

Registration number: 00444531

# SEGRO Industrial Estates Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2015



## **SEGRO Industrial Estates Limited**

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# **SEGRO Industrial Estates Limited**

## **Company Information**

<b>Directors</b>	A.M. Holland
	G.J. Osborn
	A.J. Pilsworth
	P.A. Redding
	A.O. Peters
<b>Company secretary</b>	E.A. Blease
<b>Registered office</b>	Cunard House
	15 Regent Street
	London
	SW1Y 4LR
<b>Auditor</b>	United Kingdom
	Deloitte LLP
	Chartered Accountants and Statutory Auditor
	London
	United Kingdom

## **SEGRO Industrial Estates Limited**

### **Strategic Report for the Year Ended 31 December 2015**

The directors present the annual report and financial statements and auditor's report for the year ended 31 December 2015.

#### **Principal activity**

The principal activity of the Company is property investment and development, specialising in the provision of modern buildings, mostly industrial, designed to meet the requirements of individual tenants. These developments are let on fully repairing and insuring leases and retained by the Company as investments.

#### **Business review**

##### **Fair review of the business**

The company has performed in line with expectations and the directors are satisfied with the year end position.

The results for the Company show a pre-tax profit of £27.9m (2014: pre-tax profit £51.3m). The company is in a net asset position at the year end. Dividends paid and received during the year, along with balances and debt outstanding to or from group companies is disclosed within the related party transactions note 16.

##### **Principal risks and uncertainties**

The company, as a subsidiary of SEGRO plc, is managed on a unified basis as part of the SEGRO plc group "The Group". The principal risks faced by the company reflect those of the SEGRO plc group and the table below outlines the principal risks and uncertainties faced by the SEGRO plc group in delivering its strategic priorities for the forthcoming year.

##### **Economic Risks**

- Changes in macro-economic conditions;
- Changes in government policies; and
- Changes on the commercial environment.

##### **Strategic risks**

- Portfolio shape and performance;
- Pace of strategic change; and
- Impact of Eurozone economic environment.

##### **Financial risks**

- Solvency and covenant breach.

##### **Operational risks**

- Health and safety incidents;
- Environmental damage or failure to meet sustainability targets;
- Business or IT system disruption;
- Failure to attract, retain and motivate key employees; and
- Breach of anti-bribery and corruption legislation.

##### **Investment/ real estate risks**

- Market cycle
- Appropriateness of investment plans; and
- Portfolio valuation

These risks and uncertainties are described in greater detail together with mitigating factors on pages 62 to 70 of the SEGRO plc Annual Report and Accounts.

## **SEGRO Industrial Estates Limited**

### **Strategic Report for the Year Ended 31 December 2015 (continued)**

#### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the Company's directors are of the opinion that the KPIs relevant to understanding the development, performance and position of the business is profit before tax. The results are disclosed above.

#### **Future developments**

The directors expect the general level of activity to remain consistent with the current year in the forthcoming year. This is due to the straightforward nature of the business in which the Company operates.

Approved by the Board on 27 May 2016 and signed on its behalf by:



.....  
G.J. Osborn  
Director

## **SEGRO Industrial Estates Limited**

### **Directors' Report for the Year Ended 31 December 2015**

#### **Directors of the company**

The directors who held office during the year were as follows:

A.M. Holland

G.J. Osborn

A.J. Pilsworth

L.Y. Giard (resigned 30 June 2015)

P.A. Redding

A.S. Gulliford (resigned 30 June 2015)

A.O. Peters (appointed 30 June 2015)

#### **Going concern**

The financial statements have been prepared on a going concern basis, as the Directors intend the Company to maintain the same level of activity during the forthcoming year. The Company is in a net current liability position but overall is in a net asset position. The Company is funded via an inter-company non-current account provided by the Company's ultimate parent, SEGRO plc, which has confirmed its continuing financial support and therefore the directors consider the Company is in a position to meeting its liabilities as they fall due.

#### **Future developments**

Details of future developments can be found in the Strategic Report on pages 2 to 3 and form part of this report by cross-reference.

#### **Financial risk management objectives and policies**

Details of financial risks can be found under the Principal risks and uncertainties in the Strategic Report on pages 2 to 3 and form part of this report by cross-reference.

#### **Employees**

There were no employees directly employed by the company.

#### **Dividends**

Dividends paid and received during the current and prior year are disclosed within the related party transactions note.

#### **Directors' indemnities**

Directors of the company are entitled to be indemnified by the company against any liability, loss or expenditure incurred in connection with their duties, powers or office, to the extent permitted by statute.

The contracts of employment of the Directors of the company do not provide for compensation for the loss of office that occurs because of takeover.

#### **Disclosure of information to the auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The director has taken all the steps he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

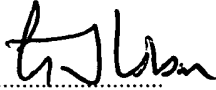
#### **Auditor of the Company**

Deloitte LLP was the auditor of the company for the year ended 31 December 2015. Subsequent to the year end PricewaterhouseCoopers LLP was appointed for the year ending 31 December 2016.

**SEGRO Industrial Estates Limited**

**Directors' Report for the Year Ended 31 December 2015 (continued)**

Approved by the Board on 27 May 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'G.J. Osborn', written over a dotted line.

G.J. Osborn  
Director

## **SEGRO Industrial Estates Limited**

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the Annual Report including the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting practice (United Kingdom Accounting Standard and applicable law) including Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **SEGRO Industrial Estates Limited**

### **Independent Auditor's Report**

We have audited the financial statements of SEGRO Industrial Estates Limited for the year ended 31 December 2015, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the Related Notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**SEGRO Industrial Estates Limited**

**Independent Auditor's Report (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



.....  
Jennifer Chase (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP,  
Chartered Accountants and Statutory Auditor

London  
United Kingdom

27 May 2016

## SEGRO Industrial Estates Limited

### Profit and Loss Account for the Year Ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Turnover	4	8,065	9,901
Cost of sales		<u>(833)</u>	<u>(1,165)</u>
Gross profit		7,232	8,736
Administrative expenses	5	(713)	(483)
Other gains	6	<u>21,320</u>	<u>42,411</u>
Operating profit		27,839	50,664
Interest receivable	7	<u>45</u>	<u>608</u>
Profit before tax		27,884	51,272
Taxation	8	<u>-</u>	<u>-</u>
Profit for the year		<u><u>27,884</u></u>	<u><u>51,272</u></u>

The above results were derived from continuing operations.

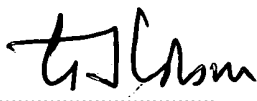
There are no items of other comprehensive income in the current or prior year and therefore no statement of other comprehensive income is shown. Comprehensive income for the current and prior year is the same as the profit for the year.

# SEGRO Industrial Estates Limited

(Registration number: 00444531)  
Balance Sheet as at 31 December 2015

	Note	2015 £ 000	2014 £ 000
<b>Assets</b>			
<b>Fixed assets</b>			
Investment and development properties	9	176,114	139,955
Amounts due from group undertakings	16	59,798	92,799
		<u>235,912</u>	<u>232,754</u>
<b>Current assets</b>			
Debtors	10	408	528
<b>Total assets</b>		<u>236,320</u>	<u>233,282</u>
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	12	(3,991)	(3,837)
<b>Net current liabilities</b>		<u>(3,583)</u>	<u>(3,309)</u>
<b>Total assets less current liabilities</b>		<u>232,329</u>	<u>229,445</u>
<b>Net assets</b>		<u>232,329</u>	<u>229,445</u>
<b>Capital and reserves</b>			
Called up share capital	13	200,563	200,563
Share premium		60	60
Revaluation reserve		30,316	8,989
Profit and loss account		1,390	19,833
<b>Total shareholders' funds</b>		<u>232,329</u>	<u>229,445</u>

Approved by the Board on 27 May 2016 and signed on its behalf by:



G.J. Osborn  
Director

**SEGRO Industrial Estates Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2015**

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2015	200,563	60	8,989	19,833	229,445
Profit for the year	-	-	-	27,884	27,884
Dividends	-	-	-	(25,000)	(25,000)
Transfer to revaluation reserve	-	-	21,327	(21,327)	-
At 31 December 2015	<u>200,563</u>	<u>60</u>	<u>30,316</u>	<u>1,390</u>	<u>232,329</u>

	Share capital £ 000	Share premium £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2014	200,563	60	(24,113)	46,663	223,173
Profit for the year	-	-	-	51,272	51,272
Dividends	-	-	-	(45,000)	(45,000)
Transfer to revaluation reserve	-	-	33,102	(33,102)	-
At 31 December 2014	<u>200,563</u>	<u>60</u>	<u>8,989</u>	<u>19,833</u>	<u>229,445</u>

Transfer to the revaluation reserve represent a transfer of the revaluation gain on investment properties in the year from retained earnings into the revaluation reserve.

## **SEGRO Industrial Estates Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015**

#### **1 General information**

##### **General**

The Company is a private company limited by share capital incorporated and domiciled in England and Wales. Details of the Company's registered office is set out in the Company information on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

These financial statements are presented in thousands and in sterling since that is the currency in which the majority of the company's transactions are denominated. The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the Financial Statements of SEGRO plc. The group Financial Statements of SEGRO plc are available to the public and can be obtained as set out in note 17.

##### **Adoption of new and revised Standards**

The following new and revised Standards and interpretations have been adopted in the current period. The adoption of the standards, interpretations and amendments effective for the first time from 1 January 2015 had no material effect on the financial statements.

- IFRIC21 Levies
- Amendments to IFRS 2 Share-based Payments
- Amendments to IFRS 3 Business Combination
- Amendments to IFRS 8 Operating Segments
- Amendments to IFRS 13 Fair Value Measurement
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets
- Amendments to IAS 24 Related Party Disclosure
- Amendments to IAS 40 Investment Property
- Amendments to IFRS 1 First-time adoption of IFRS

## SEGRO Industrial Estates Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 2 Significant accounting policies

##### **Basis of preparation**

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition was effected prior year and did not have a material impact on the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard, for all periods presented, in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, share based payments, presentation of a cash-flow statement and standards not yet effective.

Where relevant, equivalent disclosures have been given in the group financial statements of SEGRO plc. The group financial statements of SEGRO plc are available to the public and can be obtained as set out in note 17.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

## **SEGRO Industrial Estates Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

#### **Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 2.

The Financial Statements have been prepared on a going concern basis, as the Directors intend the Company to maintain the same level of activity during the forthcoming year. The Company is funded via an inter-company non current account provided by the Company's ultimate parent, SEGRO plc, which has confirmed its continuing financial support and therefore the directors consider the Company is in a position to meeting its liabilities as they fall due.

The directors, having assessed the responses of the directors of the company's ultimate parent SEGRO plc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the SEGRO plc group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of SEGRO plc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Investment property**

These properties include completed properties that are generating rent or are available for rent and development properties that are under development or available for development. Investment properties comprise freehold and leasehold properties and are first measured at cost (including transaction costs), then revalued to market value at each reporting date by professional valuers. Leasehold properties are shown gross of the leasehold payables (which are accounted for as finance lease obligations). Valuation gains and losses in a period are taken to the profit and loss account. As the Company uses the fair value model as per IAS 40 'Investment Properties', no depreciation is provided.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

#### **Property acquisitions and disposals**

Properties are treated as acquired at the point when the Company assumes the significant risks and rewards of ownership and as disposed when these are transferred to the buyer. Generally this would occur on completion of contract.

#### **Investments**

Where the Company holds investments in subsidiaries and associates these are held at cost or provided against where the recoverable amount falls below this balance. The Company has taken advantage of the exemption under S400 Companies Act 2006 not to produce consolidated accounts.

#### **Impairment**

The company's assets, excluding investment properties, are reviewed at each reporting date to assess impairment. Where indication of impairment exists, the asset's recoverable amount is estimated, and if found to be lower than its carrying value, it is written down to the recoverable amount. The impairment loss is taken to the profit and loss account. The recoverable amount is the higher of an asset's net selling price and its value-in-use (i.e. the net present value of its future cash flows, discounted at a pre-tax interest rate that reflects the borrowing costs and risks for the asset).

An impairment loss is reversed if estimates for the recoverable amount change, but only to the extent that its carrying amount after reversal does not exceed the net asset value that would arise had there been no impairment loss.



## **SEGRO Industrial Estates Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

#### **Turnover**

Turnover includes gross rental income, joint venture management fee income, income from service charges and proceeds from the sale of trading properties. Joint venture management fee income is recognised as income when earned.

#### **Rental income**

Rental income from properties let as operating leases are recognised on a straight-line basis over the lease term. Lease incentives and initial costs to arrange leases are capitalised, then amortised on a straight-line basis over the lease term ('rent averaging'). For properties let as finance leases, 'minimum lease receipts' are apportioned between finance income and principal repayment, but receipts that were not fixed at lease inception (e.g. rent review rises), are recognised as income when earned. Surrender premiums received in the period are included in rental income.

#### **Trade debtors**

Trade and other debtors are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. An impairment provision is created where there is objective evidence that the Group will not be able to collect in full.

#### **Trade creditors**

Trade and other creditors are initially measured at fair value, net of transaction costs and subsequently measured at amortised costs using the effective interest method.

#### **Taxation**

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Income tax on the profit for the year comprises current and deferred tax. Current tax is the tax payable on the taxable income for the year and any adjustment in respect of previous years.

Deferred tax is provided in full using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for temporary differences (i) arising on the initial recognition of assets or liabilities, other than a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that suitable taxable profits will be available against which deductible temporary differences can be utilised.

#### **Provisions**

A provision is recognised where there is an obligation from past events requiring settlement by an outflow of economic benefits. Where material, expected outflows are discounted at rates reflecting prevailing interest rates and risks. A provision for an onerous contract is recognised where the unavoidable cost of meeting contractual obligations exceeds its benefits. Dilapidations are provided for if an obligation exists at the reporting date which can be reliably estimated.

## SEGRO Industrial Estates Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 3 Critical accounting judgements

##### Summary of significant accounting policies and key accounting estimates

Management are required to make judgements, estimates and associated assumptions about the carrying amount of the assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual result may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revisions and future periods if the revision affects both current and future periods.

The principal accounting policies applied in the preparation of these financial statements are set out above. These policies have been consistently applied to all the years presented, unless otherwise stated.

The critical estimate and assumption relates to the property valuations applied by the Group's property valuer as disclosed by the in investment property note.

#### 4 Turnover

The analysis of the company's revenue for the year from continuing operations is as follows:

	2015 £ 000	2014 £ 000
Rental income from investment property	7,468	9,365
Management fees	597	536
	<u>8,065</u>	<u>9,901</u>

#### 5 Administrative expenses

##### Employees

There were no employees directly employed by the company in either year.

##### Audit fees

A notional charge of £2,000 (2014: £2,000) per Company is deemed payable to Deloitte LLP in respect of the audit of the financial statements. The actual amounts payable to Deloitte LLP are paid at group level by SEGRO plc.

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

# **SEGRO Industrial Estates Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

### **6 Other gains/(losses)**

The analysis of the company's other gains and losses for the year is as follows:

	<b>2015</b>	<b>2014</b>
	<b>£ 000</b>	<b>£ 000</b>
Gain/(loss) from sales of investment properties	(7)	9,002
Gain/(loss) from sale of trading properties	-	307
Revaluation gain on investment properties	<u>21,327</u>	<u>33,102</u>
	<u><u>21,320</u></u>	<u><u>42,411</u></u>

### **7 Interest receivable**

	<b>2015</b>	<b>2014</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Interest receivable</b>		
Interest receivable from group undertakings	<u>45</u>	<u>608</u>

The interest capitalised rate for 2015: was 6.10% (2014: 6.10%). Interest is capitalised gross of tax relief.

## SEGRO Industrial Estates Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 8 Taxation

Tax charged/(credited) in the profit and loss account

	2015 £ 000	2014 £ 000
Total taxation	-	-

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK of 20.25% (2014 : 21.5%).

The differences are reconciled below:

	2015 £ 000	2014 £ 000
Profit before tax	27,884	51,272
Less: revaluation movement not taxable	(21,327)	(33,102)
Adjusted profit/(loss) on ordinary activities before tax	6,557	18,170
Corporation tax at standard rate	1,328	3,907
REIT tax exemption	(1,328)	(3,907)
Total tax charge/(credit)	-	-

The standard rate of UK corporation tax is due to fall in stages to 18% by April 2020. This is unlikely to significantly impact the Company's tax charge.

SEGRO plc elected during 2007 to become a Real Estate Investment Trust (REIT) for UK tax purposes with effect from 1 January 2007. As a result, no UK corporation tax should be due on future income or capital gains in respect of investment properties within the REIT group, of which this company is a member.

#### 9 Investment and development properties

	2015 £ 000	2014 £ 000
<b>Fair value</b>		
At 1 January	139,955	131,295
Additions	14,044	16,222
Disposals	-	(41,010)
Revaluation gain	21,327	33,102
Lease incentives	788	346
At 31 December	176,114	139,955

## SEGRO Industrial Estates Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

#### 9 Investment and development properties (continued)

The Company's properties were externally valued as at 31 December 2015 by CBRE Limited. The valuation basis is market value, conforms to International Valuation Standards and was arrived at by reference to market evidence of the transaction prices paid for similar properties. The valuer above is a qualified independent valuer who holds a recognised and relevant professional qualification and has recent experience in the relevant location and the category of properties being valued. The valuer has adopted a policy for the regular rotation of the responsible valuer.

The comparable cost of investment properties determined under historical cost is:

	2015 £ 000	2014 £ 000
<b>Historical cost</b>		
At 31 December	<u>145,798</u>	<u>130,966</u>

All of the Company's properties are level 3 in the fair value hierarchy as at 31 December 2015 and there were no transfers between levels during the year.

Based on a multi-criteria approach, the following valuation techniques can be used for a same class of assets: The yield methodology valuation technique is used when valuing the Group's assets which uses market rental values capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the initial yields and the fair market values per square meter derived from actual market transactions.

For properties under construction, the fair value is usually calculated by estimating the fair value of the completed property (using the above mentioned methodology) less estimated costs to completion.

An increase/decrease to ERV will increase/decrease valuations, while an increase/decrease to yield decreases/increases valuations.

There are interrelationships between all these inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the input on the valuation. The impact on the valuation will be mitigated by the interrelationship of two inputs in opposite directions, for example, an increase in rent may be offset by an increase in yield. Further information on these inputs is detailed within the Investment Properties note of the SEGRO plc Annual Report and Accounts.

#### 10 Debtors

	2015 £ 000	2014 £ 000
<b>Amounts falling due within one year:</b>		
Trade debtors	434	466
Allowance for doubtful debts	<u>(135)</u>	<u>(24)</u>
Net trade debtors	299	442
Prepayments and accrued income	109	25
Other debtors	<u>-</u>	<u>61</u>
Total debtors	<u>408</u>	<u>528</u>

## SEGRO Industrial Estates Limited

### Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

#### 11 Financial instruments

##### Financial assets and liabilities

Financial assets in the Company comprise trade and other receivables, excluding prepayments, which are categorised as loans and receivables. Financial liabilities comprise inter-company debt, which is categorised as financial liabilities and measured at amortised cost, and trade and other payables, excluding deferred income, and tax balances, which are categorised as other financial liabilities. The carrying values of these financial assets and liabilities approximate their fair value.

The Company is funded via an inter-company non-current account ultimately provided by the Group's parent entity SEGRO plc. Where the company is trading this is charged at the Group's average cost of sterling borrowings plus 0.5%. Where the company is not trading the non-current account is not interest bearing. This advance has no set maturity date although the parent entity has undertaken to give 12 months notice of any demand for repayment of the balance. To date no such notice has been issued. The parent entity has also indicated its intention to provide the support necessary to ensure the Company remains a going concern.

The Company has no bank debt, is not party to any derivative instruments and has no foreign currency exposures as 100% of its business is UK based.

#### 12 Trade and other payables

	2015 £ 000	2014 £ 000
Accrued expenses and deferred income	3,797	3,024
Social security and other taxes	-	325
Other payables	194	488
	<u>3,991</u>	<u>3,837</u>

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

# **SEGRO Industrial Estates Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

### **13 Called up share capital**

#### **Allotted, called up and fully paid shares**

	<b>2015</b>		<b>2014</b>	
	<b>No.</b>	<b>£</b>	<b>No.</b>	<b>£</b>
Ordinary of £0.20 each	<u>1,002,816,665</u>	<u>£200,563,333</u>	<u>1,002,816,665</u>	<u>£200,563,333</u>

The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at the general meetings of the company.

### **14 Dividends**

Dividends of £25m (2014: £45m) were paid to group companies during the year.

### **15 Operating leases**

#### **The company as lessor**

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	<b>2015</b>	<b>2014</b>
	<b>£ 000</b>	<b>£ 000</b>
Within one year	7,326	5,948
In two to five years	20,626	19,093
In over five years	<u>21,491</u>	<u>12,613</u>
	<u>49,443</u>	<u>37,654</u>

### **16 Related party transactions**

Transactions between the Company and SEGRO plc group companies are shown below:

	<b>2015</b>	<b>2014</b>
	<b>£ 000</b>	<b>£ 000</b>
Dividends paid	(25,000)	(45,000)
Interest receivable from group undertakings	<u>45</u>	<u>608</u>
	<u>(24,955)</u>	<u>(44,392)</u>

Significant balances outstanding between the Company and SEGRO plc group companies are shown below:

	<b>2015</b>	<b>2014</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts due from group undertakings	<u>59,798</u>	<u>92,799</u>

## **SEGRO Industrial Estates Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2015 (continued)**

All of the above transactions are made on terms equivalent to those that prevail in arm's length transactions.

Amounts due from group undertakings are not interest bearing. However, where a company's balance has moved in the year from a debtor to a creditor this may result in an interest charge. This is charged at the Group's average cost of sterling borrowings plus 0.5%. The amounts due have no fixed repayment terms.

#### **17 Parent and ultimate parent undertaking**

The parent and ultimate holding company is SEGRO plc a company incorporated in Great Britain. SEGRO plc is also the smallest and largest group of which the Company is a member to prepare group accounts. Copies of the consolidated Financial Statements of SEGRO plc can be obtained from Cunard House, 15 Regent Street, London, SW1Y 4LR, England.