

Registration number: 07208159

SEGRO APP 3 Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2016

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SEGRO APP 3 Limited

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SEGRO APP 3 Limited

Company Information

Directors	A.M. Holland
	G.J. Osborn
	A.J. Pilsworth
	S.C. Pursey
	A.O. Peters
Company secretary	E.A. Blease
Registered office	Cunard House
	15 Regent Street
	London
	SW1Y 4LR
	United Kingdom
Auditor	PricewaterhouseCoopers LLP
	7 More London Riverside
	London
	SE1 2RT

SEGRO APP 3 Limited

Strategic Report for the Year Ended 31 December 2016

The directors present the annual report and the audited financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of the Company is to act as a holding company. The Company has performed in line with expectations and the directors are satisfied with the year end position.

Business review

Fair review of 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 £1.4m (2015: profit £0.6m). The company is in a net asset position at the year end. The Directors are satisfied that the financial statements have been prepared on a going concern basis. For further disclosure see the Directors' Report under going concern.

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

- UK exit from the EU;
- 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

SEGRO APP 3 Limited

Strategic Report for the Year Ended 31 December 2016 (continued)

These risks and uncertainties are described in greater detail together with mitigating factors on pages 54 to 61 of the SEGRO plc Annual Report and Accounts.

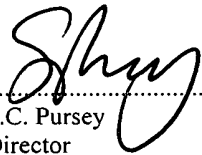
Key Performance Indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that the KPI relevant to understanding the development, performance and position of the business is profit before tax. The result is 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 June 2017 and signed on its behalf by:


.....
S.C. Pursey
Director

SEGRO APP 3 Limited

Directors' Report for the Year Ended 31 December 2016

Directors of the company

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

A.M. Holland
G.J. Osborn
A.J. Pilsworth
S.C. Pursey
A.O. Peters

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 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 meet 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 proposed and paid and dividends 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.

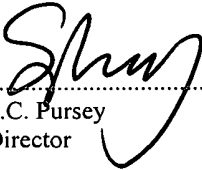
SEGRO APP 3 Limited

Directors' Report for the Year Ended 31 December 2016 (continued)

Auditor of the Company

The board elected to appoint PricewaterhouseCoopers LLP as the auditor of the Company for the year ended 31 December 2016. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment as auditors was approved at the Annual General Meeting.

Approved by the Board on 27 June 2017 and signed on its behalf by:


.....
S.C. Pursey
Director

SEGRO APP 3 Limited

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; 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.

The directors 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 APP 3 Limited

Independent Auditor's Report to the members of SEGRO APP 3 Limited

Report on the financial statements

Our opinion

In our opinion, SEGRO APP 3 Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Profit and Loss Account for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

SEGRO APP 3 Limited

Independent Auditor's Report to the members of SEGRO APP 3 Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SEGRO APP 3 Limited

Independent Auditor's Report to the members of SEGRO APP 3 Limited (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



.....
Craig Hughes (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 June 2017

SEGRO APP 3 Limited

Profit and Loss Account for the Year Ended 31 December 2016

	Note	2016 £ 000	2015 £ 000
Dividends received	12	2,959	2,137
Interest payable	5	<u>(1,560)</u>	<u>(1,557)</u>
Profit before tax		1,399	580
Taxation	6	<u>-</u>	<u>-</u>
Profit for the year		<u><u>1,399</u></u>	<u><u>580</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.

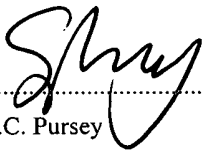
The notes on pages 13 to 23 form an integral part of these financial statements.

SEGRO APP 3 Limited

(Registration number: 07208159)
Balance Sheet as at 31 December 2016

	Note	2016 £ 000	2015 £ 000
Assets			
Fixed assets			
Investments in subsidiaries, joint ventures and associates	8	36,006	36,006
Amounts due from group undertakings	7	921	1,355
Total assets		36,927	37,361
Net current assets/(liabilities)		-	-
Total assets less current liabilities		36,927	37,361
Creditors: Amounts falling due after more than one year			
Amounts owed to group undertakings	10	(36,269)	(38,102)
Net assets/(liabilities)		658	(741)
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account		658	(741)
Total shareholders' funds		658	(741)

Approved by the Board on 27 June 2017 and signed on its behalf by:



 S.C. Pursey
 Director

SEGRO APP 3 Limited

Statement of Changes in Equity for the Year Ended 31 December 2016

	Share capital £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	-	-	(741)	(741)
Profit/(loss) for the year	-	-	1,399	1,399
At 31 December 2016	-	-	658	658

	Share capital £ 000	Revaluation reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2015	-	-	(1,321)	(1,321)
Profit/(loss) for the year	-	-	580	580
At 31 December 2015	-	-	(741)	(741)

The notes on pages 13 to 23 form an integral part of these financial statements.

SEGRO APP 3 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

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.

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 13.

Adoption of new and revised Standards

The following new and revised standards and interpretations have been adopted in the current year. The adoption of the standards, interpretations and amendments effective for the first time from 1 January 2016 had no material effect on the financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities - Applying the Consolidation Exception
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1: Disclosure Initiative
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 16 and IAS 41: Bearer Plants
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010-2012 Cycle

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Notes to the Financial Statements for the Year Ended 31 December 2016 (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, related parties and disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities 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 13.

The Company, as a subsidiary of SEGRO plc, is managed on an unified basis as part of the SEGRO plc group. There are standard accounting policies followed by the group and they are included within this note for standardised presentation across all financial statements as the group has a significant number of subsidiaries.

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.

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Notes to the Financial Statements for the Year Ended 31 December 2016 (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 and 3.

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 liability position at the year end. 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 meet 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 independent 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 Income Statement. As the Group uses the fair value model, as per IAS 40 Investment Properties, no depreciation is provided. An asset will be classified as held for sale within investment properties, in line with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, where there is Board approval at the year-end date and the asset is expected to be disposed of within 12 months of the balance sheet date.

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 assets) 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 Group 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. Any gains or loss arising on de-recognition 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.

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.

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Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

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.

Leases

Leases where substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. All others are deemed operating leases. Under operating leases, properties leased to tenants are accounted for as investment properties. In cases where only the buildings part of a property lease qualifies as a finance lease, the land is shown as an investment property.

Revenue

Revenue 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 in the period to which it relates.

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'). Surrender premiums received in the period are included in rental income.

Service charges and other recoveries from tenants

These include income in relation to service charges, directly recoverable expenditure and management fees. Revenue from services is recognised by reference to the state of completion of the relevant services provided at the reporting date. Where the Company acts as an agent, service charge income is netted against the relevant property operating expenses.

Loans

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and which form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

Trade and other receivables

Trade and other receivables are booked 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 Company will not be able to collect in full.

Trade and other payables

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

Pensions - defined benefit schemes

The schemes' assets are measured at fair value, their obligations are calculated at discounted present value, and any net surplus or deficit is recognised in the balance sheet. Operating and financing costs are charged to the profit and loss account, with service costs spread systematically over employees' working lives, and financing costs expensed in the period in which they arise. Actuarial gains and losses are recognised in the statement of comprehensive income. Where the actuarial valuation of the scheme demonstrates that the scheme is in surplus, the recognisable asset is limited to that for which the Company can benefit in the future. Professional actuaries are used in relation to defined benefit schemes and the assumptions made are outlined in the pensions note.

Share-based payments

The cost of granting share options and other share-based remuneration is recognised in the profit and loss account at their fair value at grant date. They are expensed straight-line over the vesting period, based on estimates of the shares or options that will eventually vest. Charges are reversed if it appears that non-market based performance conditions will not be met.

Income Tax

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.

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Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

3 Critical accounting judgements

Summary of significant accounting policies and key accounting estimates

Management believes that the judgements, estimates and associated assumptions used in the preparation of the financial statements are reasonable, however actual results may differ from these estimates. Critical judgements, where made, are disclosed within the relevant section of the financial statements in which such judgements have been applied.

The critical estimate and assumptions relates to the carrying value of investments.

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.

4 Administrative expenses

Employees

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

Audit fees

A notional charge of £2,000 (2015: £2,000) per Company is deemed payable to PricewaterhouseCoopers LLP in respect of the audit of the financial statements. The actual amounts payable to PricewaterhouseCoopers LLP are paid at group level by SEGRO plc.

Fees payable to PricewaterhouseCoopers 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.

Directors' remuneration

The Directors received no remuneration in respect of their services to the Company during the year (2015: £nil). Some of the Directors are also Directors of SEGRO plc, the Company's ultimate holding company, and the remuneration of these Directors is disclosed in the financial statements of that Company.

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Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

5 Interest payable

	2016 £ 000	2015 £ 000
Interest payable		
Interest on group borrowings	<u>(1,560)</u>	<u>(1,557)</u>

The interest capitalised rate for 2016 was 5.30% (2015: 6.10%). Interest is capitalised gross of tax relief.

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Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

6 Income tax

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

	2016 £ 000	2015 £ 000
Total current taxation	<u>-</u>	<u>-</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2015 : lower than the standard rate of corporation tax in the UK) of 20% (2015 : 20.25%).

The differences are reconciled below:

	2016 £ 000	2015 £ 000
Profit before tax	<u>1,399</u>	<u>580</u>
Corporation tax at standard rate	280	117
REIT tax exemption	<u>(280)</u>	<u>(117)</u>
Total tax charge/(credit)	<u>-</u>	<u>-</u>

The standard rate of UK corporation tax is due to fall in stages to 17% 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 the Company is a member.

7 Amounts due from group undertakings

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.

SEGRO APP 3 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

8 Investments in subsidiaries, joint ventures and associates

Joint ventures

	2016 £ 000	2015 £ 000
Joint Ventures		
At 1 January	<u>36,006</u>	<u>36,006</u>

Details of the joint ventures as at 31 December 2016 are as follows:

Name of Joint-ventures	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2016	2015
Airport Property Partnership (direct)	property investment	England and Wales	10%	10%

The above Partnership is registered at Cunard House, 15 Regent Street, London, SW1Y 4LR, United Kingdom.

SEGRO APP 3 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

9 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.

10 Amounts owed to group undertakings

	2016 £ 000	2015 £ 000
Amounts due to group undertakings	<u>36,269</u>	<u>38,102</u>

Amounts owed to group undertakings (continued)

Amounts due to group undertakings have no fixed repayment terms and are interest bearing at the Group UK weighted average cost of funds plus a margin of 0.5%, amounting to 4.30% (2015 6.10%). SEGRO plc has agreed that it will not demand repayment of intercompany loans owing to it within the next twelve months.

11 Called up share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</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.

SEGRO APP 3 Limited

Notes to the Financial Statements for the Year Ended 31 December 2016 (continued)

12 Related party transactions

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

	2016 £ 000	2015 £ 000
Dividends proposed and paid	-	-
Interest receivable from group undertakings	-	-
Interest payable to group undertakings	(1,560)	(1,557)
Dividends received	2,959	2,137
	<u>1,399</u>	<u>580</u>
	2016 £ 000	2015 £ 000
Amounts due from group undertakings	921	1,355
Amounts due to group undertakings	(36,269)	(38,102)
	<u>(35,348)</u>	<u>(36,747)</u>

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

13 Parent and ultimate parent undertaking

The parent and ultimate holding company are SEGRO Properties Limited and SEGRO plc, respectively, both Companies 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.

14 Events after the balance sheet date

On 9 March 2017 SEGRO plc purchased the complete unitholding of Airport Property Unit Trust from the Aviva Group for a consideration of £360,230,438 and subsequently gained sole control of the Airport Property Partnership. As part of the transaction, SEGRO Properties Limited gained control of the ordinary B shares held by Norwich Union (Shareholder GP) Limited in the SEGRO APP 3 Limited."