 36,500 sq m of space were returned due to customer insolvencies representing annualised rental income of £1.9 million or 0.6% of the passing rent roll as at 30 June 2008.

A further £8.9 million of annualised rental income (UK: £3.2 million, Continental Europe: £5.7 million), representing 2.8% of the annualised rent roll as at 30 June 2009, is at risk with 24 customers who are still in occupation but in the process of administration. This includes Arcandor AG and its subsidiaries, Karstadt and Quelle, which went into administration in June 2009 with an annualised rent roll of £5.6 million. The administration is at an early stage and the Directors are monitoring developments closely. The overall Arcandor portfolio is presently under-rented and most of the properties are well located with good prospects for re-letting or re-development should the space be returned to the Group.

Vacancy rates up but compare favorably with the IPD All Industrial vacancy rate

As at 30 June 2009, Group vacancy rate by rental value (excluding trading properties and joint ventures) was 11.3% as compared to 9.8% as at the end of December 2008. The UK vacancy rate increased from 9.3% at 31 December 2008 to 10.5% by 30 June 2009 due to expected take backs and disposal of let assets. In Continental Europe, the vacancy rate increased to 12.7% by rental value (from 10.8% as at 31 December 2008) as a result of development completions. The Continental European vacancy rate has started to reduce in the second half of the year as the Group continues to let up these developments and the Directors expect further progress before year end.

The like-for-like vacancy rate, excluding the impact of completed disposals, completed developments and assets made redundant during H1 2009, has increased by 30 basis points from 9.9% at 31 December 2008 to 10.2% at 30 June 2009.

Industrial assets, which comprise 79% of the UK's portfolio of completed investment properties, had a vacancy rate of 11.6% as at 30 June 2009 which compared favourably with the IPD All Industrial vacancy rate of 17.4%. The IPD All Industrial vacancy rate increased by 280 basis points in the six months, compared with a 150 basis point increase the Group's UK portfolio of industrial assets. The Directors believe this is due to the location and quality of SEGRO's assets, the early action taken to scale back the speculative development pipeline, and effective asset management.

Tight cost control maintained

The Group has maintained property operating costs as a percentage of property rental income for the first six months of 2009 at 16.5% despite an additional £1.6 million of costs in the period due to empty property taxes (the UK tax legislation changed in April 2008). Furthermore, the Group has reduced administration expenses as a percentage of property rental income, to 10.4% for the first six months of 2009 which is an improvement on the 11.9% in the first six months of 2008. This follows the restructuring programme the Group announced in October 2008 which led to a reduction in UK headcount.

Development activity scaled back with residual activity focused on pre-lets

During the first half of the year, the Group completed developments amounting to 200,500 sq m in (UK: 10,900 sq m, Continental Europe: 189,600 sq m), of which 54% by rental value had already been let by 30 June 2009.

As at 30 June 2009, 104,700 sq m of developments were under construction and this was 73% lower than the position as at 30 June 2008. In the UK, 64,900 sq m of space was under construction at 30 June 2009 and 75% by rental value was already pre-let.

Developments under construction in Continental Europe amounted to 39,800 sq m as at 30 June 2009, representing an 88% reduction compared to the position as at 30 June 2008. By rental value, 42% of these current projects have already been pre-let.

Assets in the course of construction had a book value of £102 million as at 30 June 2009. It is estimated that a further £91 million of capital expenditure will be invested to complete these developments which are then expected to have a rental value of £17 million at today's rental levels.

Recycling capital

In the first six months of the year, the Group completed disposals with gross proceeds of approximately £118 million at an average net initial yield of 8.0% and at an average discount of 9.5% to valuations at 31 December 2008. The UK accounted for £88 million of disposals at an average net initial yield of 8.4% and at an average 13.6% discount to valuations at 31 December 2008. Continental Europe accounted for £30 million of disposals at an average net initial yield of 6.8% and at an average premium of 4.9% to valuations at 31 December 2008.

Subsequent to 30 June 2009, the Group has completed further disposals with gross proceeds of approximately £120 million at an average net initial yield of 9.8% and at a 2.5% discount to valuations at 30 June 2009. This includes a £103.8 million disposal to affiliates of Harbert European Real Estate Fund and Canmoor Asset Management of four multi-let industrial estates (Woodside Industrial Estate in Dunstable and properties in Luton, Park Royal and Poyle) comprising 198,000 sq m of space. In addition, further disposals of £47 million have been contracted and are expected to complete in the near future. This brings the effective disposals to date to £284 million which more than covers both the £104 million of capital expenditure incurred during the period and future identified capital commitments of £122 million.

A well located land bank

The Group has a land bank amounting to 509 hectares located near major conurbations and transportation nodes. A key strength of the Group is that its development pipeline can be quickly activated to take advantage of improvements in market conditions due to the relatively short construction times for most of the Group's products, which can range from 6 to 12 months. The Group has the potential over the medium term, when market conditions are appropriate, to develop approximately 1.8 million sq m at a current cost estimate of approximately £1.2 billion. These assets will have the potential to generate rental income of approximately £146 million when fully let (based on current market rental levels). The Group is actively pursuing pre-let development opportunities, but the Directors do not intend to undertake speculative development until market conditions improve. In the meantime, the Group continues to progress the planning and design of development schemes so that they can be speedily activated when appropriate.

Capitalising on the current economic environment - the acquisition of Brixton

In March 2009, the Group indicated that it would look for opportunities presented by the current market environment which could be a source of significant value creation. The Group did not anticipate that the opportunity to acquire Brixton would arise when it did, but was well placed to pursue this opportunity. The successful acquisition has enabled the Group to acquire a portfolio of high quality, well located assets which constitute an excellent strategic fit with its existing holdings in the core markets of Heathrow and West London. As a result of the significant adjustments to date in the UK property market, the Directors believe this is an opportune time to invest in high quality and complementary industrial and logistics properties in core markets in the UK.

The Directors believe the Brixton transaction represents compelling value for SEGRO with an implied net initial yield of 8.7% and an implied value for the Brixton property portfolio of £70 per square foot of built space based on the share price at the time of the offer. This represents a 19% discount to Brixton's 31 May 2009 external valuation and a 36% discount to Brixton's 31 December 2008 valuation. The implied value of £70 per square foot of built space, compared to an indicative replacement cost of £65 per square foot (excluding land), suggests that the well located underlying land has been secured at a very attractive price.

Strengthening the balance sheet

Following the global economic crisis and its adverse impact on property valuations, the Group took a number of steps to strengthen its balance sheet in 2009, including the renegotiation of its main banking covenants in February 2009 and a £500 million rights issue in April 2009.

Subsequent to 30 June 2009 and as part of the acquisition of Brixton, the Group completed a further equity raising with net proceeds of approximately £241 million through a placing and open offer.

Finally, as already mentioned, the Group has completed disposals amounting to £237 million, with further contracted disposals of £47 million due to complete shortly.

Further details of these transactions are provided within the financial review section below.

Dividends

The Group revised its dividend policy in March 2009 such that dividends are now based upon underlying recurring rental earnings excluding trading profits/losses and other investment income. This policy seeks to balance the needs of the business with the requirement for dividend growth and takes into account prevailing property market conditions, expected future earnings and the requirement under REIT and French SIIC rules to make particular distributions. The Board intends to distribute substantially all of the underlying profits generated from the Group's property rental activities and the Board will aim to grow the dividend as the underlying earnings grow.

In line with the revised dividend policy, the Directors have declared an interim dividend of 4.6 pence per share (H1 2008: 8.3 pence per share) which will be paid on 2 October 2009 to those shareholders on the register on 21 August 2009. The interim dividend will comprise a Property Income Distribution (PID) of 1.5 pence and a regular dividend of 3.1 pence.

Outlook and priorities

The Directors continue to prudently plan the business prudently on the assumption that economic conditions across the UK and Continental Europe will remain weak for some time to come. The Directors expect to see continuing downward pressure on rental levels and on the general demand for new space. The Directors expect to see further insolvencies amongst the customer base in the months ahead along with space being returned to the Group as businesses seek to rationalise or downsize their space requirements, and the Directors continue to monitor this closely. However, the Group is still achieving satisfactory leasing results in most markets and is vigorously pursuing opportunities where new enquiries for business space emerge. The recent RICS New Enquiries UK Survey moved above zero in Q2 2009 indicating that market expectations for rental values may be improving compared to a few months ago.

The Group's strategy to ensure that SEGRO remains well positioned in the current environment is to stay close to its customers and the market place so as to ensure it is aware of every opportunity to let a building in its chosen markets and to enable it to understand and respond to the needs of its customer base. The Group will continue to take a proactive and pragmatic approach to leasing space at prevailing market levels.

With significant vacant space across both the Group's existing portfolio and that of Brixton, the Directors do not envisage undertaking any speculative development activity in the foreseeable future. Developments of pre-let buildings will only be pursued where the covenant of the prospective tenant and the overall financial terms are attractive. Meanwhile, the Group will continue to seek opportunities to divest assets which are non-core or where the Directors believe that the Group has optimised the return it can generate for its shareholders.

Whilst there has been some softening of investment yields in Continental Europe and rental values have started to fall, there remains a lack of transactional activity and transparency in most markets. Accordingly, the Directors believe it will be some time in 2010 before they see capital values bottoming out in Continental Europe.

By comparison, the property investment market in the UK appears to be close to bottoming out and there has been a marked improvement in buyer activity in recent weeks. In part this seems to be driven by the increasing availability of debt finance but primarily this is due to a number of investors taking a view that certain types of UK property, particularly well let buildings with attractive unexpired lease terms, are priced at or near fundamental value. Ultimately, the Directors believe the broader economic environment in the UK and Continental Europe will determine when and how quickly the property investment market bottoms out and recovers.

In the immediate future, following completion of the acquisition of Brixton on 24 August 2009, a key priority for the Group will be the integration of Brixton with its existing business. The Directors look forward to updating shareholders in due course on the progress made with this acquisition.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Group views effective risk management as integral to delivering SEGRO's strategic priorities and the process for identifying, assessing and reviewing risks faced by the Group is described in the Corporate Governance section on page 62 of the 2008 Annual Report.

Principal Risks and Uncertainties facing the larger Group, including the Brixton business, are described below.

Principal risks and uncertainties	Mitigating factors and additional commentary
<p>General Economic Risks</p> <p>Changes in the macro economic environment may affect the Group in a number of ways, including:</p> <ul style="list-style-type: none"> ▪ A decline in the value of the Group's property assets; ▪ A loss of rental income and increased vacant property costs due to a reduction in the demand for flexible business space, the exercise of lease break options by customers, the failure of tenants to renew expiring leases or the bankruptcy of customers; ▪ An inability to sell assets due to a decline in the demand for investment properties or a lack of finance available to investors; ▪ A significant change in interest rates or foreign exchange rates may impact income and / or valuations of the Group's properties or derivatives portfolio. 	<p>The Board monitors the external financial environment closely and has established a number of strategic priorities in order to respond to anticipated changes in the Global Economic Environment. Although there are some signs that the economic recession may be easing, many of these risks are likely to remain for the foreseeable future.</p>
<p>Liquidity, Covenants and Credit facilities</p> <p>Liquidity risk is the risk of the Group having insufficient funds available to meet the needs of the business.</p> <p>A decline in the value of the Group's property assets, increase in financial debt (including the value of financial derivatives) or a material loss of rental income could result in the Group's failure to comply with the financial covenants within its credit facilities. A breach of financial covenants could accelerate the Group's obligations to repay borrowings or to the cancellation of existing bank facilities.</p> <p>A failure to negotiate sufficient cost effective, long term credit facilities could impact the Group's ability to repay borrowings as they fall due or to meet the operational needs of the business.</p>	<p>The Group has a flexible funding strategy and manages liquidity in accordance with treasury policies which are designed to ensure the Group has adequate funds for its ongoing needs. The Board monitors covenant ratios closely and completes scenario analysis to inform its financial planning.</p> <p>In February 2009 the Group renegotiated its gearing covenants to provide further headroom and this was followed by the completion of a rights issue designed to strengthen the balance sheet.</p> <p>Subsequent to 30 June 2009 and as part of the acquisition of Brixton, the Group has completed a further equity raising with net proceeds of approximately £241 million through a placing and open offer.</p> <p>The Group's current financial position is described on page 21.</p>

Principal risks and uncertainties	Mitigating factors and additional commentary
<p>Real Estate Investment and Development Risks</p> <p>Property market conditions may not be conducive to acquiring and disposing properties at acceptable prices.</p> <p>The Group could misjudge the property cycle and miss both attractive acquisition opportunities and the right time to sell properties.</p> <p>Developments may fail to deliver expected financial returns due to:</p> <ul style="list-style-type: none"> ▪ Changes in the demand for space leading to developed space remaining un-let; ▪ A reduction in the value of completed developments due to changes in investment market conditions; ▪ Delays in planning or regulatory approval; and ▪ Increases in construction costs or other project management factors. 	<p>The Group actively monitors the external environment and develops asset management plans for all estates which are intended to identify the optimum point at which to develop, refurbish, re-develop or sell each asset.</p> <p>The Group was successful in both acquiring properties and in making disposals in the first half of 2009 although markets remain challenging and sales are difficult to achieve at acceptable prices. Sensitivity analysis is carried out on all potential investments to ensure that target returns can be achieved with a delay to leasing assumptions and with lower end value assumptions.</p> <p>No new speculative developments have been initiated in 2009 and all existing schemes are fully or partly pre-let.</p>
<p>Other Operational, Regulatory and Financial Risks</p> <p>The Group's ability to achieve its strategic objectives could be impacted by a number of other risks, including:</p> <ul style="list-style-type: none"> ▪ Health and safety incidents; ▪ Environmental damage or failure to meet SEGRO's sustainability targets; ▪ Business or IT system disruption; ▪ The ability to attract, retain and motivate key staff; and ▪ The ability to maintain REIT or other legal and regulatory compliance. 	<p>The Group has an established and systematic approach for identifying, assessing and managing key business risks with oversight by the Board and Executive Committee and by specifically designated risk committees.</p>
<p>Brixton Acquisition Risks</p> <p>Following the acquisition of Brixton on 24 August 2009, the enlarged Group faces a number of acquisition related integration risks, including:</p> <ul style="list-style-type: none"> ▪ Risk of a further decline in the value of the Brixton derivatives portfolio; ▪ Risk of a breach of Brixton's bond or bank covenants or risk of a change of control event being triggered by a change of ownership followed by a down-grade of Brixton's bonds by the rating agency; and ▪ Risk associated with integrating the two companies' staff, physical premises, operating systems and processes and with delivering the synergies identified at the time of the offer. 	<p>The Group has already taken action to protect against a decline in the value of the derivatives portfolio – see page 25.</p> <p>All of Brixton's existing bank debt was repaid at completion and Brixton was recapitalised through an injection of new equity by SEGRO to ensure Brixton remained in compliance with its bond covenants – see page 24.</p> <p>On 26 August 2009, Fitch announced Brixton's senior unsecured credit rating was upgraded to A-, the same level as SEGRO's senior unsecured credit rating, thus confirming there is no triggering of the change of control clause in the Brixton bonds.</p> <p>SEGRO has a clear integration programme that includes actions that will mitigate the integration risks during a period of business change.</p>

In setting out the Company's principal risks and uncertainties and commentary on possible future developments, above, the statements should not be considered indications of likelihood or certainty. The statements are based on the knowledge and information available at the date of preparation of this Business Review and what are believed to be reasonable judgements. A wide range of factors may cause the actual outcomes and results to differ materially from those contained within, or implied by, these various forward-looking statements.

FINANCIAL REVIEW

Rights issue and share consolidation

During the first half of the year and subsequent to 30 June 2009, there have been a number of important corporate transactions which impact the amounts being reported on for the period or will do so in the second half of the year.

On 4 March 2009, SEGRO announced a rights issue to raise £500.3 million (net of expenses) by issuing 5,240.7 million new ordinary shares (pre share consolidation - please see below) 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 rights issue was designed to strengthen the Group's financial position, enabling the Group to withstand a 31% fall in the value of the property portfolio from 31 December 2008 before breaching its bank gearing covenant of 160%. The proceeds of the issue were used to pay down debt facilities, although these facilities still remain available to be re-drawn if required.

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

Although the share consolidation took effect subsequent to the period end, all references to shares and share price in this document (current and prior periods) are post the share consolidation unless otherwise stated. In addition, the comparatives have been restated to take account of the rights issue in the period. Note 11 to the Accounts sets out calculations for earnings per share and net assets per share, including prior period restatements.

Analysis of movement in net asset value (NAV) in the period

Adjusted NAV per share at 30 June 2009 was 353 pence, compared with 698 pence as at 31 December 2008 or 459 pence on a pro forma basis adjusting for the effects of the rights issue as if it had occurred on 31 December 2008. The movement is analysed in the table below which shows that the decline in property values is the key reason for the reduction in adjusted NAV per share from 31 December 2008 on a pro forma basis.

		Pence
	£m	per share
Pro forma adjusted equity attributable to Shareholders at 31 December 2008	2,595.2	459.0
Realised and unrealised property write downs	(514.0)	(90.7)
Adjusted profit after tax	32.0	5.6
Currency translation differences	(54.8)	(9.7)
Fair value loss on derivatives	(15.6)	(2.8)
Ordinary dividends paid	(23.4)	(4.1)
Actuarial losses on retirement benefit schemes	(9.2)	(1.6)
Fair value deficit on available-for-sale investments	(7.5)	(1.3)
Other items	(7.5)	(1.3)
Adjusted equity attributable to Shareholders at 30 June 2009	1,995.2	353.1

A reconciliation between adjusted equity attributable to shareholders and total shareholders' equity is provided in note 11 to the Accounts.

Property valuation movements

Property losses of £514.0 million (H1 2008: £385.2 million) are analysed in Note 5 to the Accounts and include unrealised valuation deficits of £492.0 million (H1 2008: £379.2 million).

The Group's trading property portfolio has an unrealised valuation surplus of £30.1 million at 30 June 2009 (including share of joint ventures), which has not been recognised in the financial statements. However, impairment provisions of £14.1 million are included within the loss on sale of trading properties as the fair value of certain trading properties are deemed to be less than their original cost. A further impairment charge of £1.4 million is reflected within the share of losses from joint ventures after tax.

Adjusted profit before tax and earnings per share

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 Company 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 which do not relate to the Group's core property rental business.

Accordingly, Adjusted Profit Before Taxation (on both the previous reporting basis and on the basis of underlying recurring rental profits) can be analysed as follows:

	H1 2009	H1 2008
	£m	£m
Net property rental income	129.7	119.3
Share of joint ventures' recurring rental profits ⁽¹⁾	1.0	0.2
Administration expenses	(16.1)	(17.0)
Operating profit	114.6	102.5
Net finance costs excluding fair value movements on derivatives	(65.5)	(56.6)
Adjusted profit before tax – recurring rental profits	49.1	45.9
(Loss)/profit on sale of trading properties less provisions		
- Group	(14.1)	19.5
- Share of joint ventures (after tax)	(1.4)	0.8
Other investment income	-	1.2
Adjusted profit before tax – previous reporting basis	33.6	67.4

(1) Comprises net property rental income less administration costs, net interest expense and taxation

A reconciliation between adjusted profit before tax and IFRS profit before tax is provided in note 2 to the Accounts.

Adjusted profit before tax on the previous reporting basis decreased by £33.8 million compared to the same period in 2008. The decrease is entirely due to provisions for impairment of trading properties being recorded in 2009 compared with trading property profits of £20.3 million (including share of joint ventures) in the prior period. Excluding profits /losses on trading properties and other investment income, the adjusted profit before tax from the underlying recurring rental income showed a 7.0% increase from £45.9 million to £49.1 million. This growth is primarily due to an increase in net rental income, as described below.

Property rental income

Property rental income for the period increased by £12.6 million (8.8%) to £155.4 million and net rental income increased by £10.4 million (8.7%) to £129.7 million. Note that gross property rental income previously included service charges but they are now shown as a deduction against property operating expenses; the prior period comparatives have been adjusted accordingly and there is no effect on net rental income. The key drivers of the increase in net rental income are set out in the table below:

	£m
Net rental income H1 2008	119.3
Acquisitions	3.4
Disposals	(7.3)
New developments, re-lettings & rent reviews	17.4
Space returned	(4.6)
Increase in property operating expenses (net of service charge income)	(1.3)
Decrease in lease surrender premiums	(3.9)
Other (mainly exchange rate movements)	6.7
Net rental income H1 2009	129.7

Net rental income decreased in the UK by £4.7 million (5.8%) due to disposals (£6.6 million), lower surrender premiums (£3.3 million) and space returned (£3.0 million); offset by lettings of new developments (£3.4 million) and re-lettings (£4.7 million). In Continental Europe, net rental income increased by £15.1 million

(39.3%) due to acquisitions (£2.8 million), lettings of new developments (£2.2 million), re-lettings (£1.9 million), rent reviews (£3.2 million) and the effects of exchange rate movements (£5.8 million).

As can be seen in the table below, total rental income has increased by 8.8% to £155.4m with a 3.7% decrease in the UK mainly due to the impact of disposals, and a 36.3% increase 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 periods increased by 3.1% from £111.7 million to £115.2 million. Within this overall movement, the UK reported a 3.1% increase whilst in Continental Europe, the increase was 2.8%.

	United Kingdom		Continental Europe		Group	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Property Rental Income	£m	£m	£m	£m	£m	£m
Completed properties owned throughout both periods (like-for-like rents)	82.4	79.9	32.8	31.9	115.2	111.7
Development lettings	5.3	1.9	6.5	2.4	11.8	4.3
Properties taken back for development	0.3	1.1	-	-	0.3	1.1
Properties acquired	0.6	-	4.0	2.0	4.6	2.0
Properties sold	2.4	9.1	0.3	0.5	2.7	9.6
Rent from trading properties	0.7	-	8.9	7.0	9.6	7.0
	91.7	92.0	52.5	43.8	144.2	135.7
Lease surrenders and dilapidations	3.3	6.6	-	0.5	3.3	7.1
Exchange rate movements	-	-	7.9	-	7.9	-
Total rental income	95.0	98.6	60.4	44.3	155.4	142.8

Net finance costs

Excluding fair value gains and losses on interest rate swaps and other derivatives, net finance costs increased by £8.9 million from £56.6 million to £65.5 million. The increase is mainly attributable to exchange rate movements (£5.6 million) and the higher costs of debt following the renegotiation of banking covenants, partially offset by interest savings generated from the proceeds from the rights issue received in April 2009 (£3.0 million) and by lower interest costs as a result of closing out a number of interest rate hedges.

A net loss on the fair value of interest rate swaps of £15.6 million has been incurred in the period as a result of the decline in interest rates. As explained more fully in the interest rate exposure section, €825.0 million notional value of swaps were closed out in the period on which €15.1 million of the loss arose.

Cash flow

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

	H1 2009	H1 2008
	£m	£m
Cash flow from operations	70.0	73.6
Finance costs (net)	(74.9)	(52.1)
Dividends received (net)	11.4	1.8
Tax paid (net)	(5.0)	(3.5)
Free cash flow	1.5	19.8
REIT conversion charge paid	-	(40.9)
Tax paid on sale of US subsidiary undertaking	-	(117.0)
Capital expenditure (excluding trading properties)	(86.3)	(241.2)
Investment property sales (including joint ventures)	110.3	95.2
Dividends paid	(25.1)	(66.3)
Rights issue proceeds	500.3	-
Cost of derivatives close out	(64.4)	-
Other items	(3.1)	4.0
Net funds flow	433.2	(346.4)
Net (decrease)/increase in borrowings	(525.1)	254.1
Net cash outflow	(91.9)	(92.3)
Opening cash and cash equivalents	162.5	340.2
Exchange rate movements	(16.2)	4.7
Closing cash and cash equivalents	54.4	252.6

Free cash flow generated from operations for the period was £1.5 million, a decrease of £18.3 million from 2008. This is primarily due to lower trading property disposal proceeds and an increase in net finance costs partly due to the payment of £8.3 million relating to the renegotiation of its banking covenants.

Other significant movements relate to the proceeds from sale of investment property sales (£110.3 million) and rights issue (£500.3 million) which were primarily used to fund the paydown of debt (£525.1 million) and close out of related derivatives (£64.4 million). Overall this resulted in a net cash outflow for the period of £91.9 million (H1 2008: £92.3 million).

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 the first half of 2009, there was a net divestment of capital amounting to £13.9 million compared with a net investment of £155.9 million in the first half of 2008. This comprised expenditure of £104.0 million (H1 2008: £307.6 million) and sales proceeds of £117.9 million (H1 2008: £151.7 million).

	H1 2009	H1 2008
	£m	£m
Capital expenditure on investment and development properties		
Land acquisitions	-	12.8
Acquisitions of income producing properties	-	115.0
Development expenditure	88.5	109.8
	88.5	237.6
Expenditure on trading properties	13.7	68.4
Expenditure on joint venture properties	1.8	1.6
Total capital expenditure	104.0	307.6
Less sales proceeds:		
- from disposals of investment properties	(116.9)	(93.5)
- from disposals of trading properties	(1.0)	(58.2)
Net capital (divestment) / expenditure	(13.9)	155.9

Since the period end, the Group has completed £120.0 million of further disposals with an additional £47.0 million contracted and expected to complete in the near future. Future development expenditure on projects currently in progress will amount to approximately £91.3 million, with a further £30.5 million of commitments relating to land purchases.

Financial position and going concern

The Group's financial position was significantly strengthened during the period as a result of the rights issue, disposal programme and the renegotiation of banking covenants.

As at 30 June 2009 the Group's borrowings totalled £2,027.1 million (31 December 2008: £2,661.6 million). Cash balances totalled £72.4 million (31 December 2008: £165.8 million), resulting in reported net debt amounting to £1,954.7 million (31 December 2008: £2,495.8 million). The reduction in net debt is largely attributable to the rights issue proceeds which were used to pay down debt facilities. The weighted average maturity of the debt portfolio was 9.2 years.

As a result, after also having considered the impact of the acquisition of Brixton discussed below, the Directors have a reasonable expectation that the Group will continue to have sufficient resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis for these condensed financial statements

Gearing and financial covenants

The loan to value ratio (net debt divided by property assets) was 50% (31 December 2008: 53%) at 30 June 2009 and the adjusted gearing ratio (consolidated net debt divided by consolidated net worth with deferred tax added back) was 98.0% (31 December 2008: 119.1%).

The gearing and loan to value ratios reduced as a result of paying down bank loans using the proceeds of the rights issue. The Group's tightest financial covenant at 30 June 2009 required that adjusted financial gearing remained below 160% at all times. This covenant was successfully renegotiated and increased from 125% in February 2009. The Group remained in compliance with all of its financial covenants as at 30 June 2009, with significant headroom in all cases.

Recurring interest cover, based upon adjusted profit (excluding property valuation movements) before interest and tax and adjusted net finance costs, was 1.72 times, or 1.79 times if capitalised interest is included. The Group's financial covenant on interest cover requires that net interest before capitalisation be covered at least 1.25 times by property rental income. The Group comfortably met this ratio at 1.97 times.

Liquidity Position

Funds availability as at 30 June 2009 totalled £1,058.9 million, comprised of £72.4 million of cash deposits and £986.5 million of undrawn bank facilities. Only £37.0 million of the Group's facilities are uncommitted overdraft lines, with the balance of undrawn facilities being fully committed and with £748 million maturing after year end 2010.

Interest rate exposure

As at 30 June 2009, 81% (31 December 2008: 89%) of the gross debt portfolio attracted a fixed or capped rate of interest at a weighted average rate of 6.0% (2008: 5.5%). Much of this debt was in the form of fixed rate debt issues raised through Sterling Eurobonds with an average rate of 6.2%. Such fixed-rate debt issues are held in the balance sheet at amortised cost. Interest rate swaps are also used to convert variable rate bank debt to fixed rate and at 30 June 2009, the Group had £254.0 million of such borrowings (all Euros) fixed at an average rate of 4.8% (inclusive of margin).

Following completion of the rights issue, some £429.3 million of the proceeds were temporarily swapped into Euros to facilitate paydown of revolving euro denominated bank debt. At the same time, because of the reduced level of actual and projected debt, €825.0 million notional of euro denominated interest rate swaps, at a weighted average interest rate of 4.1% (before lending margin), were terminated at a cost of £42.4 million.

Foreign currency translation exposure

Due to the nature of the Group's business it has no cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does have operations located overseas which transact business in the domestic currency of the country in which the business is located, mostly in Euros. The Group's main currency exposure therefore is the translation risk associated with converting foreign currency assets and liabilities back into sterling in the Group consolidated accounts at each balance sheet date. As at 30 June 2009, the Group had foreign currency assets amounting to £1,742 million, which were 67% hedged by foreign currency denominated liabilities of £1,173 million. This represented a circa 20% increase in exposure following termination of €455 million of net investment hedges during the first quarter of 2009 after a change in treasury policy to protect debt to equity gearing levels from a weakening sterling. The cost of closing out forward currency contracts in this respect was £22.0 million. A 10% movement in the value of sterling against all currencies in which the Group operates would change net assets by £51.8 million and adjusted gearing by approximately 1%.

Acquisition of Brixton and placing and open offer

Subsequent to period end, on 9 July 2009, the SEGRO Board and the Brixton Board announced that they had reached agreement whereby, subject to shareholder approval, SEGRO would acquire the issued and ordinary share capital of Brixton in exchange for new ordinary SEGRO shares on the basis of 0.175 SEGRO shares for each Brixton share. Shareholder approval was received by SEGRO at the General Meeting held on 28 July 2009 and by Brixton at their General Meeting held on 10 August 2009. The acquisition was completed on 24 August 2009.

In conjunction with the acquisition of Brixton, SEGRO raised £241.2 million (net of expenses) by way of a placing and open offer (including firm placing) 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 119,047,619 shares issued at a price of 210 pence and trading of these shares commenced on the London Stock Exchange on 31 July 2009.

Since the acquisition and the related placing and open offer occurred after the period end, they are not reflected in the figures referred to in this Half Year report, unless otherwise stated.

The results of Brixton will be consolidated with the Group's results from 24 August 2009, with the Group therefore benefitting from approximately four months' trading activity in the current financial year. The first balance sheet consolidating the Brixton net assets acquired will be the consolidated balance sheet as at 31 December 2009. However, the Directors have set out below, a pro forma balance sheet for the Group incorporating Brixton as if the acquisition and the related placing and open offer had occurred on 30 June 2009. Adjustment has been made for the estimated expenses of the acquisition and net proceeds of the placing and open offer. No adjustment has been made in respect of fair value adjustments which may arise on the acquisition of Brixton or any consequent goodwill.

Pro forma balance sheet at 30 June 2009 for the Enlarged Group

	SEGRO Group net assets at 30 June 2009	Acquisition of Brixton Group net assets at 30 June 2009 ¹	Expenses for the acquisition	Adjustment for the net proceeds of the placing and open offer	Pro forma net assets of the Enlarged Group at 30 June 2009
	£m	£m	£m	£m	£m
Non-current assets					
Investment and development properties	3,613.0	1,188.6			4,801.6
Other non-current assets	105.5	32.7			138.2
Current assets					
Trading properties	321.2	-			321.2
Cash	72.4	103.4	-17.2	241.2	399.8
Other current assets	154.0	29.5			183.5
Total assets	4,266.1	1,354.2	-17.2	241.2	5,844.3
Non-current liabilities					
Borrowings	1,825.2	628.8			2,454.0
Other non-current liabilities	86.7	116.7			203.4
Current liabilities					
Borrowings	201.9	245.0			446.9
Other current liabilities	221.1	69.7			290.8
Total liabilities	2,334.9	1,060.2	0.0	0.0	3,395.1
Total net assets	1,931.2	294.0	-17.2	241.2	2,449.2
Minority interests	-0.8				-0.8
Total shareholders' equity	1,930.4	294.0	-17.2	241.2	2,448.4
Adjusted NAV per Ordinary Share	353				343
Gearing	98%				99%

¹ Based on unaudited information which has been extracted without material adjustment from Brixton's half year report issued on 25 August 2009.

Refinancing of Brixton's debt

On 25 August 2009 post acquisition, SEGRO subscribed for £250 million of new share capital in Brixton. This capital injection strengthened Brixton's balance sheet to the extent that its debt to equity ratio improved to 96% under IFRS or 80% under UK GAAP ensuring that all their bond and bank financial covenants were in compliance, with substantial headroom. This new capital has been used to repay all of Brixton's bank debt (£245 million) with the balance paid in cash to Brixton. All of Brixton's bank facilities were then immediately cancelled.

The result of the tender for Brixton's bonds was that holders representing 93.7% of the £275 million 2010 bonds, 3.8% of the £150 million 2015 bonds and just 0.5% of the £210 million 2019 bonds tendered bonds.

SEGRO will proceed with these bond purchases and will settle on 28 August 2009, which will result in a cash payment of £263 million (before accrued interest) to the bond holders. All bonds purchased will be cancelled. Redemption of these bonds will be financed from SEGRO's existing cash resources. A new inter company loan from SEGRO to Brixton has been established in this respect.

Brixton's derivatives portfolio

As stated at the time of the offer, Brixton had a complex portfolio of derivative financial instruments with a mark to market value liability of approximately £173 million as at 31 December 2008 and which stood at approximately £105 million as at 30 June 2009. As at 21 August 2009 the mark to market liability was approximately £108 million.

The Board of SEGRO concluded that the risk profile of much of the derivatives portfolio was inconsistent with its own risk appetite and that it would be necessary to close out or cancel a large proportion of the trades. Further, as Brixton's debt portfolio was to be fundamentally re-structured by SEGRO after the £250 million equity injection, repayment of all their bank debt and redemption of a large part of their bond portfolio, the Board decided that the complete portfolio should be terminated.

Accordingly, between 10 and 24 August 2009, SEGRO entered a number of transactions with the original counter party banks of Brixton in order to effectively cancel the entire Brixton derivatives portfolio at an aggregate cost (including bid-offer spreads) of £126 million.

Group liquidity position and cost of debt following the Brixton acquisition

As shown in the pro forma balance sheet above, the enlarged Group's pro forma gross debt as at 30 June 2009 amounted to £2,901 million, offset by cash of £400 million, giving pro forma net debt of £2,501 million.

Following the repayment and cancellation of Brixton's bank facilities and allowing for committed capital expenditures and disposals, the cancellation of Brixton's derivatives portfolio referred to above, the redemption of Brixton's bonds and new £100 million revolving credit facilities provided by SEGRO's existing banks, the Group has cash and committed undrawn bank facilities amounting to approximately £895 million, with aggregate debt maturities (bond repayments and bank facility maturities) of £244 million due before the end of 2010.

The Group's pro forma debt portfolio following the Brixton acquisition, the derivatives close out and the redemption of Brixton's bonds, comprises:

61% fixed rate bonds at an average interest rate of 6.1%;

12% fixed rate (through interest rate swaps) bank debt at an average interest rate of 5.3%;

27% variable interest rate bank debt with a current interest rate of approximately 2.5%.

The overall weighted average cost of debt is approximately 5.0% on a cash basis. This excludes undrawn commitment fees and amortised costs relating to up front arrangement fees, the recent covenant amendment and the mark to market discount attributable to the remaining Brixton bonds which will initially be recorded at fair value at the date of acquisition within SEGRO's consolidated accounts. Including these items, the estimated effective interest rate is approximately 5.6%.

SEGRO plc

Responsibility statement

We confirm to the best of our knowledge:

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

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

By order of the Board

Chief Executive

Ian Coull
26 August 2009

Group Finance Director

David Sleath
26 August 2009

SEGRO plc

Independent review report to SEGRO plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprise the condensed Group income statement, the condensed Group balance sheet, the condensed Group statement of comprehensive income, the condensed Group statement of changes in equity, the condensed Group cash flow and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

We conducted our review in accordance with ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditors

London, UK

26 August 2009

SEGRO plc

Condensed Group income statement
For the six months ended 30 June 2009

	Notes	Half year to 30 June 2009 (unaudited) £m	Half year to 30 June 2008 (unaudited) £m	Year to 31 December 2008 £m
Revenue	4	168.4	212.0	414.7
Property rental income ¹	4	155.4	142.8	296.1
Property operating expenses ¹		(25.7)	(23.5)	(51.2)
Net property rental income		129.7	119.3	244.9
(Loss)/profit on sale of trading properties less provisions		(14.1)	19.5	23.9
Share of losses from property joint ventures after tax	8	(6.3)	(3.4)	(7.4)
Other investment income		-	1.2	1.7
Administration expenses		(16.1)	(17.0)	(42.6)
Property losses	5	(505.4)	(389.3)	(1,010.4)
Operating loss		(412.2)	(269.7)	(789.9)
Finance income	6	2.5	19.6	15.1
Finance costs	7	(83.6)	(65.2)	(164.4)
Loss before tax		(493.3)	(315.3)	(939.2)
Tax (charge)/credit – current		(1.6)	(2.7)	(4.7)
– deferred		13.9	(6.6)	5.8
Total tax	9	12.3	(9.3)	1.1
Loss for the period		(481.0)	(324.6)	(938.1)
Attributable to equity shareholders		(480.1)	(324.5)	(938.1)
Attributable to minority interests		(0.9)	(0.1)	-
		(481.0)	(324.6)	(938.1)
Earnings per share ²				
Basic and diluted loss per share	11	(113.2)p	(108.1)p	(312.2)p

Notes

1. Service charge income was presented within property rental income in prior years, however at 30 June 2009 it is presented net against property operating expenses. Prior period comparables also have been adjusted. Further information on this is included in note 1.

2. 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 11.

SEGRO plc
Condensed Group balance sheet
As at 30 June 2009

	Notes	30 June 2009 (unaudited) £m	30 June 2008 (unaudited) £m	31 December 2008 £m
Assets				
Non-current assets				
Goodwill		0.9	0.8	1.0
Investment and development properties	12	3,613.0	4,623.4	4,311.1
Owner occupied properties	12	8.1	12.3	11.1
Plant and equipment		10.0	8.8	9.1
Investments in joint ventures	8	47.8	69.4	67.5
Finance lease receivables		9.2	10.4	10.2
Available-for-sale investments		29.5	35.2	41.9
		3,718.5	4,760.3	4,451.9
Current assets				
Trading properties		321.2	285.6	357.8
Trade and other receivables		149.7	132.5	136.2
Cash and cash equivalents		72.4	265.3	165.8
Tax recoverable		4.3	0.9	1.2
Finance lease receivables		-	0.1	0.2
		547.6	684.4	661.2
Total assets		4,266.1	5,444.7	5,113.1
Liabilities				
Non-current liabilities				
Borrowings	13	1,825.2	2,305.9	2,575.3
Deferred tax provision	14	54.1	77.3	78.2
Other provisions for liabilities and charges	14	16.1	8.0	7.1
Trade and other payables		16.5	16.2	17.5
		1,911.9	2,407.4	2,678.1
Current liabilities				
Borrowings	13	201.9	89.2	86.3
Tax liabilities		22.2	123.9	25.6
Trade and other payables		198.9	194.5	313.9
		423.0	407.6	425.8
Total liabilities		2,334.9	2,815.0	3,103.9
Net assets		1,931.2	2,629.7	2,009.2
Equity				
Share capital		56.8	118.3	118.3
Share premium		818.5	370.4	370.6
Capital redemption reserve		113.9	-	-
Own shares held		(13.3)	(13.8)	(13.4)
Revaluation reserve		-	1,064.7	438.4
Other reserves		12.2	56.1	36.6
Retained earnings		942.3	1,033.4	1,057.0
Total shareholders' equity		1,930.4	2,629.1	2,007.5
Minority interests		0.8	0.6	1.7
Total equity		1,931.2	2,629.7	2,009.2
Net assets per ordinary share ¹				
Basic and diluted	11	341p	875p	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 11.

SEGRO plc

**Condensed Group statement of comprehensive income
For the six months ended 30 June 2009**

	Note	Half year to 30 June 2009 (unaudited) £m	Half year to 30 June 2008 (unaudited) £m	Year to 31 December 2008 £m
Loss for the period		(481.0)	(324.6)	(938.1)
Other comprehensive income				
Foreign exchange movement arising on translation of international operations		(54.8)	25.3	64.8
Revaluation gains on properties in the course of development	5	-	11.1	18.0
Revaluation losses on owner occupied properties	5	(2.1)	(0.7)	(2.1)
Actuarial losses on defined benefit pension schemes		(9.2)	(4.2)	(17.2)
Decrease in value of available-for-sale investments		(9.6)	(0.2)	(3.8)
Tax on items taken directly to equity		2.5	-	(0.5)
Net (loss)/gain recognised directly in equity		(73.2)	31.3	59.2
Transfer to income statement on sale of available-for-sale investments		-	(1.0)	(1.4)
Total comprehensive loss for the period		(554.2)	(294.3)	(880.3)
Attributable to - equity shareholders		(553.3)	(294.2)	(881.6)
- minority interests		(0.9)	(0.1)	1.3
Total comprehensive loss for the period		(554.2)	(294.3)	(880.3)

SEGRO plc
Condensed Group statement of changes in equity
For the six months ended 30 June 2009

(unaudited)	Balance 1 January 2009 £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 30 June 2009 £m
Ordinary share capital	118.3	-	-	-	52.4	-	-	(113.9)	56.8
Share premium	370.6	-	-	-	447.9	-	-	-	818.5
Capital redemption reserve	-	-	-	-	-	-	-	113.9	113.9
Own shares held	(13.4)	-	-	-	-	0.1	-	-	(13.3)
Revaluation reserve ¹	438.4	(12.8)	-	(1.7)	-	-	-	(423.9)	-
Other reserves:									
Share based payments reserve	3.9	-	-	-	-	(0.2)	-	(1.2)	2.5
Fair value reserve for AFS ²	8.1	(0.4)	-	(7.5)	-	-	-	-	0.2
Translation and other reserves	24.6	(22.0)	-	-	-	-	-	6.9	9.5
Total other reserves	36.6	(22.4)	-	(7.5)	-	(0.2)	-	5.7	12.2
Retained earnings	1,057.0	(19.6)	(480.1)	(9.2)	-	(0.6)	(23.4)	418.2	942.3
Total equity attributable to									
Equity shareholders	2,007.5	(54.8)	(480.1)	(18.4)	500.3	(0.7)	(23.4)	-	1,930.4
Minority interests	1.7	-	(0.9)	-	-	-	-	-	0.8
Total equity	2,009.2	(54.8)	(481.0)	(18.4)	500.3	(0.7)	(23.4)	-	1,931.2

For the six months ended 30 June 2008

(unaudited)	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 £m	Balance 30 June 2008 £m
Ordinary share capital	118.1	-	-	-	0.2	-	-	-	118.3
Share premium	368.9	-	-	-	1.5	-	-	-	370.4
Own shares held	(16.8)	-	-	-	-	(0.4)	-	3.4	(13.8)
Revaluation reserve ¹	1,535.7	12.8	-	10.0	-	-	-	(493.8)	1,064.7
Other reserves:									
Share based payments reserve	9.8	-	-	-	-	(3.1)	-	(3.9)	2.8
Fair value reserve for AFS ²	9.6	0.4	-	0.2	-	(1.0)	-	-	9.2
Translation and other reserves	46.6	(2.5)	-	-	-	-	-	-	44.1
Total other reserves	66.0	(2.1)	-	0.2	-	(4.1)	-	(3.9)	56.1
Retained earnings	917.1	14.6	(324.5)	(4.2)	-	-	(63.9)	494.3	1,033.4
Total equity attributable to									
equity shareholders	2,989.0	25.3	(324.5)	6.0	1.7	(4.5)	(63.9)	-	2,629.1
Minority interests	0.7	-	(0.1)	-	-	-	-	-	0.6
Total equity	2,989.7	25.3	(324.6)	6.0	1.7	(4.5)	(63.9)	-	2,629.7

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 £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

Notes

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. Under IAS 40, revaluation movements on development properties are now 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.

SEGRO plc

**Condensed Group cash flow statement
For the six months ended 30 June 2009**

Half year to
**30 June
2009**
(unaudited)
£m

Half year to
30 June
2008
(unaudited)
£m

Year to
31 December
2008
£m

	Note	Half year to 30 June 2009 (unaudited) £m	Half year to 30 June 2008 (unaudited) £m	Year to 31 December 2008 £m
Cash flows from operating activities	16(i)	70.0	73.6	226.0
Interest received on deposits and loans		2.5	7.6	14.2
Dividends received		11.4	1.8	6.5
Interest paid		(77.4)	(59.7)	(174.3)
Tax paid		(5.0)	(44.4)	(59.1)
Net cash received from/(used in) operating activities		1.5	(21.1)	13.3
Cash flows from investing activities				
Sale of US property business (net of cash disposed of)		-	(0.5)	(7.3)
Tax paid on sale of US property business		-	(117.0)	(217.0)
Sale of Slough Heat & Power (net of cash disposed of)		-	(2.4)	(6.2)
Purchase and development of investment and development properties		(84.0)	(164.9)	(283.2)
Sale of investment and development properties		109.8	92.4	199.9
Purchase of property, plant and equipment		(2.3)	(74.0)	(120.6)
Sale of property, plant and equipment		0.1	-	1.2
Purchase of available-for-sale investments		(1.9)	(2.0)	(3.8)
Proceeds from disposal of available-for-sale investments		0.5	7.7	8.6
Investment and loans to joint ventures		(1.8)	(2.3)	(0.7)
Repayment of loans by joint ventures		0.5	2.8	0.5
Transfer (to)/from restricted deposits		-	(0.1)	4.1
Net cash received from/(used in) investing activities		20.9	(260.3)	(424.5)
Cash flows from financing activities				
Dividend paid to ordinary shareholders		(25.1)	(66.3)	(100.6)
Proceeds from new loans		-	2.5	615.3
Repayment of loans		(14.4)	(3.9)	(223.3)
Net (decrease)/increase in other borrowings		(510.7)	255.5	(109.6)
Cost of early closure of financial derivatives		(64.4)	-	-
Proceeds from the issue of ordinary shares		500.3	1.7	1.9
Purchase of own shares		-	(0.4)	(0.4)
Net cash (used in)/received from financing activities		(114.3)	189.1	183.3
Net decrease in cash and cash equivalents		(91.9)	(92.3)	(227.9)
Cash and cash equivalents at the beginning of the period		162.5	340.2	340.2
Effect of foreign exchange rate changes		(16.2)	4.7	50.2
Cash and cash equivalents at the end of the period		54.4	252.6	162.5
Cash and cash equivalents per balance sheet		72.4	265.3	165.8
Less restricted deposits		-	(4.2)	-
Bank overdrafts		(18.0)	(8.5)	(3.3)
Cash and cash equivalents per cash flow		54.4	252.6	162.5

Notes to the condensed financial statements

1. Basis of preparation

The condensed financial statements for the six months ended 30 June 2009 were approved by the Board of Directors on 26 August 2009.

The condensed set of financial statements for the half-year ended 30 June 2009 is unaudited and does not constitute statutory accounts within the meaning of S435 of the Companies Act 2006. The financial information contained in this report for the year ended 31 December 2008 does not constitute statutory accounts within the meaning of S240 of the Companies Act 1985 and has been extracted from the statutory accounts, which were prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRSs) and were delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified; did not draw attention to any matters of emphasis; and did not contain a statement made under S237(2) or S237(3) of the Companies Act 1985. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

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

The same accounting policies and presentation methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, with the exception that the Group has adopted the IASB's Annual Improvements to IFRSs as they relate to development properties, segmental reporting and IAS 1 "Presentation of Financial Statements" (revised 2007) and changed the presentation of service charge income.

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) 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 consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

Service charge income was presented within property rental income, however it is now presented against property operating expenses at 30 June 2009 in order to be more consistent with industry practice. This change in presentation has also been reflected in the 30 June 2008 and 31 December 2008 prior period comparatives to present results on a consistent basis. The change has had no net impact on net property rental income or loss for the period.

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

Balance sheet: £1 = €1.17 (30 June 2008: £1 = €1.26; 31 December 2008: £1 = €1.05)

Income statement: £1 = €1.12 (30 June 2008: £1 = €1.29; 31 December 2008: £1 = €1.26)

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

Notes to the condensed financial statements (continued)

2. Adjusted profit before tax

	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Loss before tax	(493.3)	(315.3)	(939.2)
Adjustments:			
Share of joint ventures revaluation deficit after tax	5.9	4.4	17.3
Investment property revaluation deficit	492.0	379.2	975.6
Loss on sale of investment properties	13.4	10.1	34.8
Adjustments for fair value of derivatives, finance income	(0.4)	(12.6)	(3.8)
Adjustments for fair value of derivatives, finance costs	16.0	1.6	36.6
Restructuring costs	-	-	2.6
Total adjustments	526.9	382.7	1,063.1
Adjusted profit before tax – previous reporting basis	33.6	67.4	123.9
Additional adjustments:			
Loss/(profit) on sale of trading properties less provisions			
- Group	14.1	(19.5)	(23.9)
- joint ventures (after tax)	1.4	(0.8)	(9.0)
Other investment income	-	(1.2)	(1.7)
Total additional adjustments	15.5	(21.5)	(34.6)
Adjusted profit before tax – recurring rental profits	49.1	45.9	89.3

'Adjusted profit before tax – previous reporting basis' relates to the Group's profit before tax after EPRA adjustments and excluding exceptional items but includes profits/losses on the sale of trading properties, provisions for impairment of trading properties 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 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, neither of which relates to the Group's core property rental business.

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Notes to the condensed financial statements (continued)

3. Segmental analysis Geographical segments

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

	United Kingdom			Continental Europe			Group		
	Half year 2009 £m	Half year 2008 £m	Full year 2008 £m	Half year 2009 £m	Half year 2008 £m	Full year 2008 £m	Half year 2009 £m	Half year 2008 £m	Full year 2008 £m
Segment revenue	100.0	111.9	218.8	68.4	100.1	195.9	168.4	212.0	414.7
Net property rental income									
- investment properties	75.6	81.0	156.0	44.5	33.2	76.6	120.1	114.2	232.6
- trading properties	0.6	(0.1)	(0.2)	9.0	5.2	12.5	9.6	5.1	12.3
Profits on sale of trading properties (Increase)/decrease in provision for impairment	-	2.7	4.0	-	18.5	24.0	-	21.2	28.0
(Loss)/profit on sale of trading properties less provisions	(0.6)	(0.1)	0.6	(13.5)	(1.6)	(4.7)	(14.1)	(1.7)	(4.1)
Share of (losses)/profits from property joint ventures after tax	(6.0)	(3.7)	(15.8)	(0.3)	0.3	8.4	(6.3)	(3.4)	(7.4)
Other investment income	-	1.2	1.7	-	-	-	-	1.2	1.7
Administration expenses	(8.8)	(9.9)	(23.9)	(7.3)	(7.1)	(18.7)	(16.1)	(17.0)	(42.6)
Property (losses)/gains	(376.4)	(397.2)	(960.3)	(129.0)	7.9	(50.1)	(505.4)	(389.3)	(1,010.4)
Operating (loss)/profit	(315.6)	(326.1)	(837.9)	(96.6)	56.4	48.0	(412.2)	(269.7)	(789.9)
Net finance costs	(48.3)	(27.7)	(81.4)	(32.8)	(17.9)	(67.9)	(81.1)	(45.6)	(149.3)
(Loss)/profit before tax	(363.9)	(353.8)	(919.3)	(129.4)	38.5	(19.9)	(493.3)	(315.3)	(939.2)
Summary balance sheet									
Total property assets	2,215.1	3,339.8	2,607.7	1,727.2	1,735.1	2,072.3	3,942.3	5,074.9	4,680.0
Net borrowings	(825.5)	(1,153.6)	(1,220.7)	(1,129.2)	(976.2)	(1,275.1)	(1,954.7)	(2,129.8)	(2,495.8)
Other net (liabilities)/assets	(114.6)	(177.8)	(105.1)	58.2	(137.6)	(69.9)	(56.4)	(315.4)	(175.0)
Segment net assets	1,275.0	2,008.4	1,281.9	656.2	621.3	727.3	1,931.2	2,629.7	2,009.2
Capital expenditure in the period	70.3	48.2	105.7	33.7	259.4	358.4	104.0	307.6	464.1

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Notes to the condensed financial statements (continued)

4. Revenue	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Rental income from investment properties	138.0	126.8	264.9
Rent averaging	2.7	1.5	4.9
Surrender premiums	3.3	7.1	9.5
Interest received on finance lease assets	0.4	0.4	0.8
Investment and development property rental income	144.4	135.8	280.1
Trading property rental income	11.0	7.0	16.0
Property rental income	155.4	142.8	296.1
Service charge income	12.1	11.1	25.3
Proceeds from sale of trading properties	0.9	58.1	93.3
Total revenue	168.4	212.0	414.7

5. Property (losses)/gains	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Income statement - valuation deficits	(492.0)	(379.2)	(975.6)
- losses from the sale of investment properties	(13.4)	(10.1)	(34.8)
Total property losses per income statement	(505.4)	(389.3)	(1,010.4)
Other comprehensive income – development valuation surpluses	-	11.1	18.0
Other comprehensive income – owner occupied deficits	(2.1)	(0.7)	(2.1)
Share of joint ventures' valuation losses	(6.5)	(6.3)	(20.5)
Total property losses	(514.0)	(385.2)	(1,015.0)

6. Finance income	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Interest received on bank deposits	2.1	6.6	10.2
Fair value gains on interest rate swaps and other derivatives	0.4	12.6	3.8
Return on pension assets less unwinding of discount on pension liabilities	-	0.4	1.0
Exchange differences	-	-	0.1
Total finance income	2.5	19.6	15.1

7. Finance costs	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Interest on overdrafts and loans	67.8	62.9	134.2
Unwinding of discount on pension liabilities less return on assets	0.1	0.1	0.1
Total borrowing costs	67.9	63.0	134.3
Less amount capitalised on the development of:			
Trading properties	(0.2)	(0.3)	(0.6)
Investment and development properties	(2.2)	(2.0)	(5.9)
Net borrowing costs	65.5	60.7	127.8
Fair value losses on interest rate swaps and other derivatives	16.0	1.6	36.6
Exchange differences	2.1	2.9	-
Total finance costs	83.6	65.2	164.4

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Notes to the condensed financial statements (continued)

8. Investments in joint ventures

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

	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Net rental income less administration expenses and interest			
- investment properties	1.9	1.7	3.6
- trading properties	(0.4)	(1.5)	(2.0)
(Losses)/profits from sale of trading properties less provisions for impairment	(1.4)	0.8	13.4
Valuation deficits – investment properties	(6.5)	(6.3)	(20.5)
Group share of losses before tax	(6.4)	(5.3)	(5.5)
Current tax – investment properties	(0.4)	(0.3)	(0.7)
Current tax – trading properties	(0.1)	0.3	(4.4)
Deferred tax – investment properties	0.6	1.9	3.2
Group share of losses after tax	(6.3)	(3.4)	(7.4)

8(ii) Summarised balance sheet information of Group share of joint ventures

	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Investment and development properties	88.1	106.5	94.5
Total non-current assets	88.1	106.5	94.5
Trading properties	42.4	47.1	47.2
Other receivables	5.2	6.0	8.7
Cash	6.1	14.7	29.7
Total current assets	53.7	67.8	85.6
Total assets	141.8	174.3	180.1
Mortgages and loans	70.8	78.2	76.8
Deferred tax	7.9	10.2	8.6
Other liabilities	0.3	4.8	0.3
Total non-current liabilities	79.0	93.2	85.7
Mortgages and loans	7.9	-	4.3
Other liabilities	7.1	11.7	22.6
Total current liabilities	15.0	11.7	26.9
Total liabilities	94.0	104.9	112.6
Group share of net assets	47.8	69.4	67.5

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Notes to the condensed financial statements (continued)

9. Tax

	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Current tax			
United Kingdom			
Corporation tax charged*	-	0.3	-
Adjustments in respect of earlier years	-	-	0.1
	-	0.3	0.1
International			
Current tax charge	1.6	1.3	3.4
SIIC conversion charge	-	1.1	1.2
	1.6	2.4	4.6
Total current tax	1.6	2.7	4.7
Deferred tax			
Release on conversion to SIIC / REIT in respect of investment properties	-	(1.0)	(1.1)
Origination and reversal of timing differences	1.7	1.5	5.4
Released in respect of property disposals in the period	-	-	(0.6)
On valuation movements	(15.4)	2.9	(7.1)
Total deferred tax in respect of investment properties	(13.7)	3.4	(3.4)
Other deferred tax	(0.2)	3.2	(2.4)
Total deferred tax	(13.9)	6.6	(5.8)
Total tax (credit)/charge	(12.3)	9.3	(1.1)

* The UK corporation tax rate is 28 per cent for the period to 30 June 2009. The UK corporation tax rate changed from 30 per cent to 28 per cent on 1 April 2008 and a blended rate has been used for the half year to 30 June 2008 and full year to 31 December 2008.

10. Dividends

	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Ordinary dividends paid			
Final dividend for 2007 @ 14.7 pence per share	-	63.9	63.9
Interim dividend for 2008 @ 8.3 pence per share	-	-	36.1
Final dividend for 2008 @ 5.4 pence per share	23.4	-	-
	23.4	63.9	100.0

The Board have proposed an interim dividend of 4.6 pence per ordinary share (2008: 8.3 pence). This dividend has not been recognised in the condensed financial statements.

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Notes to the condensed financial statements (continued)

11. Earnings and net assets per ordinary share

The earnings per share calculations use the weighted average number of shares and the net assets per share calculations use the number of shares in issue at the period end. The impact of the share consolidation (see further details in note 15) has been reflected in the weighted average number of shares and the number of shares in issue at the period end used in the calculations for the half year 2009 shown below. Both earnings per share and net assets per share calculations exclude shares held by the ESOP trust (1.2 million for the half year 2009, 1.5 million for the half year 2008 and 1.5 million for the full year 2008).

On 7 April 2009, the Company issued 5,240.7 million new ordinary shares through a rights issue (see further details in note 15). 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 period 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 period. 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.

11(i) Earnings per ordinary share

	Half year 2009			Half year 2008			Full year 2008		
	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share	Earnings £m	Shares million	Pence per share
Basic	(480.1)	424.2	(113.2)	(324.5)	300.3	(108.1)	(938.1)	300.5	(312.2)
Dilution adjustments:									
Share options and save-as-you-earn schemes	-	0.1	-	-	0.1	-	-	-	-
Diluted	(480.1)	424.3	(113.2)	(324.5)	300.4	(108.1)	(938.1)	300.5	(312.2)
Adjusted EPS									
Adjustments to profit before tax	526.9		124.3	382.7		127.5	1,063.1		353.8
France SIIC conversion charge	-		-	1.2		0.4	1.2		0.4
Deferred tax on investment and development property									
which does not crystallise unless sold	(13.7)		(3.2)	3.4		1.1	(3.4)		(1.1)
Other deferred tax	0.2		-	2.8		0.9	(1.7)		(0.6)
Minority interest on adjustments	(0.3)		(0.1)	0.5		0.2	0.4		0.1
Adjusted EPS – previous reporting basis* - diluted	33.0		7.8	66.1		22.0	121.5		40.4
Additional adjustments	15.5		3.6	(21.5)		(7.2)	(34.6)		(11.5)
Tax on additional adjustments	(1.3)		(0.3)	0.5		0.2	0.7		0.2
Adjusted EPS – recurring rental profits* - diluted	47.2	424.3	11.1	45.1	300.4	15.0	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.

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Notes to the condensed financial statements (continued)

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

11(ii) Net assets per share

	Half year 2009			Half year 2008			Full year 2008		
	Equity attributable to ordinary shareholders £m	Shares million	Pence per share	Equity attributable to ordinary shareholders £m	Shares million	Pence per share	Equity attributable to ordinary shareholders £m	Shares million	Pence per share
Basic	1,930.4	566.5	341	2,629.1	300.6	875	2,007.5	300.7	668
Dilution adjustments:									
Share options and save-as-you-earn schemes	-	0.1	-	-	0.1	-	-	-	-
Diluted	1,930.4	566.6	341	2,629.1	300.7	875	2,007.5	300.7	668
Adjusted									
Adjustments for deferred tax on investment properties:									
- capital allowances	49.6		9	39.3		13	53.6		18
- valuation surpluses	15.2		3	36.9		13	33.8		12
Adjusted diluted NAV	1,995.2	566.6	353	2,705.3	300.7	901	2,094.9	300.7	698
Adjusted basic NAV	1,995.2	566.5	353	2,705.3	300.6	901	2,094.9	300.7	698
Triple net NAV (NNNAV)									
Fair value adjustment in respect of debt	320.0		56	159.5		53	409.0		136
Tax effect of fair value adjustment in respect of debt	(89.6)		(16)	(47.9)		(16)	(116.6)		(39)
Deferred tax in respect of capital allowances	(49.6)		(9)	(39.3)		(13)	(53.6)		(18)
Deferred tax in respect of valuation surpluses	(15.2)		(3)	(36.9)		(13)	(33.8)		(12)
Fair value adjustment in respect of trading properties	30.1		5	52.3		17	50.2		17
Diluted triple net NAV (NNNAV)	2,190.9	566.6	386	2,793.0	300.7	929	2,350.1	300.7	782
Basic triple net NAV (NNNAV)	2,190.9	566.5	386	2,793.0	300.6	929	2,350.1	300.7	782

As noted above, prior period net assets per share calculations have been restated using an adjustment factor of 6.92 to the number of shares used in the calculation. Net assets per share previously reported at 31 December 2008 were 462p and 482p 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 31 December would be 443p and 459p for diluted and adjusted diluted respectively.

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Notes to the condensed financial statements (continued)

12. Property assets

12(i) Total property assets, including joint ventures

Properties are included in the balance sheet as follows:

	UK to 30 June 2009 £m	Continental Europe to 30 June 2009 £m	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Properties carried at valuation:					
Investment properties	2,133.0	1,262.6	3,395.6	4,293.6	3,976.5
Development properties	60.8	156.6	217.4	329.8	334.6
	2,193.8	1,419.2	3,613.0	4,623.4	4,311.1
Owner occupied properties	6.7	1.4	8.1	12.3	11.1
	2,200.5	1,420.6	3,621.1	4,635.7	4,322.2
Group's share of investment properties within joint ventures	82.8	5.3	88.1	106.5	94.5
Total properties carried at valuation	2,283.3	1,425.9	3,709.2	4,742.2	4,416.7
Properties carried at cost:					
Trading properties	14.5	306.7	321.2	285.6	357.8
Group's share of trading properties within joint ventures	11.4	32.4	43.8	47.1	47.2
Total properties carried at the lower of cost and net realisable value	25.9	339.1	365.0	332.7	405.0
Total properties	2,309.2	1,765.0	4,074.2	5,074.9	4,821.7

Investment, development and owner occupied properties are stated at market value as at 30 June 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 the sole external valuer of the wholly owned portfolio for the 30 June 2009 valuations. Valuations for some of the joint venture properties within the UK portfolio were performed by King Sturge and Colliers CRE at 30 June 2009 (consistent with prior periods). The valuations conform to International Valuation Standards and RICS Valuation Standards and were arrived at by reference to market evidence of the transaction prices paid for similar properties.

In their valuation report, DTZ noted the turmoil in current markets resulting in the reduction in the volume of transactions below the levels of recent years. Generally, there is greater volatility in the evidence generated by comparable transactions and in these circumstances there is a greater degree of uncertainty in respect of valuations than that which exists in a more active and stronger market in forming an opinion of the realisation of prices of property assets. Until the number and consistency of comparable transactions increases, this situation is likely to remain.

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

12(ii) Investment and development properties

	Investment £m	Development £m	Total £m
Cost or valuation			
At 1 January 2009	3,935.0	334.6	4,269.6
Exchange movement	(146.2)	(24.0)	(170.2)
Acquisitions	-	-	-
Additions	53.5	35.1	88.6
Disposals	(119.9)	(8.0)	(127.9)
Transfer between investment and development properties	70.4	(70.4)	-
Revaluation deficit during the period	(441.5)	(49.9)	(491.4)
At 30 June 2009	3,351.3	217.4	3,568.7
Tenant lease incentives, letting fees and rental guarantees			
At 1 January 2009	41.5	-	41.5
Net movement	2.8	-	2.8
At 30 June 2009	44.3	-	44.3
Net book value at 30 June 2009	3,395.6	217.4	3,613.0

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Notes to the condensed financial statements (continued)

13. Borrowings

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
The maturity profile of borrowings is as follows:			
In one year or less	201.9	89.2	86.3
In more than one year but less than two	135.1	126.9	373.9
In more than two years but less than five	489.5	981.0	995.5
In more than five years but less than ten	383.9	382.0	389.4
In more than ten years	816.7	816.0	816.5
Total debt per balance sheet	2,027.1	2,395.1	2,661.6
Total debt is split between secured and unsecured borrowings as follows:			
Secured (on land and buildings)	95.1	85.2	108.8
Unsecured	1,932.0	2,309.9	2,552.8
Total debt	2,027.1	2,395.1	2,661.6
Currency profile of total borrowings			
Sterling	1,698.0	1,288.3	1,292.5
Euros	329.0	1,106.8	1,358.6
US dollars	0.1	-	10.5
Total debt	2,027.1	2,395.1	2,661.6
Maturity profile of undrawn borrowing facilities			
In one year or less	67.6	68.0	85.1
In more than one year but less than two	170.9	14.7	28.7
In more than two years	748.0	453.5	497.9
Total available undrawn facilities	986.5	536.2	611.7
Fair value of financial instruments			
Book value of debt	2,027.1	2,395.1	2,661.6
Interest rate derivatives	6.2	(15.6)	34.9
Foreign exchange derivatives	(11.3)	(3.5)	57.0
Book value of debt including derivatives	2,022.0	2,376.0	2,753.5
Net fair market value	1,702.0	2,216.5	2,344.5
Pre-tax mark to market adjustment	320.0	159.5	409.0
Tax due on early redemption/termination	(89.6)	(47.9)	(116.6)
After tax mark to market adjustment	230.4	111.6	292.4

14. Deferred tax and other provisions for liabilities and charges

	Deferred tax provision £m	Other provisions for liabilities charges		
		Retirement benefit schemes £m	Other liabilities £m	Total other provisions £m
Balance at 1 January 2009	78.2	6.7	0.4	7.1
Exchange movement	(7.7)	-	-	-
(Credit)/charge to income statement	(13.9)	0.5	-	0.5
(Credit)/charge to reserves	(2.5)	9.2	-	9.2
Paid	-	(0.7)	-	(0.7)
Balance at 30 June 2009	54.1	15.7	0.4	16.1
Balance at 30 June 2008	77.3	7.7	0.3	8.0

The other liabilities relate principally to provisions for onerous leases on rented properties, being the estimated liability of future rentals and dilapidation costs less anticipated sub-letting receipts over the length of the contract.

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Deferred taxation is in respect of:			
Valuation surpluses on properties	15.2	36.9	33.8
Accelerated tax allowances	49.6	39.3	53.6
Deferred tax assets	(10.5)	(9.4)	(8.8)
Others	(0.2)	10.5	(0.4)
	54.1	77.3	78.2

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Notes to the condensed financial statements (continued)

15. Share capital

	Shares of 1p 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 26 1/12p each Deferred £m	Shares of 27 1/12p each Ordinary £m	Total £m
Authorised							
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
Balance at 30 June 2009	13,608.9	436.7	-	136.1	113.9	-	250.0
Balance at 30 June 2008	-	-	541.3	-	-	146.6	146.6

	Shares of 1p 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 26 1/12p each Deferred £m	Shares of 27 1/12p each Ordinary £m	Total £m
Issued and fully paid							
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)
Balance at 30 June 2009	5,677.4	-	-	56.8	-	-	56.8
Balance at 30 June 2008	-	-	434.5	-	-	118.3	118.3

On 7 April 2009, the Company issued 5,240.7 million new ordinary shares at 10 pence per share on the basis of 12 new ordinary shares for every 1 existing ordinary share to raise £500.3 million (net of expenses).

The rights issue required certain resolutions to be passed at the General Meeting held on 20 March 2009 as follows:

- a special resolution to sub-divide and reclassify each existing authorised but unissued ordinary share of 27 1/12 pence into new ordinary shares of 1 penny each;
- a special resolution to sub-divide and reclassify each existing authorised issued ordinary share of 27 1/12 pence each into one new ordinary share of 1 penny each and one deferred share of 26 1/12 pence each;
- an ordinary resolution to increase the authorised share capital of the Company from £146.6 million to £250.0 million by the creation of 10,340.0 million new ordinary shares of 1 penny each in the capital of the Company ranking *pari passu* with the existing new ordinary shares of 1 penny each in the capital of the Company;
- an ordinary resolution that the Directors be generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities of the Company up to an aggregate nominal value of £52.4 million (5,240.7 million new ordinary shares of 1 penny each in the capital of the Company) pursuant to a rights issue of 12 new ordinary shares of 1 penny each for each existing share of 27 1/12 pence each; and
- a special resolution that the Company shall be irrevocably appointed as agent and/or attorney of the holders of the deferred shares and in such capacity shall be authorised to, *inter alia*, cancel and/or acquire all or any of the deferred shares. On 7 May 2009, the Company acquired and, subsequently, cancelled all deferred shares that were in issue.

At the General Meeting held on 28 July 2009 in relation to the acquisition of Brixton (further information on the Brixton acquisition is given in the Financial Review), a resolution was passed to conduct a share consolidation, consolidating and re-classifying 10 of each existing authorised but unissued and existing issued shares of the Company of 1 penny 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.

SEGRO plc

Notes to the condensed financial statements (continued)

16. Notes to the condensed Group cash flow statement

16(i) Reconciliation of cash generated from operations

	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Operating loss	(412.2)	(269.7)	(789.9)
Adjustments for:			
Depreciation of property, plant and equipment	1.2	1.0	3.1
Share of losses from joint ventures	6.3	3.4	7.4
Losses on sale of properties	13.4	10.1	34.8
Revaluation deficits on investment properties	492.0	379.2	975.6
Other income reallocated	-	(4.3)	(1.4)
Other provisions	(0.3)	2.3	(15.5)
	100.4	122.0	214.1
Changes in working capital:			
Decrease/(increase) in trading properties	1.5	(36.9)	(38.3)
(Increase)/decrease in debtors	(3.8)	22.0	35.5
(Decrease)/increase in creditors	(28.1)	(33.5)	14.7
Net cash inflow generated from operations	70.0	73.6	226.0

16(ii) Analysis of net debt

	At 1 January 2009 £m	Cash flow £m	Non-cash adjustment* £m	Exchange movement £m	At 30 June 2009 £m
Bank loans and loan capital	2,658.3	(525.1)	-	(117.2)	2,016.0
Capitalised finance costs	-	(8.3)	1.4	-	(6.9)
Bank overdrafts	3.3	12.7	-	2.0	18.0
Total borrowings	2,661.6	(520.7)	1.4	(115.2)	2,027.1
Cash in hand and at bank	165.8	(79.2)	-	(14.2)	72.4
Net debt	2,495.8	(441.5)	1.4	(101.0)	1,954.7

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

17. Related party transactions

There have been no material changes in the related party transactions described in the last annual report.

18. Subsequent events

On 31 July 2009, the Company completed a share consolidation which is more fully outlined in note 15.

On 24 August 2009, following shareholder approval, the Company acquired a controlling interest in Brixton through a share for share exchange. In conjunction with this, the Company issued further share capital as part of a fully subscribed placing and open offer. This is more fully discussed in the Financial Review.

Between 10 and 25 August 2009, the Group entered into a number of trades in order to close out Brixton's derivative portfolio. This is discussed more fully in the Financial Review.

Glossary of Terms*

Basis point

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

Brixton

Brixton Limited, incorporated in England and Wales with registered number 202342 and having its registered office at 50 Berkeley Street, London W1J 8BX. Following the completion, on 24 August 2009, of the acquisition of its entire ordinary share capital by SEGRO plc, the shares of Brixton have been de-listed. It is now a wholly-owned subsidiary of SEGRO and the name Brixton plc has been re-registered as Brixton Limited with the registered office at 234 Bath Road, Slough, Berkshire SL1 4EE.

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

Equivalent yield

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

Estimated rental value (ERV)

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

Estimate to complete (ETC)

Costs still to be expended on a development or redevelopment to practical completion (not to

complete lettings), including attributable interest.

Gross rental income

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

Hectares (Ha)

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

Joint venture

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

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).

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 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

Net Initial Yield adjusted to include notional rent in respect of let properties which are subject to a rent free period at the valuation date and adjusted to exclude the value of un-let buildings.

Total Property Return (TPR)

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

TSR

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

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