slough estates plc

Annual Report 2004

Delivering our vision

Our vision is to be highly regarded within the sector which means we must strive towards a position where investors understand us and are keen to invest, customers recommend us and expand with us, financiers, commentators and governments prefer us, employees are proud to work for the company and are actively encouraged to develop their skill set, competitors respect us and suppliers want to work with us.

Financial highlights

	Year to 31 December 2004	2003 Restated	Change %
Property investment income*	£247.3m	£238.2m	+3.8
Profit before tax and exceptional items	£146.8m	£140.1m	+4.8
Profit before tax after exceptional items	£209.1m	£103.8m	+101.4
Adjusted basic earnings per share**	29.0p	27.6p	+5.1
Basic earnings per share	37.8p	19.6p	+92.9
Recommended final ordinary dividend	9.85p	9.2p	+7.1
Total ordinary dividend for year	16.0p	15.0p	+6.7
Diluted net assets per share before FRS 19 deferred tax	564p	505p	+11.7
Basic net assets per share*	601p	536p	+12.1

* Property investment income comprises investment and joint venture property income.

** Adjusted to exclude exceptional items and FRS 19 deferred tax. Exceptional items are profits/(losses) on the sale of investment properties and the provision for Quail West in 2003.

Slough Estates at a glance

We are committed to providing flexible business space to clients across a broad range of business sectors.

Slough Estates is a property investment and development company, which is domiciled in the UK with a listing on the London Stock Exchange. The Group develops and invests in property located in Western Europe and North America with over 80 per cent of its assets being invested in edge of town flexible business space.

Slough Estates' business space investments are mainly within business parks in what have been identified to be the locations with the best long-term economic prospects. Such centres have large, well-educated populations, a skilled workforce, good infrastructure and the capital base to ensure the long-term such prosperity for the region. Such regions currently include, in the UK, the Thames Valley, the M3 corridor and Cambridge. In Continental Europe, greater Brussels, Paris and the Ruhr in Germany. In California, South San Francisco and San Diego. The company continually reviews the prospects in new regions and currently is looking at the opportunities to grow the business in Continental Europe.

In total the Group has some 1,700 customers and this brings an unrivalled diversification of risk, as the top 20 customers account for only 27 per cent of total annualised rent. Rental income from this wide customer base is the main source of income for the Group and currently brings an annualised income of £245 million per annum and on average there is a weighted average unexpired lease term, assuming that breaks are exercised at the first opportunity, of 9.8 years. This ensures excellent security of income for the Group for many years.

The Group is financed conservatively in order to reduce long-term financing risks with a weighted average maturity of borrowings of 9.7 years at an average interest cost of 6.41 per cent so providing certainty of finance. Further, some 81 per cent of the debt has fixed rates of interest so protecting the company against any upward movements in interest rates.

The Company was founded in 1920 at Slough and today its largest business park, the Slough Trading Estate, still remains its largest single investment representing 29.8 per cent of the portfolio. The Slough Trading Estate is a unique business park of 500 acres in single ownership, close to London's Heathrow Airport and with unrivalled communications by air, road or rail. The Estate is home to some 400 tenants covering almost every sector. Such a large estate brings continual redevelopment opportunities and 24 per cent of the Estate has been built within the last 10 years.

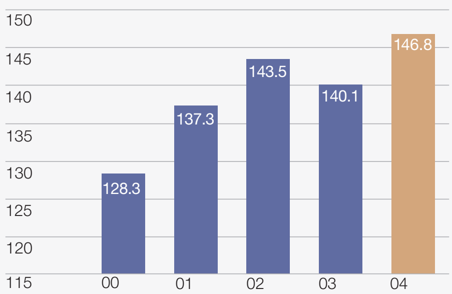
Historically, Slough Estates has made its best returns from development and therefore the Company continues to hold a substantial land bank. This land will be developed when market conditions are favourable. The main land bank is located at Farnborough and Cambridge in the UK, at Pegasus Park near Brussels and in South San Francisco and San Diego in the US.

North America:
372,036 sq.m. principally life science facilities in south San Francisco and San Diego.

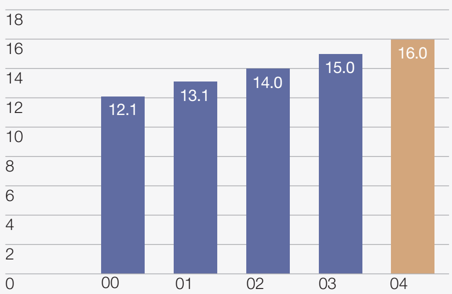
UK:
2,126,147 sq.m. principally flexible business space at Slough, Winnersh Triangle and Kings Norton.

Continental Europe:
385,800 sq.m. principally flexible business space in Brussels and the Ile de France.

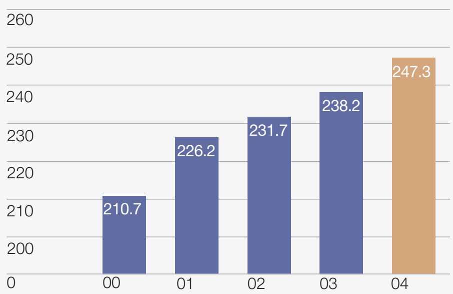
Adjusted pre-tax profit
£ million



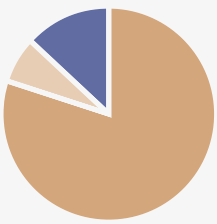
Dividend per share
pence



Property investment income
£ million

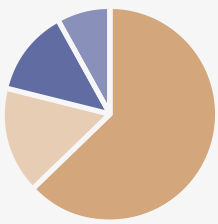


Investment portfolio
By value, by location



Sector	%
UK	80
Europe	7
North America	13

Investment portfolio
By value, by sector



Sector	%
Industrial	63
Office	16
R&D	13
Retail	8

Chairman's statement

The Group has delivered a good set of results for 2004. Our strategy of being focussed on the provision of flexible business space will provide a firm foundation for growth.

2004 Results

Slough Estates has delivered a good set of results with increases in pre-tax profits and net asset value per share. It has been a busy year in which the Group has completed purchases and sales of about £900 million in value. The net effect of this activity is to increase our focus on the flexible business space sector in quality locations at a time when we expect to see cyclical market improvements.

Adjusted pre-tax profits (adjusted for the profit/(loss) on the sale of investment properties) showed 4.8 per cent growth to £146.8 million, diluted net assets per share increased by 12.3 per cent to 521 pence per share and adjusted diluted net assets per share (adjusted to exclude FRS19 deferred tax) increased by 11.7 per cent to 564 pence per share. The Board recommends that the dividend for the year should be increased by 6.7 per cent. During the past five years, dividends have increased by 7.4 per cent per annum compound.

Review of the Year

The Chief Executive, Ian Coull, reports fully on the year on pages 10 to 13.

I would like to highlight some of the significant events:

- Good progress was made to increase our focus on developing and owning a portfolio of flexible edge-of-town business space in the UK, Continental Europe and California at a time when we expect to see a cyclical upturn in this segment of the property market.
- A property exchange was made with Land Securities which enabled the Group to acquire 303,161 sq.m. of industrial space located mainly in the south-east. In return, we disposed of a very large part of our retail portfolio.
- In the UK we entered into a joint venture with Helios Properties to develop a network of strategic distribution parks.
- In California we completed the research campus of 71,709 sq.m. for Pfizer in San Diego and sold it to them for $372 million which represented a surplus of 109 per cent over cost.
- In South San Francisco we have contracted to provide Genentech with 72,464 sq.m. of offices and laboratory space over a four-year period. This is the largest pre-let undertaking made by the Group and in many ways mirrors the successful Pfizer deal.
- We completed the Group exit from Canada with the disposal of the 71,117 sq.m. Willingdon Park office park in Vancouver to our partner for C$80 million.

Improvements in Group occupancy which was 89.6 per cent remained elusive as, whilst we were very successful in leasing a record 177,633 sq.m. of space, corporate relocations and rationalisation resulted in some 211,000 sq.m. being returned to us. In stronger occupancy demand cycles, this level of space surrender could be regarded as a significant opportunity for redevelopment and portfolio modernisation. The mix of occupancy has also changed as a result of the property swap with Land Securities. Steps are being taken across the portfolio to upgrade customer retention, the marketing of space and improvements to individual estate environments.

Key economic indicators encourage us to believe that levels of growth coupled with an increasing number of enquiries will improve occupancy demand and consequently portfolio occupancy.

The Group's property management in both UK and Continental Europe is being developed to ensure a greater and more localised focus on development, leasing and customer service.

During the year, a number of awards were made in the UK which recognise not only the design of buildings but also the landscaping of the estates. These awards included the British Council for Offices Best South of England Commercial Workspace Building at 240-252 Bath Road, Slough, the Industrial Agents Society award for Best Industrial Development for our project at Uxbridge, and for our Cambridge Research Park the BALI Award for grounds maintenance.

Sir Nigel Mobbs Chairman

Market conditions

Property and property securities are increasingly becoming a major global investment asset class. Institutional and private investors now recognised the asset-backed characteristics of real estate and that its performance is not determined by the same pressures as stock markets. I believe there is now widespread acceptance that real estate deserves a significant long-term place in investment portfolios on its own merits. But the consequences of this renewed focus is that there is an overhang of new money seeking to invest in global real estate centres resulting in value appreciation and yield compression. This search for real estate, whilst rewarding to current investors, does bring with it risks of frustrations if rental growth fails to match investor expectations.

Rental growth is generated by occupancy demand which is based upon customer confidence in the underlying strength of the markets they serve. Whilst business confidence is improving, current economic conditions are more muted than earlier predictions suggested.

Focus on real estate as an international asset class can also mask the fact that by its nature real estate is a static investment which is anchored to its location and rental performance more influenced by local considerations of land availability with suitable planning permission, occupancy supply and demand, local demographics and economics. There is therefore a need for property owners to be vigilant to these trends and ensure that their properties not only provide consistent investment returns but are also relevant to the occupancy markets they serve.

It is in this context that I remain concerned that government intervention in an open market by over-regulation and the possibility of new taxes and levies on development gains, and the threat of controls could destabilise a balanced marketplace. Real estate is an important economic activity which contributes to a nation's economic wellbeing.

We were pleased to note that the Government has published a discussion paper for the introduction of UK REITS in 2006. The paper is indicating a preference for a flexible format which has been strongly advocated by the property sector. There remain a number of unresolved issues in relation to the potential conversion charge and gearing. The Government is proposing the establishment of a working party to discuss the proposed structure for UK REITS and to co-operate with the property industry during this consultation process. We believe that the Group's corporate structure means that we could convert if the overall legislative proposals and terms are favourable.

Businesses in the UK and abroad need flexible business space to enhance their own operational efficiency, productivity and working conditions for their employees. New intensified land use legislation and added focus on sustainability will over time make it more challenging to accommodate future business investment.

On pages 7 to 9 we discuss in more detail the market forecasts which influence our development and investment decisions.

Slough Estates is well aware of the threats and opportunities posed by the economy and governments. Our continuing strategy is to buy and invest in the best locations for a wide range of business demand where we believe that values will grow consistently over time. We believe that we are very well positioned to continue to meet the aspirations of both our customers and our shareholders.

Corporate responsibility

We continue to adopt a very positive approach to good corporate responsibility (CR). The Board is committed to adopting high standards of environmental management across the portfolio, compliance with good corporate governance and a concern for maintaining excellent employment practices.

Our stewardship of these issues is more particularly described in the separate report on Corporate Responsibility distributed with this statement.

We continue to maintain our policy of supporting a range of charitable and community initiatives in the fields of education, health, heritage, crime prevention and the voluntary sector. We provide both financial and management support to equate generally to 1 per cent of dividends paid. Additionally, through the Town Planning system, we also contribute over £670,000 to planning gain mitigation across a number of our development projects in 2004.

In 2004 we selected a charity of the year, Macmillan Nurses, for our employees to support by a number of innovative fund-raising initiatives. Some £35,000 was raised by them and this sum was matched by the company. In 2005 we are encouraging staff to devote time to helping individual causes which interest them.

Corporate governance

During the year, we have achieved a very significant level of compliance with the Combined Code. A report on corporate governance is made on pages 49 to 53.

Chairman's statement continued

The Board comprises 12 members of which seven are non-executive. Six are deemed to be independent in character and judgement including two who, by virtue of the fact that they were first appointed more than nine years ago, are considered to be no longer fully independent under the Combined Code. The Board believes that the Company gains advantage from the involvement of these two non-executive directors and that they fully demonstrate independence of character and judgement. Real estate is a long-term business where long experience of markets and locations can be important factors in investment decisions.

We are progressively working towards a planned strengthening of the Board over a two-year period.

We have a very strong Board of Directors with a majority of non-executive directors together with experienced executive directors. We combine the independence of newer members with the wisdom and pragmatism of the longer-serving members.

The Board

In January 2004 we welcomed to the Board two new independent non-executive directors – Andrew Palmer, Group Finance Director of Legal & General, and Chris Peacock, formerly Chief Executive of Jones Lang LaSalle.

At the conclusion of this year's Annual General Meeting, Mr. Douglas Kramer will retire from the Group Board after completing 24 years' service as a non-executive director. Mr. Kramer has been a very important influence in the success of our US real estate activities since 1974. I am glad to say that he will continue as non-executive chairman of Slough Estates USA. We all wish him well in his retirement.

At this year's Annual General Meeting the following directors will retire by rotation Mr Dick Kingston, Mr Steve Howard and Mr Douglas Kramer (who is not standing for re-election) and Mr Marshall Lees. Mr Kingston, Mr Howard and Mr Lees offer themselves for re-election.

In compliance with the Combined Code both Mr Paul Orchard-Lisle and Lord MacGregor will retire and offer themselves for re-election. Both directors have been on the Board for periods exceeding 10 years.

Mr. Orchard-Lisle, who joined the Board in 1980, is Deputy Chairman and continues to provide excellent and penetrating advice on a range of property issues where his advice is invaluable. During 2004 he relinquished his role as Chairman of the Remuneration Committee.

Lord MacGregor joined the Board in 1995. He is currently Chairman of the Audit Committee. He continues to provide incisive advice and, with impending changes in accounting standards, the Board believes that continuity of direction of the Committee is important.

Both these directors have expressed an intention to retire from the Board in 2006.

Brief biographical notes for all Board members are set out on pages 54 to 55.

Management and Staff

The Group faces a number of changes as it focuses on its core edge-of-town business space portfolio. 2004 has presented our team with a number of challenges. Their professionalism, experience and commitment have greatly helped in this transition. On behalf of the Board and shareholders I would like to thank each and every one of them for their hard work, loyalty and support to the Group's continuing success.

Outlook

The Board believes that Slough Estates is today well positioned to take advantage of the opportunities in the marketplace as the Group has excellent properties and substantial land holdings with planning consents for development, located in many of the prime international business centres. This will enable us to start to build into the recovery in occupier demand and, having already successfully put in much of the infrastructure for these new schemes, it will be possible to accelerate this development pipeline as demand expands.

Nigel Mobbs
Chairman

Market overview

We expect 2005 to be another good year for commercial property, with double-digit total returns in each sector.

Capital Economics

For the past 10 years, commercial property has been the star performing asset class, with stable, often double-digit returns. Chart 1 shows that in 2004 even the beleaguered office sector delivered higher total returns than the All Share Index.

Looking ahead, the property market faces two key challenges. First, will occupier demand recover in the face of a soft patch in the economic recovery? Secondly, is commercial property now so overvalued that a fall in capital values is on the cards?

From cyclical recovery to structural weakness…

Sadly, we suspect that 2004 will turn out to be the high point of the global economic recovery. Chart 2 shows that we expect US GDP growth to falter as heavily indebted consumers rein in their spending and the fiscal and monetary stimulus of the last few years wears off. In the euro-zone we also expect GDP growth to be weaker than last year, with consumer demand continuing to be notably soft.

In addition, the historically unprecedented size of the US current account deficit is putting strong downward pressure on the dollar, and we expect to see a $1.50 euro by the end of 2005. Whilst this would be good news for the US traded sector, it would choke off any export-led recovery in the euro-zone. Overall, we expect euro-zone growth to fall to just 1.3 per cent y/y in 2005, and for the ECB to keep interest rates on hold at 2 per cent throughout the year. Within the euro-zone, we expect Germany to remain the main drag on growth, with France continuing to outperform.

Housing market slump to constrain UK growth…

Over the past few years, UK economic growth has been boosted by a combination of looser fiscal policy and the knock-on impact of low interest rates and house price increases on household spending. However, looking ahead, both of these supports are likely to be removed. First, the fiscal loosening is at an end. Secondly, the housing market has already come off the boil, and we continue to expect a 20 per cent peak to trough fall in house prices. We think that the negative impact of the housing market slump on household spending growth will in turn drag down overall economic growth. Accordingly, we expect GDP growth to fall to 2 per cent y/y in 2005 and 2.2 per cent y/y in 2006.

However, unlike the early 1990s, we do not think that the economy will fall into recession as the housing market slumps. With inflation low, the Bank of England's Monetary Policy Committee will be free to cut interest rates to limit the deflationary impact of falling house prices on the wider economy. We expect to see interest rates fall to 3.5 per cent by the end of 2006.

Chart 1: Comparative annual total returns, %

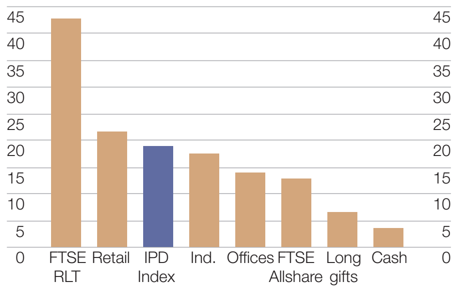
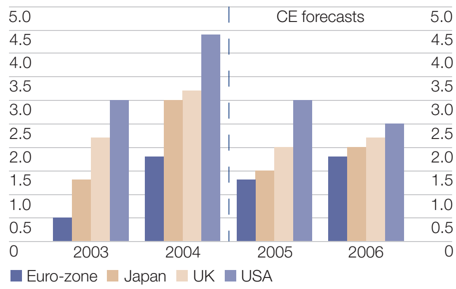


Chart 2: Forecasts for annual GDP growth



Market overview
continued

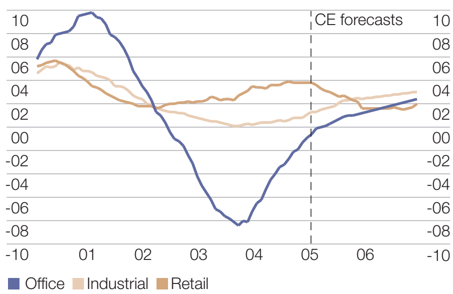
Rental recovery to prove sluggish at best…

Whilst we have certainly seen the back of the rental slump, Chart 3 shows that we are expecting a fairly sluggish recovery. In the office market, the key inhibiting factor is the failure of financial and business service (FBS) sector jobs growth to respond to the sharp increase in FBS output growth in H1 2004. This, combined with still high levels of availability in the key City and South East office markets in the UK, is likely to put a cap on rental growth in the near-term.

In the retail sector, we see a period of softer rental growth as household spending growth slows to just 1.5 per cent y/y in 2005 and 2006. Overall, we have retail rental growth slipping below 2 per cent y/y. We expect unit shops to suffer most, thanks to the combination of cyclical weakness and a structural shift to out-of-town space. By contrast, retail warehouse rental growth should hold up fairly well, as this is one of the few types of space where supply is constrained by Government regulations.

In the industrial sector we expect rental growth to hold up comparatively well, thanks to the diversity of the tenant mix. Although the manufacturing sector seems to be slipping into recession again, less than a quarter of industrial space is actually occupied by manufacturing sector companies. Moreover, the latest agency data show that the volume of available space finally started to fall back in the second half of 2004.

Chart 3: CE forecasts for annual rental growth



Strong investor interest to remain key driver of property returns…

Given the modest scale of the rental recovery that we are expecting, property returns will remain dependent on continued interest from investors. We are optimistic about the prospects for the investment market. Long-run analysis of comparative yields suggests that whilst property is no longer cheap compared to gilts and equities, it is not yet expensive. Moreover, valuation aside, two key investor groups have strong reasons to invest in 2005 and 2006 despite keener prices.

Institutional investors have been given increased allocations to spend on commercial property on the back of revised actuarial advice and have re-entered the market. According to Property Data, an organisation that compiles property transactions data, institutions invested £3,548 million net in 2004, compared to disinvesting £2,446 million in 2003. Even if the volumes invested by institutions have peaked, and moderate sharply over the next year, having started from such a high level, the weight of institutional money being invested would still be likely to run at a high enough level to keep downward pressure on yields.

The second biggest net investors in 2004 were the private, often debt-backed, individuals. Their primary motivation for investing is the gap between the income return and the cost of funding. We expect this gap to widen further in 2005 and 2006 on the back of stable income returns and a sharply lower cost of funding as the Bank of England cuts interest rates, reflected to some extent, in falls in rates further down the yield curve. This should further encourage debt-backed buyers to keep investing.

The other side of the coin is that despite property accounting for a near record proportion of UK banks' new lending in 2004, they show no signs of backing away from the market. Lending volumes held up in 2004 and, if survey evidence from the industry is any guide, most banks are keen to expand their loan books further. This is unsurprising given that they are lending to standing investments in a rental recovery.

Having said this, given that property is no longer priced as a 'one-way bet', we have yields falling at a less rapid rate in 2005, before stabilising in 2006 (see Chart 4).

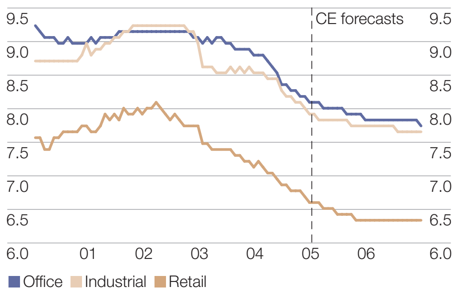
As a result, capital value growth moderates to 4.5 per cent y/y at the end of 2005 and 2.1 per cent y/y at the end of 2006. The upshot is that we expect 2005 to be another good year for commercial property, with double-digit total returns in each sector. In 2006 retail sector total returns slip, as the housing market slump takes its toll, but offices and industrials continue to perform well.

Table 1
CE Forecasts for annual total returns, year-end

	Offices	Retail	Industrial
2004	13.5	21.0	17.0
2005	13.3	14.6	13.5
2006	10.8	8.6	11.5

Sources – IPD Monthly Index, Capital Economics.

Chart 4: CE forecasts for equivalent yeilds %



Graphical data produced with kind permission from Capital Economics.

Chief Executive's review

The Group has made excellent progress in further focussing our activities on flexible business space and this will benefit shareholders in the medium and longer term.

2004 has been a successful and an active year for Slough Estates and we have made substantial property purchases and sales within the portfolio, including the further disposal of non-core assets. As a result of these acquisitions and disposals, Slough Estates is achieving a greater focus on its core business, which is the provision of 'edge-of-town' flexible business space to companies in the UK, Europe and California. In total, the Group received proceeds of £557.7 million from investment property disposals and acquired a further £385.6 million which represents a high turnover when compared to the year-end property portfolio valuation of £3,887.9 million.

During 2004, while delivering these changes, adjusted diluted net assets per share have increased from 505 pence to 564 pence, a rise of 11.7 per cent, and profit before tax grew by 101.4 per cent to £209.1 million. Diluted net assets per share increased from 464 pence to 521 pence. We are proposing a final dividend of 9.85 pence per share, up 7.1 per cent, whilst the total distribution for the year of 16.0 pence rises by 6.7 per cent. The dividend continues to grow at a rate considerably in excess of inflation and, over five years, has grown at a compound growth of 7.4 per cent per annum. The final ordinary dividend, if approved, will be payable on 20 May 2005 and the record date is 22 April 2005.

Despite the good overall financial performance of the Group, the returns from the core UK property business were slightly disappointing. Overall property investment income was up by 3.8 per cent at £247.3 million including joint ventures. Property revenue benefited from additional lease surrender premiums of £6.1 million, but was impacted by the expensing of £8.2 million of interest on development projects in 2004. However, with increased development activity, particularly the re-start of development at Farnborough where interest is again being capitalised in the normal way, the overall net interest burden will be lower in 2005.

Slough Estates' total return for 2004 was 14.9 per cent on a diluted and adjusted basis, and on a five-year basis we have produced a compound total return of 7.1 per cent per annum. The total return for 2004 was 15.7 per cent on an unadjusted diluted basis. These returns illustrate the long-term attractions of developing and managing 'edge-of-town' flexible business space for a diverse customer base. It is an excellent business to be in, but one that is changing rapidly, and in today's markets we need to be more tightly focused in terms of property types and geography. We need to deliver a very flexible but generic product across all our markets so that we can adapt quickly to the requirements of the global companies that we serve.

We recently announced a new regional structure for the UK business which will now operate in six independent regions, each with its own management reporting to John Heawood, Head of UK Property. You will find the breakdown of these regions in our operating review with the key facts and recent developments for each region. Our objective is to provide more customer focus and market familiarity to our property management and development, in order to make our business more responsive to client needs so that we can achieve greater occupancy and identify more opportunities. Our businesses in Europe and North America already have devolved management.

Major property purchases and sales

There were a number of major purchases and sales within the portfolio over the year. In the UK, the Group has sold the majority of its retail assets in exchange for business space properties. Slough Estates USA is now primarily focused on its health science real estate portfolio and has largely exited from its other North American property interests.

Major purchases and sales in 2004:

- Purchase of Land Securities' industrial portfolio for £340.4 million. Slough Estates secured an excellent industrial portfolio in exchange for the major part of our retail portfolio. This transaction was a one-off opportunity to acquire a high quality south eastern England portfolio that had been built up over a number of years by Land Securities.
- Sale of shopping centres in UK to Land Securities for £332.8 million.

Ian Coull, Chief Executive

In the UK the ground breaking £673 million property swap with Land Securities has enabled Slough to exit from the majority of its shopping centre portfolio. Slough Estates' retail portfolio was too small to be an effective hedge for the overall portfolio so there was a choice; either to grow this portfolio substantially, or to exit. We plan to exit our remaining shopping centre investments in due course.

- Sale of 34,051 sq.m. of light industrial/warehouse space at Neuss, Germany for £21.4 million. Part of Slough's holding at Neuss was sold to IVG for £21.4 million in December 2004.
- Sale of Pfizer Center in San Diego for £190.7 million. The sale of the 71,709 sq.m. Pfizer Campus in San Diego is the first major disposal from the Slough Estates health science portfolio in the US. The development cost for the campus was £91.1 million and the campus had been valued at £143.2 million at the half year, which shows that Slough Estates has achieved an excellent price, and supports our positive view for the entire Slough health science portfolio. It is our intention to continue to recycle assets within the Californian portfolio so that Slough USA operates on a stand-alone basis.
- Acquisition of 32.5 hectares of land at Parkway Business Center, Poway, San Diego for £24.6 million. 14,492 sq.m. of space is currently under construction on a 19.5-hectare plot, which was acquired in the first half of 2004. A further 13.0-hectare plot was acquired in the second half.
- Sale of Willingdon Park, Vancouver for £33.4 million. A quality 71,117 sq.m. office development, well placed for Vancouver's city centre, was sold to our partner Hospitals of Ontario Pension Plan. Willingdon Park had been developed over 15 years and had a rental income of £2.6 million. The exit from Vancouver completes Slough Estates' withdrawal from the Canadian market.
- Sale of Quail West for net £30.0 million. Conditional contracts were exchanged for the sale of the leisure complex at Quail West in December 2004. The net book value of this project at the end of 2004 was £7.4 million after deducting the provision against future costs, which was established in 2003 in reaction to the poor sales that were being achieved at that time. However, in 2004 the market for high-end leisure properties improved and we are very pleased to have agreed a price considerably over the written-down value, receivable by installments over four years. None of the gain has been recognised in 2004.

Joint venture – HelioSlough

In April 2004 we announced a new joint venture with Helios Properties. The venture, called HelioSlough Ltd., is a 50/50 joint venture, which has the aim of developing a network of strategic distribution parks throughout the UK.

Slough Estates has been very successful in developing distribution parks in France and Belgium but has not had a significant presence in the UK. We believe that, with the continuing changes in supply-chain management in the UK, the market for distribution facilities will remain strong for the foreseeable future.

The joint venture is a £150 million project in the initial stages with joint equity, with Helios Properties injecting development land for some five million square feet of logistics space and Slough Estates arranging loan finance. By the year end there was one scheme under construction in Doncaster and infrastructure work had commenced at Thorne, South Yorkshire.

Leasing

A key objective in 2004 was to reduce the void space in our portfolio, with a particular emphasis on the UK business space sector. We have been successful in leasing 102,821 sq.m. of space in the year in the UK, up from 83,836 sq.m. in 2003, which is a very impressive result given the market conditions and close to our record level. However, a general improvement in occupancy remains elusive and, not withstanding our success in leasing a large amount of space, we also had 143,467 sq.m. of space returned to us in the UK, mainly as a result of corporate relocations and rationalisations, bringing UK occupancy at the year-end to 90.6 per cent. However, of the space returned, 35,997 sq.m. is deemed redundant space and the land is available for redevelopment. For occupancy data, vacant units which have the benefit of a rental guarantee, are considered occupied. The mix of occupancy has also changed as a result of the property swap with Land Securities where we exchanged nearly fully-let shopping centres for UK industrial property with lower levels of occupancy. In cycles of stronger occupancy demand, the level of space surrendered could be regarded as a significant opportunity for redevelopment and portfolio modernisation. Steps are being taken across the portfolio to upgrade customer retention and the marketing of space and improvements to individual estate environments.

In Europe and in the US we have continued with our successful leasing programme but occupancy fell to 87.9 per cent and 86.2 per cent in Europe and the US respectively, due to construction completions, disposals of fully-let space and space being returned. Of the space returned in Europe and the US, 13,652 sq.m. is deemed redundant.

Chief Executive's review
continued

Group occupancy marginally improved to 89.6 per cent.

Leasing of space vs. space returned

	Slough Trading Estate sq.m.	Other UK sq.m.	Europe sq.m.	US sq.m.
Lettings	43,082	59,739	49,465	25,347
Pre-lets	1,444	7,644	31,631	72,464
New space completed and unlet	0	1,868	35,331	0
Space Returned	51,645	91,822	31,653	36,595

Major lettings have included:

UK
- Letting of 2,827 sq.m. new office building at 240 Bath Road, Slough to Fiat UK Limited at £269.10 per sq.m.
- Letting of 1,444 sq.m. at 275 Leigh Road, Slough to Ferrari Maserati UK at £123.69 per sq.m.
- Letting of two units of 1,247 sq.m. and 1,595 sq.m. at Southern Cross, Southampton at rents of £72.66 per sq.m. and £72.74 per sq.m. respectively, making Phase 100 fully let.
- In early 2005 a letting of 11,189 sq.m. of existing business space on the Slough Trading Estate to a major financial institution for an IT backup centre, at a rent of £91.49 per sq.m.

Europe
- A total of 16,048 sq.m. was let at Pegasus Park.
- 12,861 sq.m. let at Cergy-Pontoise in France.
- Pre-let of 18,327 sq.m. or 87 per cent of a 21,000 sq.m. warehouse development, at Neuss, Germany to ASICS for delivery in October 2005.

US
- Genentech agreed to lease 72,464 sq.m. (780,000 sq.ft.) of office and laboratory space in eight new buildings on Slough's Britannia East Grand site in South San Francisco in December 2004. This is one of the largest single projects undertaken by the company. This is a four-year project, with the first phase of 41,805 sq.m. currently under construction. It is estimated to cost over £169 million and will be funded from the proceeds of selective asset sales by Slough Estates USA, which is now well established as a market leader in the provision of generic health science real estate in California.

Development
In 2004 we have continued to hold back on development activity, waiting until we were more certain of better occupier demand. In the second half of the year, with more encouraging levels of enquiries, we have increased the number of starts on site but we are still developing with caution. However, it is important that we continue to ensure that we have sufficient business space to meet the growth in demand in 2005 and beyond, and as at the year end we had 167,964 sq.m. under construction, of which 43 per cent is pre-leased. During 2004, we completed 77,713 sq.m., of which 52 per cent is now let.

In what have been quieter markets we have continued to work hard in obtaining the requisite consents and to put in the necessary infrastructure on our strategic landbank so we are now ready to start developments quickly as the market strengthens. We are encouraged by the continued resilience of the flexible business space market and highlight in particular the strong contribution of the Californian portfolio, which has been so successful in supplying generic laboratory space to the health science sector.

Current developments

Seven major schemes	sq.m.	Spend to date £m	Estimated development cost to come £m	Anticipated completion date
Farnborough	153,000	109	267	2013
Cambridge	40,000	35	55	2014
Pegasus Park, Brussels	170,000	29	147	2010
333 Oyster Point, San Francisco	29,000	8	52	2010
East Grand, San Francisco	73,000	40	129	2007
Poway, San Diego	78,000	27	101	2011
Thorne, nr Doncaster (50 per cent JV HelioSlough)	79,000	8	36	2007

Excludes buildings already completed.

Valuation
The year-end valuation of all the Group's investment properties was undertaken as at 31 December by external valuers apart from the properties acquired from Land Securities which are included at fair value. The valuation of £3,795.6 million resulted in a surplus of £186.6 million. This represented an increase of 5.2 per cent or 5.7 per cent excluding the ex-Land Securities properties. With a UK revaluation surplus of £118.9 million we are encouraged that the prospects for UK business space are improving.

Revaluation movements		December 2004 £m	% Change from Dec 2003
UK	Industrial	109.8	6.4
	Office	13.0	3.1
	Retail	17.3	10.1
	Land	(21.2)	(11.9)
	Total UK	118.9	4.7
Overseas	US	60.5	12.4
	Europe	7.2	2.4
	Total Overseas	67.7	8.7
Total		186.6	5.2
Joint ventures/Associates			
Grand Total		14.5	14.1

Other activities
We have made good progress in the sale of our non-core activities. Agreement has been reached to sell Quail West. We have settled the outstanding litigation with regard to Tipperary Oil & Gas, which means that we expect to be able to exit this trade investment successfully at our own timing. We reduced our holding in Tipperary Oil & Gas to 54 per cent in 2004. Slough Heat & Power has continued to improve its operating performance over the past six months.

Major post-year-end event
In the US, Slough USA has taken back surplus space from Pfizer in South San Francisco following the successful sale of its Torrey Pines Campus to Pfizer in San Diego for £190.7 million. This termination resulted in a premium of £35.1 million for Slough Estates which will benefit 2005. The San Francisco campus consists of three modern buildings and of the total space of 20,665 sq.m. vacated by Pfizer, 6,287 sq.m. has already been let to Exelixis.

Outlook
There is increasing evidence from the market that occupier demand is continuing to improve although the pace of change has been slower than had generally been anticipated a year ago. The Group has made excellent progress in further focusing our activities on flexible business space at what is an early stage in the business cycle, and this will benefit shareholders in the medium and longer term. It is for this reason that the Board is confident in recommending an increase of 7.1 per cent in the final dividend.

The overall property market is in a robust state and there has been a revival in investment in property as there is a recognition of the attractions of property as a key component in investment portfolios. Though offices in the UK, and in particular in the Thames Valley, still face some shortage in occupier demand and industrial growth continues to be slower than expected, there is today a strong investor demand, for well-located and well-let property business space. The investment case is underpinned by low inflation, affordable interest rates and a lack of funding to support speculative development excesses.

The yield compression of the last two years looks set to continue in the first half of 2005. This structural change in yield reflects the changing sentiment towards real estate as an asset class, together with the current low inflationary environment. The weight of money seeking real estate is continuing the downward pressure on yields, but we do not believe that such downward pressure can continue into the second half of the year.

- In the UK, Slough Estates' focus will be on flexible business space. Our portfolio has been enhanced by the newly-acquired industrial properties and today 86 per cent of our UK industrial portfolio is in the South East of England. We will continue to look to strengthen this position, both by acquisition and the development of our two major sites at Farnborough and Cambridge.
- We plan to grow our established position in Continental Europe, where we see good opportunities for expanding our base in the industrial, logistics and suburban office markets. To this end, we have brought our Continental European operations together under a single management structure, based in Paris.
- In North America our health science property portfolio is developing extremely well and the prospects for the current pipeline are excellent. Slough Estates has built up a leading position in the provision of space to the health science community which means that we can expect to see a very positive contribution towards Group earnings from both our completed laboratory space and from our strong development pipeline. The US business is self-financing and capital will be recycled selectively to exploit future development opportunities.

The Board believes that Slough Estates is today well positioned to take advantage of the opportunities in the marketplace as the Group has excellent properties and substantial land holdings with planning consents for development, located in many of the prime international business centres. This will enable us to start to build into the recovery in occupier demand and, having successfully put in the infrastructure for these new schemes in 2005, it will be possible to accelerate this development pipeline as demand requires.

Ian Coull
Chief Executive

Financial review

> "As far as the future is concerned additional year-on-year rental income of £20.5 million has already been secured on recent project completions or properties currently under development."

Results

Pre-tax profit, excluding exceptional items, rose by £6.7 million or 4.8 per cent in 2004 from £140.1 million to £146.8 million. Earnings per share, adjusted on a similar basis, and excluding the effects of FRS19 deferred tax, were up by 5.1 per cent to 29.0 pence. Year end exchange rates reduced profit before tax, excluding exceptional items, by £2.2 million.

Including the substantial effects of investment property sales and the 2003 £37.9 million Quail West write-down/ provision, profit before tax of £209.1 million was 101 per cent ahead of 2003's £103.8 million.

Property activities

Investment properties

Rental income excluding recharges rose by £11.3 million or 4.7 per cent from £240.8 million in 2003 to £252.1 million. The main factors behind this increase are as set out below:

£m	2004	2003
Properties owned throughout	231.4	224.2
Acquisitions	1.9	0.2
Developments	13.9	18.4
Properties sold	(2.9)	(3.9)
Surrender premiums	11.7	5.6
Exchange translation and other	(3.9)	(3.7)
	252.1	240.8

Rent lost from vacated properties exceeded rent gained from re-lets by £6.7 million during 2004. On a like-for-like basis, rental income increased by £3.1 million or 1.2 per cent, 1.4 per cent in the UK and 0.7 per cent overseas. After accounting for £13.1 million (2003 £15.8 million) of tenant recharges, property costs of £34.3 million (2003 £33.5 million) and our profit share of £16.4 million (2003 £15.1 million) from property investment joint ventures and an associate, property investment income was up by 3.8 per cent from £238.2 million to £247.3 million.

As far as the future is concerned additional year-on-year rental income of £20.5 million has already been secured on recent project completions or properties currently under development, £1.8 million of which will fall into 2005. The UK portfolio of occupied space was 1.4 per cent reversionary at the end of 2004, which equates to £2.1 million of potential future rental income as rents are reviewed or properties re-let. The estimated rental value of vacant space at the year end was £32. 3 million (excluding the portfolio acquired from Land Securities which has rental guarantees), of which £21.8 million was in the UK.

Sales of investment properties realised a surplus of £62.3 million over book value in 2004, compared to £1.6 million in 2003. The main contributors were the Pfizer campus (£52.1 million), the retail properties involved in the swap with Land Securities (£6.7 million), and Willingdon Park, Vancouver (£3.5 million).

Property trading

Property trading profits of £7.1 million were at the same level as those in 2003. Several projects in Belgium contributed, as did the sale of Neuss Phase 5 in Germany. Net rental income from trading properties fell from £4.0 million in 2003 to £3.2 million. The inclusion of £0.5 million of losses (2003 profit £0.2 million) from property trading joint ventures brought the overall contribution from property trading in 2004 down to £6.6 million, against £7.3 million in 2003. The 2004 losses arose mainly from the set up costs of the HelioSlough joint venture. There are sufficient projects in the UK, Belgium, France and Germany to suggest a reasonable level of trading profits in 2005.

The residential leisure development at Quail West in Florida had a much better year in 2004, with the sale of 11 lots. The net

Dick Kingston, Finance Director

book value of this project at the end of 2004 was £7.4 million after deducting the provision against future costs which was established in 2003. The sale of Quail West is expected to complete during the first half of 2005 for a net $57.5 million (£30.0 million) to be received over a four-year period.

Non-property activities
The return from the Group's utilities, oil and gas and other activities improved from a loss of £2.9 million in 2003 to a surplus of £2.8 million.

Slough Heat & Power
SH&P's losses of £4.1 million were only marginally lower than those of 2003 (£4.2 million) due to continuing plant availability problems, particularly in the first half of the year, and higher fuel costs. Greater plant reliability towards the end of the year, which has been sustained so far in 2005, points to a significantly improved SH&P performance in 2005.

Tipperary
Losses on the Group's investment in Tipperary fell from £3.5 million in 2003 to £3.1 million. The cost of developing the coal seam gas reserves in Queensland will enhance the returns from the eventual sale of the Group's investment, which had a market value of £57.7 million against a net book value of £11.7 million at the end of 2004.

Other income
The profit from other activities rose by £5.2 million to £10.0 million in 2004, thanks largely to a gain of £4.2 million on the sale of 1.5 million shares in Tipperary Corporation, which reduced the Group's interest in that company from 61 per cent to 54 per cent. The sale of warrants in Tularik, one of the Group's customers in California, generated a gain of £2.2 million. The contributions from Candover and Charterhouse USA fell from £4.7 million to £3.5 million, although there was a net cash inflow of £5.6 million from those investments. With an investment of £38.3 million remaining in these funds and uncalled commitments to them of £17.3 million, further profits can be expected in the future, although their timing and quantum are difficult to predict. The Group does not intend to invest in new funds of this nature.

Financing costs
Net interest costs rose by £6.2 million during 2004 to £94.7 million. Net interest payable (before capitalisation of interest) was unchanged at £111.6 million. Capitalised interest fell by £6.2 million to £16.9 million, partly due to the reduction in earlier years in the development programme, but also to the expensing of an additional £1.8 million of interest in 2004 that had previously been capitalised in 2003, mainly on projects such as Farnborough and Cambridge. Interest capitalisation ceased on both of those projects in mid-2003 following extended periods of development inactivity at the two sites. Capitalisation restarted at Farnborough during the first half of 2004 with the resumption of development there. Interest was expensed at Cambridge throughout 2004.

Gross interest cover improved from 2.0 times in 2003 to 2.2 times in 2004, excluding exceptional items.

Taxation
The Group's effective current tax rate of 10.5 per cent excluding exceptional items was slightly lower than 2003's 11.1 per cent. This rate benefits from the effect of capital allowances, a deduction for interest that is capitalised in the profit and loss account, and the availability of capital losses to shelter lease surrender premiums. The effective current tax rate is expected to move up to circa 15 per cent in 2005. FRS19 deferred tax has had a considerable effect on earnings, with a charge of £5.6 million in 2004 compared to a credit of £3.0 million in 2003. This was largely due to 2003 benefiting in deferred tax terms from the Quail West write down/provision. This is the main factor giving rise to a higher overall effective tax rate in 2004 of 19.9 per cent against 11.9 per cent in 2003. The Group has an estimated potential capital gains tax liability of £176 million (2003 £129 million), assuming that all properties are sold at their current balance sheet carrying values.

Security of income
The graph below shows that the Group has excellent income security. 56 per cent of the current Group annualised contracted rents of £245.7 million is secured on leases with at least ten years unexpired, or 46 per cent if all tenants exercise break clauses and vacate at the earliest opportunity. Over the last five years, 67 per cent of customers with the option to break leases have not exercised those options. The weighted average term of unexpired leases is 11.3 years excluding breaks or 9.8 years assuming all breaks are exercised.

Security of income
£ million

Financial review
continued

The Group is not dependent on any one customer for its principal revenues as it has over 1,300 tenants in the UK and just under 1,550 tenants in total worldwide. No tenant accounts for more than 4 per cent of Group rental income. Nor is the Group reliant on any one business sector. Its worldwide portfolio (by rent) is occupied by customers in manufacturing 18 per cent, logistics 10 per cent, health science research 29 per cent, TMT 22 per cent, service 14 per cent, retail 5 per cent and others 2 per cent.

Dividend
The Board has proposed a total dividend of 16.0 pence per share for 2004, an increase of 6.7 per cent on 2003. Dividend cover of 1.8 times, adjusted to exclude exceptional items and FRS19 deferred tax, remained at the same level as that of 2003.

Cash flow
The net cash inflow from operations of £204.9 million was £9.4 million lower than in 2003, due largely to the proceeds of £20.5 million from a 2004 trading property sale being received in 2005. Without this timing difference, 2004 operating cash flow would have been £11.1 million higher than that of 2003. After the payment of all interest, dividends and tax, there was a free cash inflow of £17.3 million. Capital expenditure of £86.4 million on the investment property portfolio was more than offset by proceeds of £228.4 million from investment property sales. Overall, there was a net cash inflow of £146.4 million for the year.

Balance sheet and capital structure
Shareholders' funds excluding FRS19 deferred tax rose by £277.9 million during the year to £2,647.1 million. There was consequently an 11.7 per cent increase in diluted net assets per share (NAPS) from 505 pence to 564 pence. The main influences behind these movements are shown on the following table:

	Net Assets* £m	Diluted* NAPS pence
2003 net asset value	2,369.2	505
Valuation surpluses/(deficits)		
– retail	55.6	12
– industrial	109.7	23
– office	14.1	3
– development land	7.2	2
– joint ventures	14.5	3
Retained earnings	96.4	21
Exchange differences	(12.1)	(3)
Others	(7.5)	(2)
2004 net asset value	2,647.1	564

* Excludes deferred tax.

The total deferred tax liability rose from £182.3 million to £192.1 million during 2004. Diluted NAPS including deferred tax increased from 464 pence in 2003 to 521 pence.

Year-end net borrowings of £1,325.3 million fell by £182.5 million during the year. Gearing (the ratio of net borrowings to shareholders' funds, excluding FRS19 deferred tax) dropped from 64 per cent in 2003 to 50 per cent at the end of 2004, mainly due to the effect of the revaluation surplus and the high level of property sales. The exchange rate effect reduced net borrowings by £31.8 million.

The Group has very little off-balance sheet debt. In addition to the £1,325.3 million of net borrowings disclosed as such in the balance sheet, £40.8 million of joint venture debt is included in the balance sheet as part of the £46.4 million "Investments in joint ventures-share of gross liabilities". Only £1.5 million, relating to the Group's share of debt in a property-backed associate, is not carried on balance sheet.

Treasury policies and financial risk management
The Group operates a UK-based centralised treasury function. Its objectives are to meet the financing requirements of the Group on a cost-effective basis, whilst maintaining a prudent financial position. It is not a profit centre and speculative transactions are not permitted. Board policies are laid down covering the parameters of the department's operations including the interest rate mix of borrowings, net assets exposed to exchange rate movements and aggregate exposure limits to individual financial institutions. Derivative instruments are used to hedge real underlying debt, cash or asset positions and to convert one currency to another.

The main financial risks facing the Group are liquidity risk, interest rate risk and foreign exchange translation exposure.

Regarding liquidity, as property investment is a long-term business, the Group's policy is to finance it primarily with equity and medium- and long-term borrowings. The weighted average maturity of borrowings at the year end was 9.7 years. £46.5 million of debt is due for repayment or rollover in 2005/2006. £1,202.5 million or 70 per cent of the Group's gross debt of £1,722.7 million matures in more than five years.

At the year end, the Group had £397.4 million of cash balances on deposit and £323.2 million of undrawn bank facilities. This availability is more than adequate to cover the Group's development plans over the next two years or so. Spend on the development programme is expected to amount to some £200 million in 2005 and about £225 million in 2006. This will obviously depend on prevailing market conditions. Committed property expenditure amounted to £184.1 million at the end of 2004, 70 per cent of which relates to pre-let opportunities.

There are no restrictions on the transfer of funds between the parent and subsidiary companies. All covenants in bank or loan agreements restricting the extent to which the Group may borrow leave substantial headroom for the Group to expand its operations.

The Group's approach to interest rate risk is that a minimum of around 70 per cent of the gross debt portfolio must attract a fixed rate of interest or be variable rate debt hedged with a derivative instrument providing a maximum interest rate payable. At the year end, 81 per cent of the debt portfolio was at fixed rate. The weighted average cost of fixed rate debt was 7.08 per cent which falls to 6.41 per cent when variable rate debt is included.

A number of the Group's historic fundings are at fixed interest rates which are high compared with current rates, but which reflect market conditions at the time they were completed. FRS 13 requires the disclosure of the 'fair value' of these loans and derivatives. The fair value at 31 December 2004 of the Group's borrowings was some £226.5 million higher than book value before tax or £158.5 million after tax.

The main currency risk is translation exposure, i.e. the exchange rate effect of retranslating overseas currency denominated assets back into sterling at each balance sheet date. The Group's policy is that currency assets should be substantially hedged by maintaining liabilities (normally debt or currency swaps) in a similar currency. Net assets exposed to exchange rate fluctuations amounted to £430 million. A 10 per cent movement in the value of sterling against all currencies affects net assets per share by 9 pence or 1.6 per cent, although experience shows that sterling rarely moves in the same direction against the two main overseas currencies involved in the Group's operations.

Accounting Policies

The Group's two defined benefit pension schemes were actuarially valued as at 31 March and 5 April 2004, resulting in an overall past service deficit of £30 million. The company is currently in discussion with the trustees of the pension schemes to determine how the deficits in both schemes will be financed. However, had FRS17 "Retirement Benefits" been adopted in full, net assets at 31 December 2004 would have been reduced by £28.3 million (2003 £20.2 million) net of deferred tax to reflect the "Net pension liability" calculated as specified by the standard.

International Financial Reporting Standards ('IFRS')

We will adopt IFRS, as required, with effect from 1 January 2005. Our first statements under IFRS will be for the six months to 30 June 2005, when we will restate the comparative figures for the corresponding period of 2004.

IFRS will have a major impact on the Group's accounts, as they will on many other property companies' accounts. The areas that will be most significantly affected include property valuation movements, deferred tax, classification of leases, preference shares and our defined benefit pension schemes.

Surpluses or deficits arising from the revaluation of investment properties will be taken through the profit and loss account rather than the Statement of Total Recognised Gains and Losses as at present. This will add considerably to the volatility of the Group's results.

IFRS requires deferred tax to be provided for on asset revaluation movements, which is not required currently under UK GAAP. This will increase the volatility of deferred tax charges and add a significant liability to the Group's balance sheet.

Those leases meeting IFRS's definition of finance leases will affect the profit and loss account to the extent that interest income will replace rental income, albeit with slightly different values. Although this is not expected to have much of an effect on income or net asset value, it has the potential to greatly confuse property companies' accounts.

The accounting treatment of the Group's £136 million convertible preference shares will change significantly under IFRS. Under IFRS the shares are considered to be a form of debt with an embedded derivative in respect of the option for shareholders to convert. The value of the shares will have to be split between a financial liability shown within Creditors and an equity element shown within Shareholders' Funds. The apparent effect of this accounting will be to reduce the Group's net assets and increase finance charges.

The Group's defined benefit pension schemes' deficits will also be included on the balance sheet, with movement thereon taken through the statement of recognised income and expenses.

There are several other areas that will also be affected, but not to the same extent as those above.

During the transition to IFRS, we will provide reconciliations between UK GAAP and IFRS to help with an understanding of the main changes. It is important to note that, although IFRS will significantly affect the presentation of the Group's financial statements, it will not affect cash flow or the Group's strategic direction.

Dick Kingston
Finance Director

Delivering our vision

By delivering our vision we are helping our customers to realise their own particular visions.

Riverside Way, Uxbridge. The Phase 200 development won the Industrial Agents Society/Office Agents Society Award for the Best Industrial/Warehouse Development.

Case Study: Bringing history to life at Farnborough Business Park

"We are delighted that Slough Estates has found a way to bring these important historic aviation buildings and installations back into use. Heritage is often best served when buildings can be brought into public use and Slough has achieved this with its imaginative plans."

Dr Andrew Brown, Regional Director English Heritage

Left: The magnificent mahogany bladed fan in the Grade 1 listed low speed wind tunnel.

Above: This computer enhanced image illustrates how Farnborough Business Park might look when fully developed.

Slough Estates has outlined its plans for the Historic Core of Farnborough Business Park which will bring new life to some of the most important buildings in British aviation history.

The plans, which have now received consent, cover a 25 acre cluster of wind tunnels and research buildings which formed the heart of the internationally renowned Royal Aircraft Establishment (RAE) at Farnborough.

For decades these premises were covered by the Official Secrets Act and were hidden from public gaze. Now, under the company's plan, the buildings and installations will be opened to the public for the first time.

The company has worked very closely with English Heritage, Save Britain's Heritage, Farnborough Air Sciences Trust (FAST) and the local authority, Rushmoor Borough Council, to ensure that the key buildings and installations were included in the plans. The Historic Core of the 125 acre Farnborough Business Park contains two Grade 1 listed buildings and three other listed buildings.

Following the acquisition of the site from the Ministry of Defence, the company prepared detailed plans, via a Development Brief, a Conservation Plan and subsequently, detailed planning applications, before arriving at the plan to bring the Historic Core back to life.

The regeneration and restoration of the Historic Core will include a public square, the size of London's Berkeley Square, with a spectacular 70 foot high, 250 foot long airship hangar frame as its centrepiece.

The restoration of the historic aviation research buildings will provide a mix of uses including a heritage centre, a management and marketing centre, a café bar, meeting rooms, a children's nursery and studio workshops and offices.

The possible commercial reuse of some of the five historic wind tunnels is being investigated as part of a joint project with FAST.

Building work on the Historic Core restoration is now under way and is scheduled for completion in Autumn 2006.

Points of note

- The restoration is being undertaken by the company's in-house construction team.
- The airship hangar frame, which dates from approximately 1910, is being dismantled and restored prior to its installation as the centrepiece of The Square.
- The site is the home of the Royal Flying Corp which subsequently became the Royal Air Force.

Case Study: Fiat Auto UK – 240 Bath Road, Slough

"We are delighted that our building has received this award – our building is light and modern and helps us with our drive towards ever increasing efficiency."

Jose Antonio Garvia, Managing Director Fiat Auto UK

Fiat has been an occupier on the Slough Trading Estate since 1989 when it moved into an existing office building at 266 Bath Road.

Over time, with changing business needs and a requirement to accommodate new technologies, the building had become too large and inefficient for their refined business operations.

Fiat wanted to change their culture and for this to be reflected in the image of their new headquarters. This was linked with a desire to reduce their business overheads whilst retaining the same staffing levels.

Agreement was reached to take a surrender of Fiat's existing lease and to grant a new lease on the offices at 240 Bath Road, which had recently been completed, enabling Fiat to achieve all its objectives.

240 Bath Road formed part of a larger development site which was originally occupied by two industrial buildings, one of which was being used for short-term storage and the other was occupied by the biotechnology company, Xenova.

Agreement was reached with Xenova to relocate the company to a building on the Slough Trading Estate which was more appropriate for its business requirements.

The original plan to redevelop the site with a single office building was revised to accommodate pre-let requirements from LG Electronics and Cubist, both of whom were existing occupiers on the Estate.

These requirements totalled 4,689 sq.m. and it was decided to develop the balance of the site, on a speculative basis, with a third office building of 2,826 sq.m. This building, 240 Bath Road, was let to Fiat shortly after completion of construction. Subsequently Ferrari Maserati UK, part of the Fiat group, has relocated onto the Slough Trading Estate.

The development, which was designed and project managed by Slough Estates' in-house teams, won the British Council for Offices award in the Workplace Building category for the South of England and South Wales.

Points of note

- → Slough Estates helped Fiat to meet their changing business needs and delivered an improved working environment for its staff.
- → This brownfield site development provides considerable asset enhancement – replacing two older industrial buildings with three new office buildings.
- → The letting illustrates Slough Estates' hands-on management approach and detailed knowledge of our occupiers' business needs.
- → The transaction is an example of Slough Estates' flexible leasing policy.
- → The size and single ownership of the Slough Trading Estate gave Fiat the ability to stay on the Estate and minimised the disruption to their business.

Left: Front view of Fiat House, 240 Bath Rd, Slough.

Above: Ian Coull presenting the British Council for Offices award for 240 Bath Road to Jose Antonio Garvia, MD of Fiat Auto UK and Fernando Destefanis, HR Director of Fiat Auto UK.

Case study: WH Smith – Whitby Road, Slough

"We were impressed with Slough Estates' commitment to our long-term future on the Estate."

Tye Lohrenz, Senior Project Manager WH Smith

Left: Tye Lohrenz (centre), WH Smith's senior project manager on site with Graham Wilder, Slough Estates' project manager (left) and Graeme Steer, Slough Estates' development manager (right).

Below: Interior of the new magazine and newspaper distribution facility.

Below right: Magazine sorting.

When WH Smith, an occupier on the Trading Estate since 1989, undertook the reorganisation of its distribution logistics it had a requirement for a new distribution hub covering the South-West London area. The building, which had specific operational layout requirements, could not be accommodated in existing buildings on the Slough Trading Estate.

Slough Estates was aware that another company on the Trading Estate, Georgia Pacific, wanted to assign the lease of its property on Whitby Road which had become surplus to requirements.

Terms were simultaneously agreed for the surrender of Georgia Pacific's lease and the construction of a purpose-built distribution centre for WH Smith on part of the site. The existence of the Simplified Planning Zone on the Trading Estate meant that the agreement was not dependent upon obtaining planning approval for the new 3,638 sq.m. building.

WH Smith needed to start operations from the Slough area while their new distribution facility was under construction. A solution was provided by granting the company a licence to occupy another building on the Trading Estate. This enabled WH Smith to move into its new facility in an efficient and cost-effective manner and, on completion of the fitting out, to surrender the licence of the temporary accommodation.

Points of note

- → This transaction illustrates Slough Estates' hands-on management style, its focus on customer care and its flexible approach to leasing.
- → The deal was mutually beneficial for Georgia Pacific, WH Smith and Slough Estates.
- → The single ownership of the Trading Estate provides the opportunity for occupiers to move within the Estate, minimising the disruption to their business and their staff.
- → Close co-operation throughout the construction programme included the undertaking of alteration work for WH Smith and the provision of early access for their fitting-out.
- → The new brownfield development provides a significant asset enhancement in replacing a specialist 1960's building with new, higher value property.

Case Study: Major property swap

"It was attractive for us to do this deal and exchange our shopping centres for core business space property. This swap will further consolidate our position as a dominant player in UK business space."

Ian Coull, Chief Executive

On 16 December 2004 Slough Estates and Land Securities jointly announced that they had completed a swap of the majority of their respective retail and industrial property portfolios.

The transaction was essentially an off-market asset swap with a combined value of approximately £700 million. The two portfolios were similar in value, with the difference being met by a balancing payment paid to Slough Estates.

The transaction involved the transfer to Land Securities of four shopping centres at The Howard Centre in Welwyn Garden City, the Lewisham Centre in south London, the Bishop Centre in Taplow and a 50 per cent interest in Buchanan Galleries, Glasgow. The portfolio totalled some 91,300 sq.m. of retail space with a rent roll of £20.4 million.

Slough Estates acquired some 304,700 sq.m. of industrial space from Land Securities, with a rent roll of approximately £22 million, including a rental guarantee from Land Securities to cover the vacant space within the recently completed developments.

The portfolio covers 23 industrial estates in London, Surrey, Berkshire, Hampshire, Hertfordshire, Essex, Kent, Cambridgeshire, Oxfordshire and around the Heathrow area.

Left: Cardinal Park, Fareham.

Above: Cobbett Park, Guildford.

Points of note

- →The transaction was mutually beneficial in allowing both companies to align and enhance activities in their core portfolios in an off-market asset swap.
- →Following the swap the percentage of business space in Slough Estates' UK portfolio has increased by 6.5 per cent to 97.9 per cent on a floor area basis and by 11.8 per cent to 97.5 per cent on a value basis.
- →Business space in the UK now totals 22.4 million sq.ft. with a rent roll of some £166.5 million per annum.
- →The portfolio swap involved virtually every division in Slough Estates together with a number of external advisors.
- →Following the transaction a great deal of activity is under way including the implementation of estate and environmental plans and meeting our new occupiers and gaining an understanding of their business needs.

Case Study: Euro Pool System, – Zellik, Brussels

"We have been very impressed with Slough's approach, particularly their flexibility and professionalism."

Mr Louis Selleslags, Managing Director, Euro Pool System

Above: Dieter Joossens, Project Manager, Slough Belgium with Louis Selleslags, MD Euro Pool System.

Right: Euro Pool System's new facility at Zellik, West of Brussels.

Points of note

- Design & built to customer's requirements.
- 12,500 sq.m. distribution facility.
- Delivered on time and within budget.
- Satisfied customer and repeat business.

The customer

Euro Pool System is an international company specialising in the distribution of fresh food products, predominantly fruit and vegetables. It has operations in Belgium, Netherlands, Germany, France, Spain, Italy and the Czech Republic.

The product

The 12,500 sq.m. warehouse has been specifically designed and built to meet Euro Pool System's requirements. The building will primarily be used to serve one of their largest customers, the Delhaize supermarket group, who are located on the adjacent site. The building is used for storage and distribution but also contains an automated system for washing the fruit and vegetable trays prior to being distributed throughout Delhaize's network of stores.

The partnership

As well as selling the land to Euro Pool System, Slough performed an important project management role during construction of the new facility, providing advice on budget and timing, insurance and environmental matters, organising and chairing site meetings and liaising between the customer and the contractors.

This relationship has proved so successful that Slough is now providing project management advice to Euro Pool System on schemes elsewhere in Europe.

Case Study: ASICS, – Neuss, Germany

"Slough has made a valuable contribution to the development of commercial property in Neuss and has helped us attract and retain some valuable occupiers in the Neuss area."

Herr Herbert Napp, Bürgermeister (Mayor) of Neuss

Above:
1: Fleherbrücke Business Park (Phase 1 and site for Phase 2).
2: Site for ASICS.
3: B9 Business Park.

Points of note

- Eight different phases totalling 70,000 sq.m. developed in the last 10 years.
- Strategy of "build, let and trade."
- International tenants – from 15 different nations.
- Excellent relationship with Local Authority yields opportunities and benefits for both.
- Major new pre-let to ASICS.

Activity to date

Over the last 10 years Slough has developed 70,000 sq.m. of light industrial, warehouse and office buildings in Neuss. These units have been let to a range of international companies from Europe, Asia, and North America with activities as diverse as administration, Research and Development, assembly, trade sales, storage and distribution.

Slough's strategy in Germany has been to develop business parks in phases of 6-10,000 sq.m.. Once fully let, these parks have been sold on to institutional investors such as Bayernfonds, Bank of Austria, Prudential of America and IVG.

Current schemes include two phases of business park (pre-sold to IVG) and a 21,000 sq.m. European distribution centre for ASICS, the Japanese sports shoe manufacturer.

The City of Neuss

Neuss is situated on the left side of the Rhine, just across from Düsseldorf. It is home to 160,000 people and is an important business location in its own right. Companies with national or regional headquarters in Neuss include 3M, Unilever, UPS and Proctor & Gamble.

Three of Slough's sites in Neuss have been purchased direct from the City who has seen the benefit of a controlled supply of business accommodation available for companies to rent.

Partnership

The partnership between Slough and the City of Neuss is continuing and the fruits will be seen in 2005 with the delivery of the 21,000 sq.m. European distribution centre for ASICS, a prestigious client for Slough and valued employer for the City's inhabitants.

Case Study: Carré des Aviateurs, Paris, France

"Carré des Aviateurs provides the perfect working environment. I believe that the quality and efficiency of our building will allow us to develop our business."

Jean-Pascal Chirat, Managing Director, DITAC

The site

The site, just 1 km from the A1 motorway and Le Bourget airport, was acquired from the Baxi Group in 2003. Three of the buildings were leased back to Baxi as well as a new facility which has just been delivered. Elsewhere on the site a first phase of 7,500 sq.m. of speculative units was completed during 2004 and is already 63 per cent let. A second phase is currently under construction which will provide 7,700 sq.m. at the entrance to the Park. Completion is due in May, 2005 and the first unit has already been let.

Parc d'activité

Carré des Aviateurs is one of very few multi-let industrial parks (parc d'activité) to be launched in the Paris region in recent years but the Group's experience and expertise in this product in the UK, Germany and Belgium has helped ensure the Park's success. There is a shortage of quality industrial units in the area and Carré des Aviateurs has been designed to take advantage of this.

Occupier and investor demand

Occupier interest been encouraging and will grow as the Park becomes more established. We expect to attract the same quality of tenants to Carré des Aviateurs as we do to our schemes in the UK, Germany and elsewhere. Tenants include small to medium-sized industrial companies, such as Blindage de France and Finimétal, as well as local subsidiaries of large international concerns, such as Stannah Lifts and Ditac.

From an investment point of view, light industrial has become one of the most sought-after asset classes in Paris. Having been largely ignored for a decade, investors are now targeting this sector, resulting in significant yield compression and capital growth in the last 12 months. The value of Carré des Aviateurs has risen accordingly, partly as a result of the development programme and partly as a result of the investment market.

Points of note

- 37,000 sq.m. light industrial scheme close to Le Bourget airport.
- Up to five phases of multi-let units.
- Combination of leaseback, pre-let and speculative units.
- A new generation of 'parc d'activité' for Paris.
- First phase of 7,500 sq.m. built and 63 per cent let.
- Second phase of 7,700 sq.m. under construction and 11 per cent pre-let.

Case Study: Pfizer Inc., – Torrey Pines, San Diego, US

"The Global Research and Development Center reflects the high standards that Pfizer Inc. and Slough Estates share in the development of projects which are environmentally-friendly, resource efficient and socially responsible."

Paul Begin, Pfizer Inc.

Pfizer

In October 2004 Slough Estates USA Inc. successfully sold Pfizer, Inc. their Global Research and Development Center in Torrey Pines for $372 million. The half-year valuation for the project was $275 million and the total development cost was $175 million.

The 770,000 square foot master-planned campus consists of eight buildings which were constructed by Slough between 1999 and early 2004. The initial phase of the project was leased by Agouron Pharmaceuticals, and was subsequently acquired by Warner-Lambert. During 2000 Pfizer acquired Warner-Lambert and the campus was expanded significantly.

Slough first embarked on its strategy to develop life science facilities in 1994, and since then has become a premier developer serving this growing industry. Slough has constructed approximately 3.1 million square feet of life science product in California, which is estimated to be more than any developer anywhere in the world. There are very few property companies that possess the expertise, experience and resources necessary to deliver large campus developments to major biotechnology and pharmaceutical users, and Slough has carved a niche in this vibrant sector and has a long record of success. Our business has grown by satisfying to the needs of clients ranging from very small start-up companies to global companies like Pfizer, the world's largest research-based pharmaceutical company.

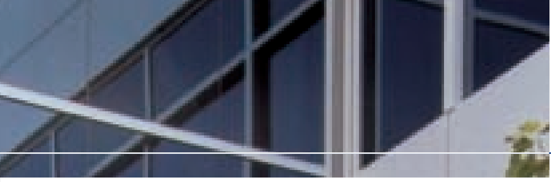
Points of note

- Pfizer's Global Research & Development Center is an eight master planned research and development campus constructed over four years.
- Located within the Torrey Pines area in the heart of San Diego's premier biotechnology community.
- Project achieved LEED (Leadership in Energy and Environmental Design) certification for four campus buildings.
- State-of-the-art facilities focussed on developing new medicines in areas of unmet medial need, including cancer, HIV, hepatitis, blindness and obesity.

Left: Pfizer's Global Research and Development Center in Torrey Pines, San Diego.

Above and right: Spacious outdoor plaza areas and campus commons.

Case Study: Amgen Inc., – Brittania Oyster Point, South San Francisco, US



Left: Amgen headquarters buildings at Brittania Oyster Point in South San Francisco.

This picture: Front view of Amgen's headquarters buildings.

Below right: Scientists working in advanced fields of research & development.

Points of note

- Amgen, one of the largest biotech companies in the world, acquired Tularik, Inc. in 2004 as part of $1.3 billion acquisition forming Amgen San Francisco.
- Contracted for over 425,000 square foot of build-to-suit development for Amgen San Francisco since 1995.
- Amgen San Francisco anchors Slough Estates' 23-acre, Britannia Oyster Point life sciences campus.
- Located in the Bay Area's biotech-rich South San Francisco market, Britannia Oyster Point is a generously landscaped campus development prominently situated on the San Francisco Bay.

Amgen and development of South San Francisco facilities

In 2004, Amgen, Inc. of Thousand Oaks, California announced the purchase of South San Francisco-based biotechnology company, Tularik, Inc., as part of an estimated $1.3 billion acquisition. Since its founding in 1991, Tularik has pioneered drug research and discovery activities relating to cell signalling and the control of gene expression. Over the years, the three Founders have expanded the scientific platform to three major therapeutic areas; cancer, inflammation and metabolic disease. Slough Estates USA and Tularik signed their first build-to-suit lease in 1995 for approximately 66,000 sq.ft. of research space in Slough's first South San Francisco life sciences project in Britannia Gateway.

Tularik continued to achieve rapid success in the life sciences arena which increased its need for state-of-the-art research facilities. Consequently, in 1998, Slough Estates executed a build-to-suit lease for an 80,000 sq.ft. expansion to Tularik's South San Francisco operations in Britannia Gateway. In 2001, Tularik again contracted with Slough to develop a three-building, 280,000 sq.ft. campus which anchors Slough's Britannia Oyster Point life sciences park in South San Francisco. The repeat business over the years reflects the collaborative nature of the relationship forged between Tularik and Slough that has produced high quality, efficient and flexible research facilities.

Amgen is a global biotechnology company that discovers, develops, manufactures and markets important human therapeutics based on advances in cellular and molecular biology.

UK property portfolio

As at 31 December 2004 Location	Land area hectares	Land for development hectares	Industrial/ warehousing sq.m.	Business/ office sq.m.	Retail sq.m.	Total sq.m.	Under construction sq.m.	Number of tenants	Rent roll £000
UNITED KINGDOM									
Slough	197	1	590,388	82,612	33,737	706,737	2,394	394	68,991
Heathrow and West London	82	3	320,399	12,313	4,370	337,082	14,276	240	29,088
Thames Valley and West of England	98	12	257,739	32,203	–	289,942	–	173	25,464
South London and South of England	115	31	257,988	11,558	–	269,546	5,434	129	13,822
North London and East of England	124	16	267,453	25,467	–	292,920	9,454	166	17,546
Midlands	54	1	157,559	10,814	16,734	185,107	–	154	11,624
HelioSlough	27	27	–	–	–	–	11,148	–	–
Retail	18	–	–	393	44,423	44,816	–	64	9,141
Total	**715**	**91**	**1,851,526**	**175,360**	**99,264**	**2,126,150**	**42,706**	**1,320**	**175,676**
Percentage by use			87	8	5				
Slough Trading Estate	196	–	590,388	82,612	33,737	706,737	2,394	393	68,971
Slough	1	1	–	–	–	–	–	1	20
Total	**197**	**1**	**590,388**	**82,612**	**33,737**	**706,737**	**2,394**	**394**	**68,991**
Heathrow and West London									
NW10	6	–	31,223	–	–	31,223	–	37	2,327
W3	4	–	19,512	–	–	19,512	–	16	1,824
WC1	–	–	–	2,175	–	2,175	–	2	384
Greenford	5	–	24,955	–	–	24,955	–	15	1,904
West Drayton	7	–	25,723	–	–	25,723	8,958	10	1,992
Hayes	6	–	22,162	–	–	22,162	–	36	1,641
Uxbridge	7	3	23,693	757	–	24,450	–	11	1,392
South Ruislip	4	–	10,326	–	4,370	14,696	–	5	1,866
Feltham	23	–	82,938	8,668	–	91,606	–	36	9,443
Heston	8	–	26,446	–	–	26,446	–	26	2,540
Hounslow	3	–	13,375	–	–	13,375	5,318	10	665
Colnbrook	3	–	15,892	–	–	15,892	–	11	1,034
Isleworth	6	–	24,154	713	–	24,867	–	25	2,076
Total	**82**	**3**	**320,399**	**12,313**	**4,370**	**337,082**	**14,276**	**240**	**29,088**
Thames Valley and West of England									
High Wycombe	9	–	31,564	2,169	–	33,733	–	26	2,707
Winnersh	33	–	111,200	20,684	–	131,884	–	38	14,319
Wokingham	2	–	7,465	–	–	7,465	–	7	539
Yate	9	–	31,568	–	–	31,568	–	27	1,508
Weston-super-Mare	8	1	25,572	–	–	25,572	–	39	1,066
Bristol	7	–	21,892	–	–	21,892	–	17	1,540
Swindon	3	–	11,180	–	–	11,180	–	5	714
Ascot	11	–	–	9,350	–	9,350	–	1	2,624
Oxford	3	–	12,431	–	–	12,431	–	4	117
Gloucester	11	11	–	–	–	–	–	–	–
Bracknell	2	–	4,867	–	–	4,867	–	9	330
Total	**98**	**12**	**257,739**	**32,203**	**–**	**289,942**	**–**	**173**	**25,464**

Location	Land area hectares	Land for development hectares	Industrial/ warehousing sq.m.	Business/ office sq.m.	Retail sq.m.	Total sq.m.	Under construction sq.m.	Number of tenants	Rent roll £000
South London and South of England									
Epsom	1	–	6,843	–	–	6,843	–	3	323
SW19	2	–	9,973	–	–	9,973	–	3	776
Camberley	3	1	13,789	–	–	13,789	2,484	4	365
Leatherhead	2	–	4,176	–	–	4,176	–	1	118
Crawley	9	2	33,809	–	–	33,809	–	1	1,100
Coulsdon	2	–	9,448	–	–	9,448	–	6	484
Croydon	5	–	19,990	–	–	19,990	–	6	810
Frimley	3	–	21,863	–	–	21,863	–	22	1,684
Guildford	2	–	11,925	–	–	11,925	–	8	641
Basingstoke	4	–	15,944	–	–	15,944	–	16	1,487
Southampton	5	2	13,035	–	–	13,035	–	5	675
Portsmouth	21	1	69,545	–	–	69,545	2,950	47	3,599
Fareham	3	–	12,169	–	–	12,169	–	–	–
Swanley	1	–	6,448	–	–	6,448	–	2	340
Farnborough	52	25	9,031	11,558	–	20,589	–	5	1,420
Total	**115**	**31**	**257,988**	**11,558**	**–**	**269,546**	**5,434**	**129**	**13,822**
North London and East of England									
Huntingdon	2	–	8,179	–	–	8,179	–	16	498
Chelmsford	3	–	15,691	–	–	15,691	–	10	912
Barking	3	–	13,338	–	–	13,338	–	6	789
West Thurrock	6	–	30,050	–	–	30,050	–	25	1,671
Basildon	10	–	59,866	–	–	59,866	–	20	2,813
Cambridge	45	10	–	19,197	–	19,197	–	6	1,959
Luton	9	–	38,286	–	–	38,286	–	30	1,783
Elstree	27	5	32,995	6,270	–	39,265	–	20	2,769
Hatfield	6	–	31,580	–	–	31,580	–	1	2,500
Welwyn Garden City	2	–	9,541	–	–	9,541	–	23	797
Radlett	11	1	27,927	–	–	27,927	9,454	9	1,055
Total	**124**	**16**	**267,453**	**25,467**	**–**	**292,920**	**9,454**	**166**	**17,546**
Midlands									
Birmingham	23	1	69,365	5,205	–	74,570	–	86	4,350
Huddersfield	8	–	15,315	–	9,023	24,338	–	17	1,339
Oldbury	2	–	4,315	1,575	–	5,890	–	6	489
Chester	3	–	–	–	7,711	7,711	–	5	1,896
Runcorn	4	–	13,697	–	–	13,697	–	4	635
Warrington	5	–	20,671	–	–	20,671	–	22	685
Northampton	5	–	20,565	–	–	20,565	–	2	1,089
Derby	4	–	13,631	4,034	–	17,665	–	12	1,141
Total	**54**	**1**	**157,559**	**10,814**	**16,734**	**185,107**	**–**	**154**	**11,624**
HelioSlough									
Trax Park, Doncaster (50 per cent)	3	3	–	–	–	–	11,148	–	–
Thorne, Doncaster (50 per cent)	24	24	–	–	–	–	–	–	–
Total	**27**	**27**	**–**	**–**	**–**	**–**	**11,148**	**–**	**–**
Retail									
Surrey Quays, Rotherhithe (50 per cent)	9	–	–	393	25,111	25,504	–	54	4,997
Clifton Moor, York (50 per cent)	9	–	–	–	19,312	19,312	–	10	4,144
Total	**18**	**–**	**–**	**393**	**44,423**	**44,816**	**–**	**64**	**9,141**

Overseas property portfolio

As at 31 December 2004

Location	Land area hectares	Land for development hectares	Industrial/ warehousing sq.m.	Business/ office sq.m.	Retail sq.m.	Total sq.m.	Under construction sq.m.	Number of tenants	Rent roll local currency 000
Belgium	67	39	102,722	75,233	2,797	180,752	6,360	87	€20,252
France	56	–	228,740	11,256	17,812	257,808	9,858	20	€14,553
Germany	27	9	43,909	16,315	–	60,224	46,704	57	€3,543
US	159	63	327,249	26,262	18,526	372,037	62,336	67	$87,981
Total	**309**	**111**	**702,620**	**129,066**	**39,135**	**870,821**	**125,258**	**231**	**N/A**
Percentage by use	–	–	81	15	4	–	–	–	–
BELGIUM									
Brussels									
Woluwe St Stevens	4	–	18,228	2,304	–	20,532	–	18	1,669
Zaventem E40	1	–	5,106	–	2,337	7,443	–	9	462
Horizon	2	1	6,536	–	–	6,536	–	8	722
Sirius	1	1	–	–	–	–	–	–	–
Kortenberg	3	2	–	–	460	460	–	1	41
Relegem	4	–	19,334	–	–	19,334	–	22	2,171
Pegasus – Diegem 1	15	8	8,750	72,929	–	81,679	6,360	24	12,978
Pegasus – Diegem 2	1	1	–	–	–	–	–	1	214
Nivelles	6	4	8,424	–	–	8,424	–	2	407
Diegem 2	3	3	–	–	–	–	–	–	–
Diegem (UPS) (50 per cent)	3	1	10,131	–	–	10,131	–	1	736
Zellik (50 per cent)	2	2	–	–	–	–	–	–	–
Zaventem 3 (50 per cent)	6	6	–	–	–	–	–	–	–
Bornem (50 per cent)	11	7	16,517	–	–	16,517	–	1	852
Rumst (50 per cent)	5	3	9,696	–	–	9,696	–	–	–
	67	**39**	**102,722**	**75,233**	**2,797**	**180,752**	**6,360**	**87**	**€20,252**
FRANCE									
Paris									
Colombes	3	–	–	–	17,812	17,812	–	2	1,593
Bures Orsay	4	–	19,264	–	–	19,264	–	3	1,049
Aulnay sous Bois	2	–	11,155	–	–	11,155	–	1	656
Nanterre (66 per cent)	–	–	–	5,803	–	5,803	–	–	–
Evry	5	–	26,087	–	–	26,087	–	2	1,485
Marly La Ville	25	–	108,382	–	–	108,382	–	6	6,158
Cergy Pontoise	10	–	51,645	–	–	51,645	–	2	2,798
Blanc Mesnil	7	–	12,207	2,232	–	14,439	9,858	4	814
Avenue Kléber	–	–	–	3,221	–	3,221	–	–	–
	56	**–**	**228,740**	**11,256**	**17,812**	**257,808**	**9,858**	**20**	**€14,553**
GERMANY									
Neuss	9	2	5,576	3,126	–	8,702	26,922	15	778
Mönchengladbach	2	–	7,637	3,365	–	11,002	–	14	870
Frankfurt	4	2	9,117	1,746	–	10,863	–	1	109
Kapellen	5	5	–	–	–	–	12,186	–	–
Ratingen	3	–	11,168	6,069	–	17,237	–	16	998
Hamburg	2	–	10,411	2,009	–	12,420	–	11	788
Krefeld	2	–	–	–	–	–	7,596	–	–
	27	**9**	**43,909**	**16,315**	**–**	**60,224**	**46,704**	**57**	**€3,543**

Location	Land area hectares	Land for development hectares	Industrial/ warehousing sq.m.	Business/ office sq.m.	Retail sq.m.	Total sq.m.	Under construction sq.m.	Number of tenants	Rent roll local currency 000
US									
Chicago: Illinois									
Elgin	22	14	10,080	–	–	10,080	–	2	647
Peoria: Illinois									
Washington/Cherrytree (25 per cent)	7	–	–	–	18,526	18,526	–	15	839
California									
San Diego									
Torrey Pines 1 (37.5 per cent)	2	–	7,837	–	–	7,837	–	1	3,104
Torrey Pines 2 (50 per cent)	1	–	4,297	–	–	4,297	–	1	1,568
Torrey Pines Science Center	3	–	15,462	–	–	15,462	–	2	6,506
Torreyana	3	–	7,898	–	–	7,898	–	1	1,510
Torrey Pines Science Park	7	–	27,110	–	–	27,110	–	9	4,784
Poway	32	32	–	–	–	–	14,492	–	–
San Francisco									
Hacienda, Pleasanton (55 per cent)	6	–	23,166	–	–	23,166	–	12	3,415
Hacienda, Pleasanton (90 per cent)	10	–	8,426	26,262	–	34,688	–	5	7,241
Nellcor, Pleasanton (64 per cent)	3	–	13,099	–	–	13,099	–	1	1,945
Point Eden, Hayward (64 per cent)	16	–	49,346	–	–	49,346	–	6	6,066
South San Francisco									
Oyster Point	13	4	63,280	–	–	63,280	–	3	23,701
East Grand	11	11	–	–	–	–	41,805	–	–
Gateway (45 per cent)	3	–	13,690	–	–	13,690	–	1	4,556
Gateway (90 per cent)	2	–	9,854	–	–	9,854	–	1	4,084
Forbes	3	–	15,128	–	–	15,128	–	–	–
Pointe Grand South	15	2	58,576	–	–	58,576	6,039	7	18,015
	159	**63**	**327,249**	**26,262**	**18,526**	**372,037**	**62,336**	**67**	**$87,981**
UNITED KINGDOM	715	91	1,855,326	175,360	99,264,	2,126,150	42,706	1,320	
OVERSEAS	309	111	702,620	129,066	39,135	870,821	125,258	231	
TOTAL	**1,024**	**202**	**2,554,146**	**304,426**	**138,399**	**2,996,971**	**167,964**	**1,551**	

Development programme

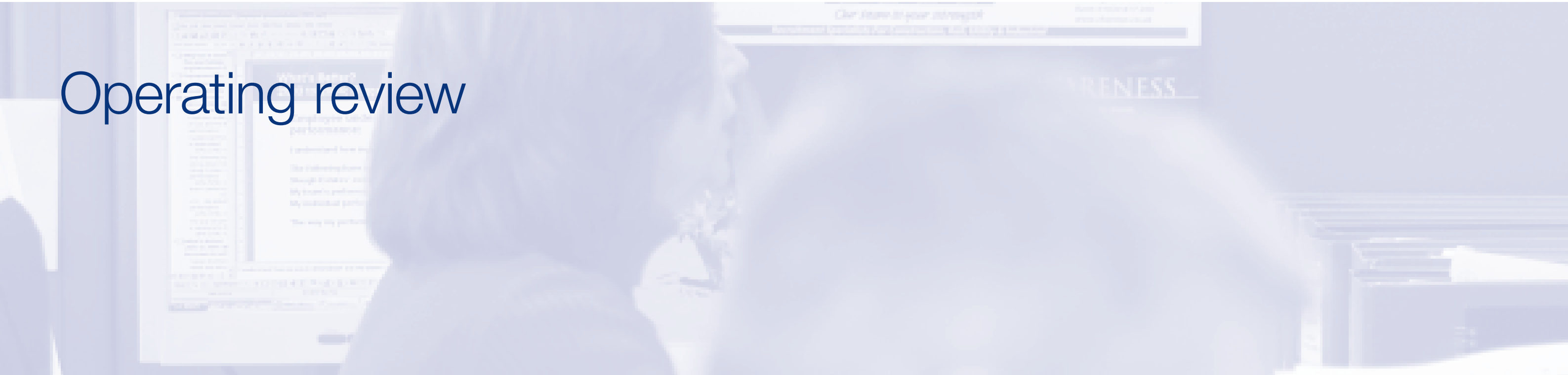
As at 31 December 2004

Location	Type	Practical completions 2004 sq.m.	Work in progress December 2004 sq.m.	Anticipated completion date*	Potential starts 2005 sq.m.	
UK						
Slough						
275 Leigh Road	Industrial	1,444				Let to Ferrari Maserati
61 Whitby Road	Industrial	3,387				Let to WH Smith
381 Sykes Road	Industrial		2,394	Q1		
628-630 Ajax Avenue	Industrial				6,310	
2D-E Buckingham Avenue	Retail				1,500	
2F-L Buckingham Avenue	Industrial				5,500	
115-118 Buckingham Avenue	Industrial				2,725	
11A-D Buckingham Avenue	Retail				2,440	
91-94 Farnham Road	Retail				2,322	
505A, 803/813 Weston Road	Industrial				3,800	
Slough total		**4,831**	**2,394**		**24,597**	
Birmingham						
K800	Industrial	1,868				
K600	Retail				1,115	
Bristol						
Phase 400	Industrial	3,372				Let to Knorr-Bremse
Portsmouth						
Site D	Industrial		2,950	Q3		
Radlett						
Phase 200	Industrial		9,454	Q2		
Phase 300	Industrial				7,073	
West Drayton						
Stone Close Phase 1	Car Showroom		2,926	Q1		Pre-let to HR Owen
Stockley Close Phase 1	Industrial		6,032	Q3		
Camberley						
Stanhope Road	Industrial		2,484	Q1		Pre-sold to Dolphin Head
Phase 100	Industrial				9,638	
Hounslow						
Pulborough Way	Industrial		5,318	Q3		
Farnborough						
200/250 The Square	Offices				6,677	
Q134	Offices				4,245	
Feltham						
Phase 1000	Industrial				2,257	
Luton						
Phase 200	Industrial				3,829	
Uxbridge						
Phase 300/400	Industrial				4,627	
Weston-Super-Mare						
Phase 100	Industrial				1,768	Pre-let to Bradford and Sons
HelioSlough						
Trax Park, Doncaster	Industrial		11,148	Q2		
UK TOTAL		**10,071**	**42,706**		**65,826**	

As at 31 December 2004

Location	Type	Practical completions 2004 sq.m.	Work in progress December 2004 sq.m.	Anticipated completion date*	Potential starts 2005 sq.m.	
BELGIUM						
Kortrijk	Office	3,882				Sold to Deloitte & Touche
Rumst	Industrial	9,696			20,000	
Pegasus Park	Office		6,360	Q3		
Kortenberg	Industrial	2,302				Sold to DK Moves
Nivelles	Industrial				10,000	
Zaventem III	Industrial				5,000	
Zellik	Industrial				8,950	
Bornem	Industrial				33,000	
		15,880	**6,360**		**76,950**	
FRANCE						
Avenue Kléber	Office	3,221				
Nanterre	Office	5,803				
Le Blanc Mesnil	Industrial	7,472	9,858	Q2	8,830	4,694 sq.m. let to Blindage de France, Ditac and 3,216 sq.m. pre-let to Finemetal
		16,496	**9,858**		**8,830**	
GERMANY						
Frankfurt	Industrial	10,863				1,236 sq.m. let to Schulte
Ratingen II	Industrial	5,582				1,376 sq.m. let to Farbory Centres and MCE Computers
Neuss V	Industrial		5,802	Q1 and Q3		
Neuss IV Asics	Industrial		21,120	Q4		18,327 sq.m. pre-let to ASICS
Krefeld	Industrial		7,596	Q4		3,021 sq.m. pre-let to Nachi
Kapellen, Phase III	Logistics		12,186	Q2		
Kapellen, Phase II	Industrial				8,000	
Neuss IV, Phase II	Industrial				8,701	
Frankfurt II	Industrial				12,567	
Hamburg III	Industrial				5,410	
		16,445	**46,704**		**34,678**	
US						
Torrey Pines Lot 21-22 and 23	R&D	18,821				Let to Pfizer
Poway	Industrial		14,492	Q2	17,837	
East Grand	R&D		41,805	2006		Pre-let to Genentech
Pointe Grand	R&D		6,039	Q2		
Britannia Oyster Point II					10,498	
Britannia Oyster Point E					9,144	Pre-let to Amgen
285 E Grand					6,968	
		18,821	**62,336**		**44,447**	
OVERSEAS TOTAL		**67,642**	**125,258**		**164,905**	
GROUP TOTAL		**77,713**	**167,964**		**230,731**	
Let or Sold		**52.1%**	**42.7%**		**4.7%**	

*Applies to 2005, unless stated otherwise.



Operating review

Slough Trading Estate

Value £1.2 billion

673,000 sq.m. (7.2 million sq.ft.) business space and 33,737 sq.m. (0.4 million sq.ft.) retail space

200 hectare (500 acre) site

394 customers

Approximately 20,000 employees based on the Trading Estate

Website: www.sloughte.com

Customers include:
Allied Carpets, B&Q, Black & Decker, Celltech R&D, Comet Group, Equant, Furniture Village, Ferrari Maserati UK, Fiat Auto (UK), Ipsen, John Menzies, Kingston Communications, L G Electronics UK, Lonza Biologics, Mars, NEC (UK), O_2, Polycom (UK), Sun Chemical, Unatrac Limited, Xenova

100 per cent owned

Rent passing £69.0 million pa

Average passing rent
Business space:

– industrial	£98.54 per sq.m.
– office	£247.70 per sq.m.
Retail:	£192.71 per sq.m.

2,394 sq.m. under construction

89 per cent occupancy by area

The Slough Trading Estate is the largest business park in Europe and has been Slough Estates' core property asset since the company was founded over 80 years ago. Today the Estate is a modern business park in close proximity to London's Heathrow Airport, which is the world's busiest international airport, and it has excellent access to the M4 and M40 motorways.

In 2004 the levels of customer enquiries, viewings and proposals on the Slough Trading Estate made in the UK have all increased from the levels recorded in 2003 and lettings completed in 2004 totalled 51,645 sq.m., a 110 per cent increase over 2003.

We are confident that this increased activity points to an improving business environment but at present the market for offices in Slough continues to be weak, which is reflected by some downward pressure on rental levels for offices. Our occupancy is 89 per cent, compared with 88 per cent at December 2003.

- Letting of 2,827 sq.m. new office building at 240 Bath Road, to Fiat UK Limited at £269.10 per sq.m.
- Letting of 61 Whitby Road (WH Smith), and of 275 Leigh Road (Ferrari).
- In early 2005 a letting of 11,189 sq.m. of existing business space to a major financial institution for an IT backup centre, at a rent of £91.49 per sq.m. showing return of demand for large deals and giving encouragement for 2005.

Heathrow and West London

Value £489 million

332,712 sq.m. (3.6 million sq.ft.) business space and 4,370 sq.m. (47,038 sq.ft.) retail in: Feltham, Hayes, Hounslow, Isleworth, Poyle, West Drayton, Park Royal, Uxbridge, Greenford, Ruislip, Heston

82 hectares (203 acres) in total

240 customers

Website: www.thelhr.com

Customers include:
DFS Furniture Company, Federal Express Europe, Fujitsu, National Express Operations, Scottish & Newcastle, Thorn, TNT, Tristar Cars, VG Systems

100 per cent owned

Rent passing £29.1 million pa

Average passing rent: £86.29 per sq.m.

14,276 sq.m. under construction at West Drayton and Hounslow, 20 per cent pre-leased

92 per cent occupancy by area

This region includes Slough Estates' holdings in West London and those immediately adjacent to London's Heathrow Airport, (not including the Slough Trading Estate). The properties have been managed as one estate since 2003 and this has brought great operating efficiencies in West London. The excellent communications to the West of London make this a premier location for business in the UK.

- A total of 12,322 sq.m. of space let in 2004.
- Letting of 1,010 sq.m. at Park Royal, NW10 at a rent of £99.02 per sq.m.
- Purchase of 0.47 hectares of land and 3,422 sq.m. of space at Hounslow, adjacent to an existing holding.

South London and Southern England

Value £336 million

269,545 sq.m. (2.9 million sq.ft.) business space in: Basingstoke, Portsmouth, Camberley, Southampton, Epsom, Leatherhead, Farnborough, Coulsdon, Croydon, Fareham, Frimley, Guildford, SW19, Swanley, Crawley

115 hectares (284 acres) in total

129 customers

Customers include:
Agustawestland International, Autodesk, Carlsberg UK, Siemens Real Estate, Thales Properties, The Big Yellow Self Storage Company, Oddbins, Pinnacle Entertainment, Volkswagen Group UK

100 per cent owned

Rent passing £13.8 million pa

Average passing rent: £51.28 per sq.m.

5,434 sq.m. under construction at Camberley and Portsmouth, 46 per cent pre-sold or pre-let

82 per cent occupancy by area, excl. rental guarantee.

95 per cent occupancy incl. rental guarantee

South London and Southern England is a newly designated region which covers south London, primarily between the M23 and the M3 motorways down to the south coast. It covers the counties of Surrey, Sussex, Kent and Hampshire which are affluent commuting areas.

Slough Estates' holdings in this region have been substantially strengthened in 2004 by the acquisition of an industrial portfolio from Land Securities with assets in Coulsdon, Croydon, Fareham, Frimley, Guildford, London SW19 and Swanley.

- A total of 6,622 sq.m. let in 2004.
- Letting of two units of 1,247 sq.m. and 1,595 sq.m. at Southern Cross, Southampton at rents of £72.66 per sq.m. and £72.74 per sq.m. respectively, making Phase 100 fully let.

North London and East of England

Value £346 million
292,920 sq.m. (3.2 million sq.ft.) business space in: Elstree, Welwyn Garden City, Chelmsford, Radlett, Luton, Basildon, Hatfield, Thurrock, Barking, Huntingdon, Cambridge
124 hectares (309 acres) in total
166 customers
Customers include: Blue Star Engineering, Ford Motor Company, NTL, Starbucks Coffee Company, Sheffield Insulations, Tibbett & Britten, Tesco, WH Smith
100 per cent owned
Rent passing £17.6 million pa
Average passing rent: £59.90 per sq.m.
9,454 sq.m. under construction at Radlett
83 per cent occupancy by area, excl. rental guarantee
88 per cent occupancy incl. rental guarantee

North London and East of England is a newly designated region which covers an area north of London but to the east of the M1 motorway and reaches out as far as Cambridge and along the M11 motorway. The Cambridge area has been identified by the Government as a major growth area for development and is the main home to the UK's biotech industry.

- A total of 15,278 sq.m. let in 2004.
- Letting of 1,575 sq.m. at Radlett to Phoenix Healthcare Distribution Ltd at a rent of £79.65 per sq.m.
- Agreement to lease 2,152 sq.m. at Waterhouse Lane in Chelmsford.

Thames Valley and West of England

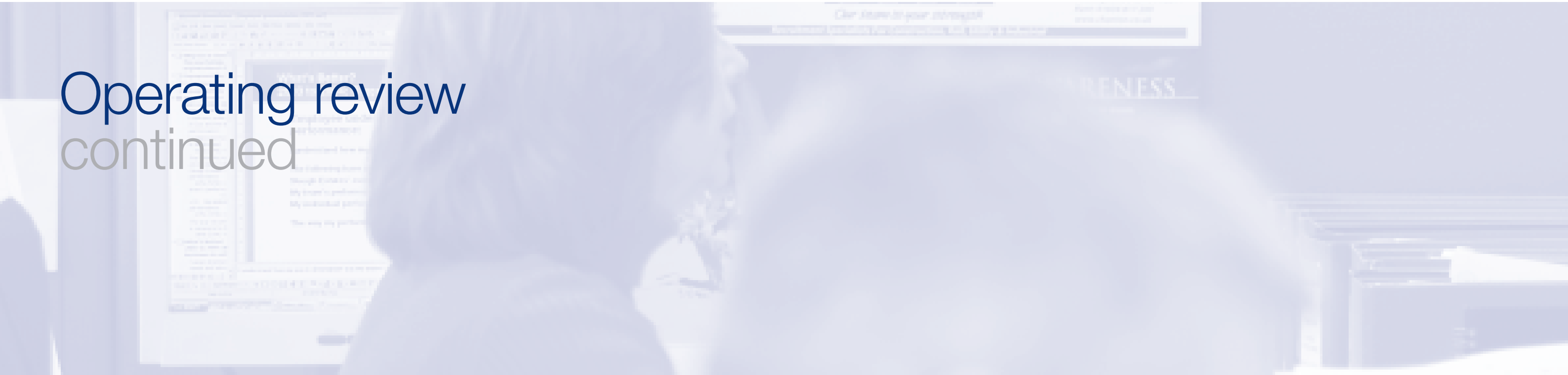
Value £410 million
289,942 sq.m. (3.1 million sq.ft.) business space in: High Wycombe, Yate, Weston Super Mare, Swindon, Bristol, Wokingham, Winnersh, Ascot, Bracknell, Oxford, Haresfield
98 hectares (242 acres) in total
173 customers
Customers include: Agere Systems, Agilent Technologies UK, Business Express Network, Fujitsu, Intel Corporation, Knorr-Bremse, Mars, NTL, Rusch Manufacturing, Solaglas, The Post Office
100 per cent owned
Rent passing £25.5 million pa
Average passing rent: £87.82 per sq.m.
88 per cent occupancy by area, excl. rental guarantee
92 per cent occupancy, incl. rental guarantee

This newly designated region (which excludes Slough and LHR) covers the area adjacent to the M4 motorway between London and Bristol in the west. The M4 Corridor has been the most successful business area in the south east of England in recent years and Slough has leading Business Parks across the region.

- A total of 14,386 sq.m. let in 2004
- Letting of 1,712 sq.m. at Beeches Industrial Estate, Yate, at a rent of £51.13 per sq.m.
- Letting of 1,577 sq.m. at Faraday Road, Swindon at £69.97 per sq.m.
- Acquisition from Royal Mail Group plc of remaining 2.86 hectares of land at Winnersh Triangle, not already owned by Slough.
- Completion of new 3,372 sq.m. warehouse facility at Emerald Park, Bristol, pre-leased to Knorr-Bremse at £72.70 per sq.m. This deal, plus an additional letting of 704 sq.m., represented the final lettings in the 22,044 sq.m. built scheme.

Midlands

Value £186 million
168,371 sq.m. (1.8 million sq.ft.) business space and 16,733 sq.m. (180,000 sq.ft.) of retail space in: Birmingham, Huddersfield, Chester, Derby, Northampton, Runcorn, Warrington, Oldbury
54.0 hectares (133.5 acres) in total
154 customers
Customers include: Aggregate Industries Management, British Midland, DSG, Newey & Eyre, Reid Furniture, Secretary of State for the Environment, Tesco, Wolseley UK
100 per cent owned
Rent passing £11.6 million pa
Average passing rent: £62.80 per sq.m.
89 per cent occupancy by area



Operating review
continued

The Midlands region is centred around Birmingham, the UK's second largest city, and its main industrial centre. The largest asset is the Kings Norton business park to the south of Birmingham. There are also a few properties in the North.

- A total of 9,644 sq.m. let in 2004.
- Letting of 2,157 sq.m. at Kings Norton Business Centre, at a rent of £60.74 per sq.m.
- Letting of 1,861 sq.m. at Derby at an average rent of £43.07 per sq.m. over five years.

Joint Ventures – HelioSlough

Trading book value £10 million

26.5 hectares (65.4 acres) owned in total

50/50 JV with Helios Properties

Formation of a new joint venture company, HelioSlough, with Helios Properties. The 50/50 JV, which has £150 million of funding available, aims to develop a network of large scale strategic distribution parks throughout the UK.

- 11,148 sq.m. under construction at Trax Park, Doncaster.
- Infrastructure work at Thorne, comprising formation of a new entrance roundabout, some off-site road realignment and new services.

Belgium

Investment property value £189.1 million

Trading book value £11.5 million
177,955 sq.m. (1.9 million sq.ft.) business/office space and 2,797 sq.m. (30,100 sq.ft.) of retail in: Brussels Pegasus Park (81,679 sq.m.), Woluwe, Relegem, Bornem, Nivelles, Zaventem, Horizon, Diegem, Rumst, Zellik, Sirius, Kortenberg

67 hectares (168 acres) in total

87 customers

Customers include:
Cisco, Johnson Controls, Regus, DHL, Bornem, UPS, Telenet, Sungard, Emerson, Agilent, Ecolab (Henkel), Synstar

Rent passing £14.4 million pa

Average passing rent: £80.71 per sq.m.

85 per cent occupancy by area

Slough Estates has been operating in Belgium since 1963. Its Pegasus Park development is the largest office park in Brussels and is adjacent to Brussels International Airport. The Company is also a leading provider of distribution space within 'the golden triangle' between Brussels, Ghent and Antwerp.

- A total of 20,348 sq.m. let in 2004.
- Lettings of 5,917 sq.m. at Pegasus Park, bringing vacancy down to under 6 per cent (surrounding market vacancy is close to 20 per cent).
- Start on site of construction of 6,360 sq.m. speculative office building at Pegasus Park (start: June 2004, delivery: July 2005).
- Sale of 3,382 sq.m. at Kortijk and 2,302 sq.m. at Kortenberg.

France

Investment property value £108.2 million

Trading book value £28.5 million
239,996 sq.m. (2.6 million sq.ft.) business space and 17,812 sq.m. (190,000 sq.ft.) of retail in: Marly la Ville, Cergy Pontoise, Evry, Bures Orsay, Colombes, Le Blanc Mesnil, Aulnay sous Bois, Nanterre and Paris

56 hectares (138 acres) in total

20 customers

Customers include:
Geodis, Daher, Deluxe, Staci, Conforama, Stockalliance, Gefco, Mory Team, Guilbert, UPS Patisfrance

Rent passing £10.3 million pa

Average passing rent: £43.00 per sq.m.

9,858 sq.m. under construction at Le Blanc Mesnil, 33 per cent pre-leased

96 per cent occupancy by area

Slough Estates has been operating in France since 1972. The business is centred on Paris. The main developments have been around Paris' orbital motorway, La Francilienne, where a number of distribution facilities have been developed. More recently there has been greater emphasis on business space at such sites as Le Blanc Mesnil.

- A total of 20,160 sq.m. let in 2004.
- Delivery of first phase of 7,472 sq.m. of light industrial units at Le Blanc Mesnil, close to Le Bourget (48 per cent leased on delivery).

Germany

Trading book value £52.8 million

60,224 sq.m. (650,000 sq.ft.) business space in: Neuss, Hamburg , Ratingen, Mönchengladbach, Frankfurt, Kapellen, Krefeld

27 hectares (67 acres) in total

57 customers

Customers include:
CC Bank, Qits, SATO, Listan, Phonet, Flashpoint, Spacelabs, ADCO, Bernd John, Junkers, Tholstrup, Robin (Europe)

100 per cent owned

Rent passing £2.5 million pa

Average passing rent: £40.93 per sq.m.

Slough Estates has been operating in Germany since 1974. The business is centred on the Rhur which is the industrial heartland of western Germany. The business is focused on developing small industrial parks and then selling these developments to German institutions.

- A total of 8,957 sq.m. let in 2004.
- Pre-let of 87 per cent of a 21,000 sq.m. warehouse at Neuss, to ASICS for delivery in October 2005.
- Pre-let of 3,000 sq.m. unit at Krefeld.
- Sale of 34,051 sq.m. at Neuss.
- 46,704 sq.m. under construction at Neuss, Kapellen and Krefeld, 46 per cent pre-leased.

California

Investment property value £541.4 million

343,431 sq.m. (3.7 million sq.ft.) business space in: San Francisco, San Diego

129 hectares (319 acres) in total

50 customers

Customers include:
Amgen, Exelixis, Pfizer, Rigel, Robert Half International, FibroGen, Raven, SkyePharma, Aradigm, Millenium Pharmaceuticals, Syrrx, ProBusiness Services

Rent passing £45.0 million pa

Average passing rent: £131.17 per sq.m.

62,336 sq.m. under construction at South San Francisco and Poway, 67 per cent pre-leased

Slough Estates has been operating in North America since 1951 but today its operations are centred in the Bay Area of San Francisco and San Diego in California. In terms of product the business is focused on providing buildings to the healthscience industry.

Occupancy has fallen to 86 per cent at year end from 87 per cent in 2003 but this reflects major sales within the portfolio as 25,347 sq.m. were let in 2004.

- Genentech, Inc. agreed to terms to lease approx. 72,464 sq.m. (780,000 sq.ft.) of office and laboratory space in eight new buildings on the Britannia East Grand site, South San Francisco. Construction will take place in two phases over four years and is estimated to cost over £169 million.
- Acquisition of 32.5 ha of land at Parkway Business Center, Poway, San Diego.
- Purchase of 3 ha site in San Francisco containing a 15,128 sq.m. redundant building which will be redeveloped.
- Completion and letting of last two buildings (approximately 18,821 sq.m.) of the Pfizer Global Research and Development Center in Torrey Pines Science Center (totalling 71,709 sq.m.).
- Sale of Pfizer Center in San Diego for £190.7 million.

Corporate Responsibility

Our second Corporate Responsibility (CR) Report which has full details of Slough Estates Corporate responsibility activities in 2004 can be downloaded from our website on www.sloughestates.com/cr. Alternatively, copies are available from the Company Secretary. This is a resumé of the full report.

CR report scope

The information contained in this report relates to the financial year ending 31 December 2004.

The performance data is representative of our global activity managed portfolio, including our own occupied premises, but excluding the retail properties which were disposed of in the final quarter of 2004.

It should be noted that our overseas business do comply in general with Group CR policies but, in some instances, formal reporting procedures have not yet been fully developed. Over time we hope to improve complete coverage of our international operations through our annual CR reports. We have also sought to bring our reporting practice closer in line with best practice in sustainability reporting, (i.e. Global Reporting Initiative (GRI Sustainability Reporting Guidelines)).

Our vision is to be highly regarded with the sector which means we must strive towards a position where investors understand us, and are keen to invest, customers recommend us and expand with us, financiers, commentators and government prefer us, employees are proud to work for the company and are actively encouraged to develop their skill set, competitors respect us and suppliers want to work with us.

Strategy and governance

Our CR strategy focuses on our most relevant financial, economic, social and environmental risks and opportunities. These have been identified through an ongoing process of internal consultation, stakeholder dialogue, advice from independent experts and comparison with our peers.

Governance and CR Responsibilities

The CR management system continues to be governed by the Group Risk Committee and the terms of reference for this Committee can be found on the Company website. We have allocated senior management to each one of our key stakeholder groups.

External Benchmarking

We continue to participate in external benchmarking exercises so as to further validate our approach.

During 2004, we:

- Came 5th amongst participating companies in the BiE Index of Corporate Environmental Engagement.
- Came joint 1st in the Property Environment Group Survey with a score of 79 per cent.
- Continued to be listed in both the Dow Jones Sustainability Index and the FTSE4Good Index.
- Were awarded 'Best in Class' status by Storebrand for our leading environmental and social performance.

Social Performance

Health & Safety

Health & Safety is a critical business issue for all of Slough Estates' activities including development, construction, investment, management and own occupation. We view it as a key priority amongst our corporate responsibilities to cultivate a culture of health and safety. Details of our health and safety record can be found in the full report.

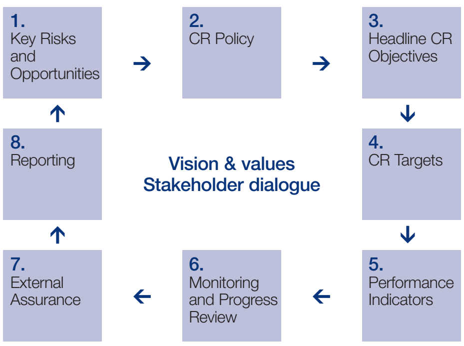
Suppliers

We maintain strong long-term relationships with many different types of suppliers and contractors. We seek to ensure that they are treated with respect and integrity and that they should feel valued for their contribution to our business.

Employees

2004 has seen a number of changes to our employment policies and practices as we have sought to step up to our full potential and build on our existing strengths. We encourage and value open, two-way communication with our employees. We have articulated our way of working in a specific set of values, which include:

Respect
Partnership
Energy
Responsibility



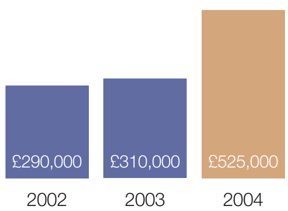
Cyclical model of Slough Estates' CR Management Strategy.

Corporate Responsibility
continued

Customers
Our reputation as an expert in property solutions is dependent upon a careful understanding of customer needs, focusing on results and building strong business relationships.

Community
The Group's involvement in the community is integral to its core business and therefore tends to be focussed on those locations where were have a significant presence. We work closely with organisations fostering business support, charity, education, the arts, recreation and welfare – both nationally and locally.

Charitable giving (cash only) in 2002, 2003 and 2004



Environmental performance
We have a long-standing commitment to environmental good practice and seek to continuously improve our performance. During 2004 this was illustrated by the development of a Group-wide energy management system which includes target-setting and monitoring. Similarly, we recognise the scarcity value of water, and consumption in our actively managed multi-let offices continues its downwards trend.

Whilst there is much more to do, we are encouraged by the Group's environmental performance across a wide range of issues from waste management to transport and from pollution prevention to bio-diversity. Full details are available in our CR report.

	Achieved	0 %	25 %	50 %	75 %	100 %	N/A
Total	39	1	1	4	2	33	1
% of total	100	<3	<3	10	5	77	<3

Progress against 2004 Targets

Priorities for 2005 include	
Target 1:	To identify, measure, record and publicly report individual waste streams from each business area.
Target 2:	To integrate the ex-Land Securities Industrial portfolio into the environmental management system and address issues identified on acquisition.
Target 3:	To audit the EMS in accordance with agreed methodologies.
Target 4:	Build increased awareness of the value of diversity through the creation of a specialist learning programme.
Target 5:	Ensure all office-based employees have undertaken online Health & Safety training.
Target 6:	Further increase the renewable generation at the power station from the already high figure of 71 per cent.

A more comprehensive list of our targets is listed in our separate stand-alone CR report.

Corporate governance guidelines

The Company is required to comply with “The Combined Code on Corporate Governance” (“the Code”) which came into effect for reporting years beginning on or after 1 November 2003.

For the Company, this was effective from 1 January 2004.

Statement of Compliance

The Company believes that, as demonstrated by the information set out in this section and in the Remuneration Report, it has applied the principles and save as indicated, complied with the provisions of the Code throughout the year ended 31 December 2004.

The Board

The Board of Directors represents the shareholders’ interests in maintaining and growing a successful business including optimising consistent long-term financial returns. The Board is accountable for determining that the company and its subsidiaries are managed in such a way to achieve this objective. The Board has a general responsibility to ensure that in good times as well as times of adversity the Executive is fulfilling its responsibilities. The Board’s responsibility is to monitor regularly the effectiveness of the Executive’s policies and decisions, including the implementation and execution of its strategies.

In addition to meeting its obligations for improving shareholder value, the Board has a responsibility to the Group’s customers, employees and suppliers, and to the communities where it develops and invests.

All these principles and responsibilities are founded upon the basis of maintaining the successful continuity of the business.

The Board has a schedule of matters reserved to it and discusses and makes decisions relating to, but not limited to, strategy and management, structure and capital, financial reporting controls, internal controls, contracts, communication, Board membership and other appointments, remuneration, delegation of authority, corporate governance matters and policies, significant acquisition and disposals of assets and development approvals.

There are the following Board Committees:
- → Audit
- → Remuneration
- → Nomination

Membership of these committees are on pages 54 and 55.

Below is a table of the attendance:

Name	Board (11 meetings)	Audit Committee (3 meetings)	Remuneration Committee (5 meetings)	Nomination Committee
Sir Nigel Mobbs	11	–	–	1
I D Coull	11	–	–	1
Lord Blackwell	11	3	5	1
J A N Heawood	11	–	–	–
S L Howard	11	3	5	1
R D Kingston	11	–	–	–
D Kramer*	3	–	–	–
M D Lees*	5	–	–	–
Lord MacGregor^	9	3	3	–
P D Orchard-Lisle+	10	2	5	1
A W Palmer	10	3	–	1
C A Peacock	11	–	5	1

* Both these directors are resident in the US and therefore do not travel over for every Board meeting. D Kramer was ill for part of 2004 and was therefore unable to attend meetings.
+ P D Orchard-Lisle stepped down from the Remuneration Committee in November 2004 and in March 2004 from the Audit Committee.
^ Lord MacGregor stepped down from the Remuneration Committee in April 2004.

Corporate governance guidelines continued

Terms of Reference for each of the Board Committees are available on the Company's website (www.sloughestates.com) or on written request from the Company Secretary as are the terms of appointment for the non-executive directors, Chairman and Chief Executive.

Chairman and Chief Executive

Sir Nigel Mobbs was appointed Chairman in 1976.

I D Coull was appointed Chief Executive in 2003.

The Board has approved written roles for the Chairman and the Chief Executive.

In addition to the Chairman, there are four executive directors and P D Orchard-Lisle (Deputy Chairman), Lord Blackwell (Senior Independent non-executive) and five other non-executives.

The Board considers that the following non-executives are independent in both character and judgement and there are no relationships or circumstances which are likely to affect or appear to affect the individual's judgement.

- Lord Blackwell
- S L Howard
- A W Palmer
- C A Peacock

The Board recognise that the current composition of the Board does not comply that at least half of the directors are independent, and in this respect the Company is not in compliance with the code but steps are being taken to meet this requirement.

P D Orchard-Lisle and Lord MacGregor have both been on the Board for more than 10 years. As their service exceeds the guidelines they are by definition not deemed independent. The Board however, considers that both directors have brought an independence of judgement and a distinctive and considerable benefit to its deliberations and to those of the Remuneration and Audit Committees.

P D Orchard-Lisle, who joined the Board in 1980, is Deputy Chairman and continues to provide excellent and penetrating advice on a range of property issues where his advice is invaluable. During 2004 he relinquished his role as Chairman of the Remuneration Committee and stepped down from that Committee.

Lord MacGregor joined the Board in 1995. He is currently Chairman of the Audit Committee. With impending changes in accounting standards, the Board believes that continuity of direction of the Committee is important. Both these directors have indicated an intention to retire from the Board in 2006.

D Kramer is not considered to be independent and will be retiring at this year's Annual General Meeting.

Appointments to the Board

A Nomination Committee comprising, Sir Nigel Mobbs, who chairs this committee, I D Coull, Lord Blackwell, S L Howard, P D Orchard-Lisle, A W Palmer and C A Peacock, a majority of whom are independent non-executive directors. The Committee has responsibility for making recommendations for new appointments to the Board. Outside consultants give advice to the Committee regarding searches for potential new non-executive directors.

The Committee evaluates the balance of skills, knowledge and experience on the Board and prepares a description of the role and capabilities required for a particular appointment.

Information and professional developments
Board meetings are held on a regular basis with some 11 meetings being programmed each year, with additional ad hoc ones being arranged if necessary.

The Board receives timely advice on all material information about the company, its subsidiaries, its activities, performance and its projects, particularly including any significant variances from a planned course of progress.

Directors are encouraged to continually update their professional skills and capabilities, together with knowledge of the company's business.

On appointment, new directors are given a comprehensive introduction to the Group's business including visits to the Group's activities and meetings with senior management.

All directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures are complied with.

Performance evaluation
The Board undertakes a formal annual evaluation of its own performance and that of its committees and individual directors. The Chairman leads this process. The performance evaluation consists of each director completing a questionnaire and then having one-to-one reviews with the Chairman. His performance is evaluated by the non-executive directors led by the Senior Independent Director.

The results of the evaluation are discussed by the Board. There were no major issues identified from the 2004 evaluation.

Re-election
All directors are subject to periodic re-appointment by the shareholders at three yearly intervals.

Non-executive directors are appointed and are then subject to periodic re-appointment. After two terms of 3 years there is a rigorous assessment prior to their being proposed.

The level and make-up of remuneration
The pay and benefits for executive directors, including the Chairman, is determined by the Remuneration Committee. The Committee comprises, S L Howard (Chairman), Lord Blackwell and C A Peacock. P D Orchard-Lisle, who was Chairman of the Committee, stepped down in November 2004.

Up until November 2004 the Remuneration Committee did not comprise solely of non-executive directors who were deemed independent and in this respect the Company was not for that period only in compliance with the Code.

For non-executive directors, their fees and remuneration is determined by the Board on the advice of the company Chairman. The remuneration of executive directors and non-executive directors will be the subject of continual monitoring of comparable companies and the assistance of independent external advisers will be sought from time to time.

The Remuneration Report is on pages 60 to 69.

Corporate governance guidelines
continued

Accountability and audit

There is an Audit Committee comprising Lord MacGregor (Chairman), Lord Blackwell, S L Howard and A W Palmer. Lord MacGregor, who is not deemed independent, has been on the Board since 1995.

As the Audit Committee does not solely comprise non-executive directors who are deemed independent the Company is not in compliance with the Code. The Board is entirely satisfied that Lord MacGregor is independent in character and judgement, that there are no relationships or circumstances that are likely to affect, or could appear to affect, his judgement. Further, Lord MacGregor has the experience and makes important contributions to strategic issues and corporate governance. With the forthcoming changes to the accounting regime following the introduction of the International Accounting Standards, the Board believes that continuity of direction is very important.

The Terms of Reference of the Audit Committee are:

(a) assessing the independence of the external auditors;

(b) recommendation of the audit fee to the Board and pre-approve any fees in respect of non-audit services provided by the external auditors in excess of a fee of £25,000 per assignment. For the avoidance of doubt, the provision of normal taxation advice is to be regarded as being included within normal audit services;

(c) discussing with the external auditor, before the audit commences, the nature and scope of the audit and reviewing the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;

(d) overseeing the process for selecting the external auditor and making appropriate recommendations through the Board to the shareholders to consider at the AGM;

(e) reviewing the external auditor's management letter and management's response;

(f) reviewing annually the need for an internal audit function as compared with the current arrangement of self-certification and review;

(g) considering management's response to any major external audit or internal review recommendations;

(h) reviewing from time to time the company's procedures for handling allegations from 'whistleblowers';

(i) reviewing the assessment and management of risk, including financial, market, operational, legal, regulatory and reputational risks, and reviewing management, internal auditor's reports (if appointed) and the comments of the external auditors;

(j) reviewing management's and the internal auditor's reports (if appointed) on the effectiveness of systems for internal financial control and reporting;

(k) reviewing, and challenging where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:

1. critical accounting policies and practices, and any changes in them
2. decisions requiring a major element of judgement
3. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
4. the clarity of disclosures
5. significant adjustments resulting from the audit
6. the going concern assumption
7. compliance with accounting standards
8. compliance with stock exchange and other legal requirements
9. reviewing the company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the company;

(l) reviewing significant litigation and legal risk (if not in the ordinary course of business); and

(m) reviewing the internal audit programme if an internal audit function is appointed.

Accountability and audit

Financial reporting

The Board believes that it presents a balanced and understandable assessment of the company's position and prospects.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Internal control

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness.

As regards risk management, there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The executive directors and senior operational management are responsible for identifying key risks and assessing their likelihood and impact through formal processes at both Group and subsidiary levels. The controls that are in place to manage these significant risks in each unit have been identified within a comprehensive control framework and an assessment has been made of the effectiveness of these controls. Two full risk assessments were completed during 2004. A complete risk and control assessment was undertaken before reporting on the year ending 31 December 2004.

During 2004 the Board discharged its responsibility for internal control through the following key procedures:

- the establishment of an organisational structure with clearly defined levels of authority and division of responsibilities;
- a comprehensive system of reporting, budgeting and planning against which performance is monitored;
- the formulation of policies and of approval procedures in a number of key areas such as treasury operations, capital expenditures and environmental matters. These are reviewed from time to time by the Board to confirm their adequacy;
- the provision of a code of conduct for employees and the monitoring of the quality of personnel through an annual performance appraisal process.

The internal control system is monitored through a process of self-certification whereby senior management report on the operation of those elements of the system for which they are responsible.

The Board has reviewed the effectiveness of the Group's systems of internal control during the financial year. This involved consideration of a management report on the systems and the results of the self-certification process.

The Group does not have an internal audit function and has concluded that the internal control systems discussed above are sufficient for the Group at this time.

It must be recognised that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Relations with shareholders

The Chairman, Chief Executive and designated directors will be the company's principal spokesmen with investors, fund managers, the press and other interested parties. The Senior Independent Director will also make himself available to investors. The Board will be fully informed as to the information imparted to shareholders and their reactions.

There are regular meetings with institutional shareholders held by the Chief Executive and Finance Director which are reported on to the Board. The Chairman and the senior independent non-executive director have separate meetings with institutional shareholders and these are also reported on to the Board.

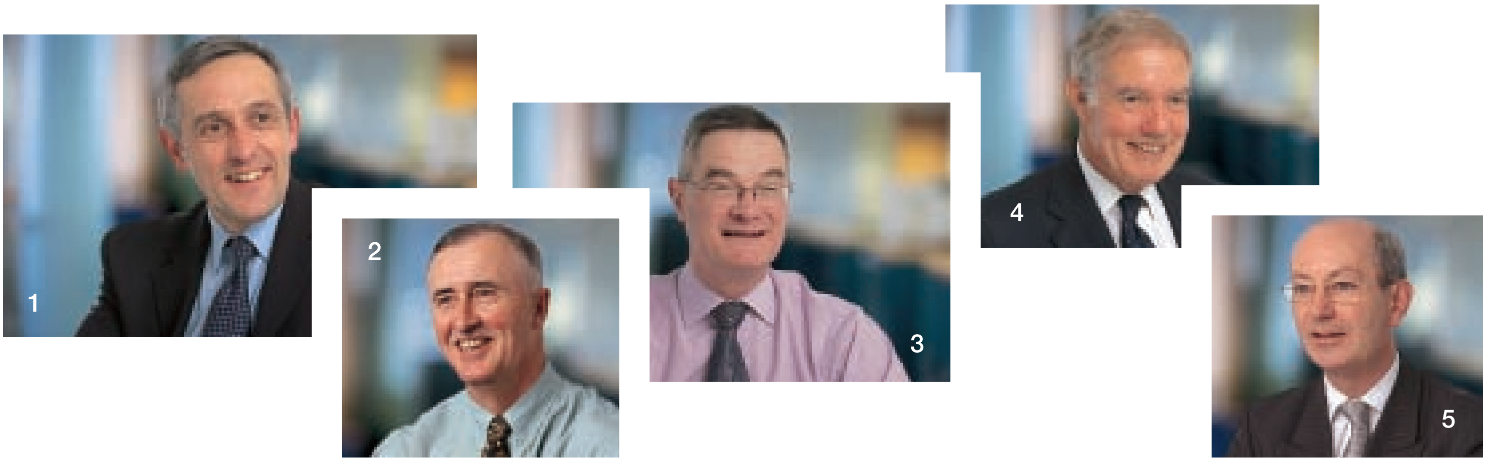
Constructive use of the AGM

At the AGM investors are given the opportunity to question the Board and to meet with them afterwards. They are encouraged to participate in the Meeting.

Photographic displays and literature are available to illustrate the company's developments.

Directors' biographies

Sir Nigel Mobbs ■
Chairman
Sir Nigel Mobbs, whose grandfather was a founder of the company, joined Slough Estates in 1960. A director since 1963, he became Chairman and Chief Executive in 1976 and Executive Chairman from 1996-1999. He is Lord-Lieutenant for the County of Buckinghamshire. He is non-executive chairman of Bovis Homes, a non-executive director of Howard de Walden Estates, and Chairman of Trustees of Historic Royal Palaces. He is aged 67.



1 John Heawood
Executive Director
Responsible for the UK property portfolio. Following degrees in Estate Management and Rural Planning Studies from Reading University, he qualified as a Chartered Surveyor in 1977. After six years with Fletcher King and 11 years with DTZ Debenham Thorpe dealing with provincial industrial and office property he joined Slough Estates in November 1996. He is aged 52.

2 Marshall Lees
Executive Director
Responsible for operations in North America. He is a graduate of the University of Western Ontario and York University, Toronto. Following three years with British American Tobacco, he obtained an MBA at the London Business School and subsequently joined Imperial Group plc. He joined Slough Estates in 1987 and was appointed a director in March 1998. He is a director of Tipperary Corporation and Charterhouse Group International, Inc. He is a Canadian and is aged 51.

3 Dick Kingston
Executive Director
Responsible for Group Finance. Having obtained a Business Studies degree whilst with British Petroleum, he qualified as a chartered accountant with Whinney Murray & Co. (now Ernst & Young LLP) in London and Paris. Following five years with Hawker Siddeley as head of financial control and audit, he joined Slough Estates as Group Financial Controller in 1987. He was appointed a director in April 1996. He is a non-executive director of The Mersey Docks and Harbour Company. He is aged 57.

4 Paul Orchard-Lisle CBE TD DL ■
Non-Executive Deputy Chairman
A chartered surveyor, he is Executive Chairman of the Falcon Property Trust, a non-executive director of Europa Capital Partners, a member of the advisory board of IVG Holding AG, a member of the Estates Committee of the Wellcome Trust, and Chairman of the Royal Artillery Museum. Deputy Lieutenant for the County of Greater London and a past president of the Royal Institution of Chartered Surveyors. He has been a director of the company since 1980. He is aged 66.

5 Lord Blackwell ▼◆■
Senior Independent Director
Amongst other business interests, he is a non-executive director of Standard Life, The Corporate Services Group Plc and Smartstream Technologies Ltd and a senior adviser to KPMG Corporate Finance. He also serves as a non-executive Board Member of the OFT. After many years as a partner with McKinsey & Company, international management consultants, he served as Head of the Prime Minister's Policy Unit from 1995-97, and was Director of Group Development at NatWest Group from 1997-2000. He was created a Life Peer in 1997 and is currently Chairman of the Centre for Policy Studies. He was appointed a director in 2001. He is aged 52.

Ian Coull ■
Chief Executive
A Fellow of the Royal Institution of Chartered Surveyors, he joined Slough Estates from J Sainsbury plc where he was the director responsible for all Real Estate. Before joining Sainsbury's in 1987 he held Board and Senior Management positions at Ladbrokes, Texas Homecare and Cavenham Foods. He is on the London Regional Board of Royal & Sun Alliance and is currently the vice President of the British Property Federation. He is a non-executive director of House of Fraser Plc. He is aged 54.

6 Stephen L Howard ▼◆■
Non-Executive Director
Chairman of Remuneration Committee.
He began his career as an attorney in his native United States with a focus on corporate advisory work for multi-national companies. He is on the advisory councils of various private and non-profit organisations. He was appointed a director in 2001. He is aged 52.

7 Douglas Kramer
Non-Executive Director
A citizen of the United States, he is Chairman of the Board of Draper and Kramer Incorporated, a full service real estate and mortgage banking company based in Chicago, Illinois. Draper and Kramer were partners with Slough Estates in the US from 1973 to 1997. He is a director of Tipperary Corporation, an oil and gas production company of Denver, Colorado in which the Group has a 61 per cent equity interest. He also serves as Non-Executive Chairman of Slough Estates USA Inc. He was appointed a director in 1981. He is aged 68.

8 The Rt Hon Lord MacGregor of Pulham Market OBE ◆
Non-Executive Director
Chairman of Audit Committee.
Member of Parliament for South Norfolk from 1974 to 2001. He became a Life Peer in July 2001. He served Conservative Governments in several Cabinet appointments, from 1985 to 1995, Chief Secretary to the Treasury, Agriculture, Education & Science, Leader of the House and Lord President of the Council and Secretary of State for Transport. He is currently a non-executive director of Associated British Foods PLC, Uniq Plc and Friends Provident, and of the European Supervisory Board of DAF Trucks NV, Netherlands. He was appointed a director in 1995.
He is aged 68.

9 Andrew Palmer ◆■
Non-Executive Director
A chartered accountant, he is currently Group Finance Director with Legal & General Plc. Since joining Legal & General in 1988 he has held a number of financial and operational roles in the asset management, insurance and international business. He was appointed a director in January 2004. He is aged 51.

10 Christopher Peacock ▼■
Non-Executive Director
A chartered surveyor, he was President and Chief Executive Officer of Jones Lang LaSalle until the beginning of 2004. He joined Jones Lang Wootton in 1972 and was made a partner in 1974. He rose to being the European Chief Executive in 1996 and Jones Lang Wootton's first global Chief Executive in 1997. In 1999 he became Chief Operating Officer and subsequently CEO of the NYSE listed company, Jones Lang LaSalle. He was appointed a director in January 2004.
He is aged 59.

■ Member of Nomination Committee.
◆ Member of Audit Committee.
▼ Member of Remuneration Committee.

Shareholder information

March

Payment of dividend on 8.25 pence (net) convertible redeemable preference shares	1 March
Payment of 7 per cent bonds 2022 interest	14 March
Announcement of results for the year ended 31 December last and recommended final dividend	19 March
Ex-dividend date for final dividend	23 March
On-record date	25 March

April

Post annual report to shareholders	9 April

May

Annual General Meeting		13 May
Payments:	approved final dividend	16 May
	10 per cent bonds 2017 interest	3 May
	10 per cent bonds 2007 interest	27 May

July

Payments:	12 3/8 per cent unsecured loan stock 2009 interest	30 June
	11 1/4 per cent first mortgage debenture stock 2019 interest	30 June

August

Payment of 7 1/8 per cent bonds 2010 interest	17 August
Payment of 6 3/4 per cent bonds 2024 interest	23 August
Announcement of half year results	28 August

September

Payment of dividend on 8.25 pence (net) convertible redeemable preference shares	1 September
Ex-dividend date for interim dividend	3 September
On-record date	5 September
Payment of 7 per cent bonds 2022 interest	14 September
Payment of 6 1/4 per cent bonds 2015 interest	30 September

October

Payment of interim dividend	10 October

December

Payment:	11 5/8 per cent bonds 2012 interest	30 December
	12 3/8 per cent unsecured loan stock 2009 interest	31 December
	11 1/4 per cent first mortgage debenture stock 2019 interest	31 December

February 2004

Payment of 7 1/8 per cent bonds 2010 interest	17 February
Payment of 6 3/4 per cent bonds 2004 interest	23 February

Analysis of shareholders – 31 December 2004

Shareholder range analysis

Range	No of holders	%	No of Shares	%
1-100	342	3.73	15,099	0.00
101-500	1,255	13.70	404,264	0.10
501-1,000	1,593	17.39	1,253,894	0.30
1,001-5,000	4,137	45.17	9,627,925	2.30
5001-10,000	740	8.08	5,280,941	1.26
10,001-25,000	424	4.63	6,601,814	1.57
25001, 50,000	193	2.11	6,824,807	1.63
50,001 +	475	5.19	389,282,857	92.84
Total	**9,159**	**100**	**419,291,601**	**100**

Shareholder category analysis

Category	No of holders	%	No of Shares	%
Individuals	6,511	71.1	28,319,020	6.75
Banks or nominees	2,343	25.6	383,137,870	91.38
Insurance companies	39	0.43	1,467,156	0.35
Public limited companies	17	0.19	492,632	0.12
Pension and investments trusts	32	0.35	538,081	0.13
Other limited companies	217	2.33	5,336,842	1.27
Total	**9,159**	**100**	**419,291,601**	**100**

Shareholder enquiries

If you have any questions about your shareholding or if you require further guidance (e.g. to notify a change of address or to give dividend instructions to a bank account) please contact Computershare Investor Services. PO Box 82, The Pavillions, Bridgwater Road, Bristol BS99 7NH. Telephone 0870 7020 000. Alternatively you can email your query to web.queries@computershare.co.uk.
You can also check your shareholding by registering at www-uk.computershare.com/investor.

Electronic communications

Shareholders also have the opportunity to elect to receive shareholder communications electronically. Shareholders who opt to receive electronic communications can also submit their proxy votes electronically. To register for this service shareholder can register at www-uk.computershare.com/investor.

Individual savings accounts and low cost share dealing service

The company has selected the Halifax as its preferred ISA provider. Details of this service are obtained from Halifax Share Dealing Limited on telephone 08457 225 525.

Shareholders can also take advantage of a telephone share dealing service offered by our Registrars, Computershare, which provides shareholders with a low-cost way of selling shares. For further details telephone 0870 703 0084.

Taxation

The values at the following dates for the purposes of UK capital gains tax were:

	6 April 1965	31 March 1982
Ordinary shares of 25 pence each (adjusted for capitalisation issues in 1967, 1979, 1982 and rights issue in 1993)	11.76p	108p

Stock market prices

Financial Year	2004	2003	2002	2001	2000
Highest	551.25p	442.0p	432.0p	435.5p	411.0p
Lowest	413.5p	273.0p	303.5p	303.5p	248.0p
31 December	[1]550.0p	[2]439.25p	[3]339.0p	[4]331.5p	[5]411.0p

[1]As at 31/12/04.
[2]As at 31/12/03.
[3]As at 31/12/02.
[4]As at 28/12/01.
[5]As at 29/12/00.

Directors' report

The directors submit their annual report together with the audited accounts for the year ended 31 December 2004 which were approved by the Board on 22 March 2005.

Business of the Group
The principal activities of the Group continued throughout 2004 to be commercial property development, construction and investment, the supply of utility services and the provision of services associated with such activities.

A review of the development of the business of the company and its subsidiary undertakings during the year, their position at the end of it and likely future developments in their business, are set out in the Chairman's Statement on pages 4 to 6, the Chief Executive's Review on pages 10 to 13 and the Financial Review on pages 14 to 17.

Results
The results for the year are set out in the Group profit and loss account on page 74. The Group's pre-tax profits were £209.1 million (as detailed on page 74 of the financial statements). This compares with a profit of £103.8 million for the year ended 31 December 2003. Profit on ordinary activities after taxation amounted to £167.4 million (2003 £91.4 million). After allowing for minority interests of £1.6 million and preference dividends of £11.2 million paid and accrued during the year, earnings attributable to ordinary shareholders were £157.8 million (2003 £81.8 million). Basic earnings per ordinary share excluding exceptional items and FRS19 Deferred Tax amounted to 29.0 pence (2003 27.6 pence) and 37.8 pence (2003 19.6 pence) including exceptional items and FRS19 Deferred Tax.

Diluted net assets per ordinary share excluding FRS19 Deferred Tax increased to 564 pence (2003 505 pence).

Ordinary dividend
An interim dividend of 6.15 pence per share was paid on 8 October 2004.

Your Board recommends the payment of a final dividend in respect of the year ended 31 December 2004 of 9.85 pence per share, making a total dividend of 16 pence per share (2003 15.0 pence per share) an increase of 6.7 per cent over the 2003 dividends.

The final ordinary dividend is payable on 20 May 2005 and the record date will be 22 April 2005.

The ordinary dividends paid and proposed in respect of 2004 will absorb £67.0 million.

Property valuations
The valuation of the Group's investment properties which was carried out by external valuers as at 31 December 2004, excluding the properties acquired from Land Securities in December 2004 which are included at fair value, amounted to £3,795.6 million, an increase of £231.7 million over last year's £3,563.9 million. After taking into account expenditure on investment properties of £112.4 million, acquisition of Ravenseft Industrial Estates Limited for £334.9 million, the book value of property disposals of £354.6 million, exchange losses of £40 million and a transfer to trading property of £7.6 million the surplus transferred to revaluation reserve amounted to £186.6 million.

Further details concerning the valuation are set out under the heading "Property valuation" on page 83 and note 12 to the accounts.

The property assets of Slough Heat & Power Ltd were excluded from the valuation.

Directors
The directors who have served throughout the year are named on pages 54 to 55.

Details of directors' remuneration, pension rights, service contracts and directors' interests in the ordinary shares of the company are included in the remuneration report of the Remuneration Committee on pages 60 to 69.

In accordance with the Articles of Association, Mr R D Kingston, Mr S L Howard and Mr M D Lees will retire from the Board by rotation and, being eligible, offer themselves for re-election. Mr D Kramer is also due for re-election, however he has decided to retire from the Board after completing 24 years' service. He will continue as non-executive chairman of Slough Estates USA. In compliance with the Combined Code both Mr P Orchard-Lisle and Lord MacGregor who have been on the Board for periods exceeding 10 years will also retire and offer themselves for re-election.

Payment of Suppliers
It is the company's and the Group's payment policy, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders and suppliers are made aware of these payment conditions. Payment becomes due when it can be confirmed that goods and/or services have been provided in accordance with relevant contractual conditions. The Group's trade creditors as a proportion of amounts invoiced by suppliers represented 15 days at 31 December 2004 (2003:10 days).

Employment policy
The Group recognises, values and promotes the involvement of its employees and strives to further honest two-way communication. It looks to keep employees informed on areas affecting their

employment, as well as the financial and economic factors affecting the Group's performance. It also encourages employee involvement in the development of the employment standards which shape our culture.

The Group is committed to following an Equal Opportunities policy throughout an employee's career with us, from recruitment and selection, through training and development, promotion and retirement.

We are committed to ensuring discrimination is not tolerated and that our workplaces are free from discrimination on the grounds of race, colour, nationality, or ethnic origin, religion or belief, age, sex, marital status, sexual orientation, physical or mental disability.

The Group endeavours to ensure that disabled people, especially where they become disabled during the course of their employment within the Group, be employed where circumstances permit. The Group seeks to ensure that disabled employees benefit from training and career development programmes in line with the opportunities offered to other employees.

Employees are encouraged to become shareholders in the Company, where possible, through participation in the Group's share schemes.

Charitable, political and other donations

There were no political donations during the year and it is the Group's policy not to make cash donations to political parties. However, the definition of political donations used in the Political Parties Election and Referendums Act 2000 is very broad and as a result could cover activities that form part of the relationships between the Company and the political machinery. These activities are not designed to support any political party nor to influence public support for a particular party. Therefore, authority from shareholders will be sought at the Annual General Meeting to ensure that the Company acts within the provisions of the current UK law when carrying out its normal business activities.

The charitable amounts given by the company in 2004 were as follows:

	£
Charitable donations	525,000

Auditors

PricewaterhouseCoopers LLP were appointed as auditors of the Group to hold office until the conclusion of the next Annual General Meeting at which accounts are laid before the Company.

PricewaterhouseCoopers LLP have indicated their willingness to be re-appointed as auditors of the Group and, in accordance with the provisions of the Companies Act 1985, resolutions concerning their re-appointment and remuneration will be placed before the Annual General Meeting.

Directors' interests in share and loan capital

The directors of the company who were in office at 31 December 2004 and the beneficial and non-beneficial interests of these directors and their families in the share and loan capital of the Company, as shown by the register maintained by the company under the provisions of Section 325 of the Companies Act 1985, are shown in the Remuneration Report of the Remuneration Committee on page 65. Save as mentioned in the Remuneration Report of the Remuneration Committee on pages 65 to 67, no director had any holding or interest in the company's shares or in any of the company's debenture or unsecured loan stocks, or unsecured bonds and none of the directors had any beneficial interest in the share or loan capital of any subsidiary of the company and no director had a material interest in any contract, transaction or arrangement with the company or any of its subsidiaries at, or during the year ended, 31 December 2004 in respect of which particulars are required to be stated in the accounts under the provisions of Schedule 6 to the Companies Act 1985.

Substantial shareholdings

At 22 March 2005 the following substantial interests (3 per cent or more) in the ordinary share capital of the company had been notified to the company:

Legal & General Investment Management Limited and its subsidiaries hold in aggregate 15,377,291 ordinary shares of 25 pence each, representing 3.67 per cent.

Schroders Investment Management Limited and its subsidiaries hold in aggregate 18,845,830 ordinary shares of 25 pence each, representing 4.49 per cent.

Stichting Pensioenfonds ABP hold in aggregate 21,301,282 ordinary shares of 25 pence each, representing 5.08 per cent.

Barclays plc and its subsidiaries hold in aggregate 29,157,189 ordinary shares of 25 pence each, representing 6.95 per cent.

The AXA Group and its subsidiaries hold in aggregate 40,297,673 ordinary shares of 25 pence each, representing 9.61 per cent.

By order of the Board

J R Probert
Secretary
22 March 2005

Remuneration report

This report has been approved and adopted by the Board and has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 (the 'Regulations') and the Listing Rules of the Financial Services Authority. A resolution to approve this report will be proposed at the Annual General Meeting of the Company.

The auditors must report to the Company's members on the information contained on pages 64 to 69 of this report and state whether, in their opinion, this part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). This is the 'audited part' of the report. The rest of the report is the 'unaudited part' and appears on pages 60 to 64.

Unaudited part

The Remuneration Committee (the 'Committee')

The Committee is comprised wholly of non-executive directors and is chaired by Mr S L Howard who took over as Chairman of the Committee from Mr P D Orchard-Lisle on 8 November 2004 and who resigned from the Committee on this date. The other members of the Committee during the year were Lord Blackwell, Mr C A Peacock, and Lord MacGregor, who resigned in April 2004. Their biographical details appear on pages 54 and 55. Up until November 2004 the Committee did not comprise solely of non-executive directors who were deemed independent, however, all the non-executive directors now appointed to the Committee are considered to be independent by the Company. The Committee operates within written terms of reference which are available on the Company's website. The Chairman and the Chief Executive may attend Committee meetings, except when their own remuneration is discussed.

Advice

The Committee has sought advice during the year from Ernst & Young LLP, on various aspects of remuneration. The Committee appointed Ernst & Young LLP as its advisers on 2 October 2002. Ernst & Young LLP has not provided any other services to the Group in the UK. Ernst & Young LLP are the auditors' of Slough Estates Canada Limited, a wholly owned subsidiary. The Company's legal adviser, Lovells has also provided advice to the Committee on share scheme and employment matters. Lovells also acts for the Company and has provided legal advice to the Company on a range of matters including advice on corporate, employment, litigation, real estate, tax and pension issues.

During the year the Director of Human Resources provided information and advice to the Committee. The Company Secretary has also provided administrative support and information to the Committee.

Remuneration policy

The primary function of the Committee is to review and determine annually, within the context of the Board's Remuneration Policy, the individual salaries and other terms and conditions of employment of the Chairman, the Company Secretary and Executive Directors together with any incentive or bonus scheme in which the Executive Directors and other senior executives may be invited to participate. During the year the Committee met five times. The objective of the Group's remuneration policy is to provide remuneration which will attract, retain and motivate high-quality management.

The levels of remuneration are set to ensure compatibility across a range of FTSE 100 and 250 companies but with particular emphasis on the property sector.

The Group seeks to ensure that the current and future remuneration policy is aligned with the objective of maximising the long-term value of the business and is market competitive in the UK and overseas locations where it operates. This policy extends to all employees.

The Group is committed to using remuneration to reinforce a strong performance culture whereby excellence is expected at every level of the business.

The Group policy is supported by the following remuneration principles:

- To align the interests of employees and shareholders to deliver real value growth;
- To recognise superior performance by the business and individuals;
- To encourage the right behaviour to achieve good performance;
- To ensure that total rewards are commercially competitive;
- To make reward formulation transparent, relevant to long-term performance and well communicated.

Components of executive remuneration

To align the interests of the Executive Directors and shareholders, a significant proportion of the Executive Directors' remuneration is performance-related through an annual incentive plan and share-based long-term incentive schemes which are described more fully below.

The remuneration packages for the Executive Directors comprise the following main elements.

- Basic salary
- Annual incentive plan
- Long-term incentives
- Pension contributions
- Other benefits (e.g. health and life insurance)
- Company car

A discretionary bonus system was in operation up to 2003 and payable in 2004 for selected executives. Details of these sums paid are available in the table on page 64.

The Committee takes a total approach to remuneration which includes all of the above-mentioned elements. The Committee considers that all of the elements of the package are of equal importance in supporting the Group's remuneration policy. The Committee considers that the targets set for the different elements of performance-related remuneration are appropriate and demanding.

The Committee also considers the long-term incentive arrangements for relevant senior personnel.

Basic salary and benefits

Each Executive Director receives a salary which reflects his responsibilities, experience and performance. Salary is reviewed annually in April having regard to competitive market practice, company and individual performance and independently compiled salary survey information. Benefits include the use of a company car or the provision of a car allowance, health insurance and life assurance cover. Benefits are renewed annually. Details of directors' emoluments are given on page 64.

Annual Incentive Plan (the 'Plan')

Following an extensive review in 2004 of performance management processes, target setting, performance measurement and market practice, the Committee introduced the Plan which extends to all Executive Directors, Executive Committee members, senior management and staff based at Head Office. The Chairman is not eligible to participate in the Plan.

The Plan is underpinned by improved performance management processes, which have been introduced throughout the organisation, and by the adoption of more stretching annual and long-term targets for the business. Performance is measured over a financial year and payment is made after the financial year end. Executive Directors who lead business units are incentivised by reference to the financial performance and the achievement of strategic milestones in their own business units. The Plan also contains an element of reward for achievement of individual objectives which will normally include customer and staff satisfaction.

Under the Plan UK Executive Directors will have the opportunity to earn a bonus of up to a maximum of 50 per cent of salary in cash for meeting stringent performance criteria as set by the Remuneration Committee. The Chief Executive has the opportunity to earn a bonus of up to 80 per cent of salary in cash. If the performance targets are not met no bonus is payable.

The key performance criteria are reviewed annually and are based on the achievement of profit, net asset value and operational targets. Any payments made under the Plan, are agreed by the Committee and will take account of individual performance and responsibilities. Any payments made under the Plan are not pensionable.

The actual bonuses paid to the Executive Directors during the year are set out below.

Name	Bonus paid	Percentage of base salary
I D Coull	£196,070	45.60%
J A N Heawood	£43,100	16.58%
R D Kingston	£49,920	16.64%
M D Lees *	£156,250	60.00%

* The level of award to Mr M D Lees is in recognition of the Pfizer transaction and the settlement of the litigation on Tipperary.

Below is a chart showing total shareholder returns for the Company for each of the last five financial years compared to the FTSE 350 Real Estate Index.

Total returns – Slough Estates vs FTSE 350 Real Estate

Source: Datastream

The Index has approximately 65 constituents. The Company is a constituent of the FTSE 350 Real Estate Index and, therefore, the Committee considers this to be the most appropriate broad market equity index for illustrating the Company's performance relative to other companies in the real estate sector.

Remuneration report
continued

Policy on performance conditions and summary of the employees' share schemes

During the year the Remuneration Committee has carried out an examination of total remuneration from a market perspective and a thorough review of long-term incentive schemes has been undertaken. After considering the effectiveness of the reward package in incentivising and rewarding long-term performance, the Remuneration Committee proposes to suspend operation of the executive share option plans, for all Executive Directors and senior managers who will be incentivised through the Long Term Incentive Scheme.

Apart from this, no significant changes to the Company's remuneration policy were introduced during the year and no significant changes are expected. The Committee will keep the Group's remuneration policy, as detailed in this report, under review during 2005 and will in subsequent years ensure that the Group's reward programmes remain competitive and provide appropriate incentive for performance.

The Committee has carefully considered the performance criteria which are used in the Long Term Share Incentive Scheme and the Executive Share Option Schemes.

The Committee is of the opinion that diluted earnings per share excluding profit and losses on sale of investment properties, net of tax and minority interests, any exceptional provision and FRS 19 deferred tax ('adjusted diluted EPS') and diluted net assets per share excluding FRS 19 deferred tax ('adjusted diluted NAV') are the most appropriate performance criteria for a property investment company. However, adjusted diluted EPS is considered the most important of the criteria. By concentrating on creating new and growing rental income flows, there will be growth in earnings and dividends. The growing rental income flows should be sustainable over the longer term and the resultant cash flows will influence the valuation and hence net asset values per share. Net asset values also change from year to year depending on the valuers' view of capitalisation rates prevalent in the marketplace on a certain date. Executives should be rewarded for the creation of sustainable growing cash flows.

Long Term Share Incentive Scheme (the 'Scheme')

The Scheme is for the Executive Directors, Company Secretary and designated senior executives and is operated by the independent Trustees of the Slough Estates plc Employees' Benefit Trust. The Trustees of the Scheme are Towers Perrin Share Plan Services (Guernsey) Limited. Going forward, the Chairman will no longer be awarded any awards under the Scheme However, he does have awards granted in previous years which may vest if the performance targets are achieved.

In the event of a change of control of the Company, the Trustees of the Slough Estates plc Employees' Benefit Trust, having first consulted the Board, will determine in their absolute discretion whether and how many unreleased shares will be released.

Any shares vested will be held, net of tax, for a further three year period except in exceptional circumstances which would require the Remuneration Committee's approval.

Awards under the Scheme are granted at the discretion of the Trustees on the recommendation of the Committee. Shares under award will normally be released to participants at the discretion of the Trustees on the third anniversary on which the awards were granted if the performance targets described below have been achieved.

The performance targets are based on the achievement of real growth in adjusted diluted EPS and adjusted diluted NAV over a period of three years.

The growth required in both adjusted diluted EPS (weighted 60 per cent) and adjusted diluted NAV per share (weighted 40 per cent) between grant and vesting is:

	Vesting	Adjusted diluted EPS	Adjusted diluted NAV per share
Low hurdle	20%	4.0% p.a.	4.0% p.a.
High hurdle	100%	11.0% p.a.	8.0% p.a.

and pro-rata for intermediate achievement subject to performance exceeding the low hurdle.

The higher weighting adjusted diluted EPS is explained on page 82. Adjusted diluted NAV is used as this should increase as income grows subject to consistent yields. However, if the end of the three-year period coincided with a cyclical reversal in valuation capitalisation, rates which hit balance sheet adjusted diluted NAVs, the executives may not, subject to the Trustees' discretion, lose their awards entirely.

The calculation of whether the performance criteria have been met is initially prepared by the Finance Director. This calculation is based on the figures for adjusted-diluted EPS and adjusted diluted NAV as shown in the Report and Accounts. These figures are reviewed by the auditors and are then submitted for the approval of the Committee. This method was chosen by the Committee because the figures used are the ones shown in the Report and Accounts and are audited.

The estimated costs of the Scheme are charged to operating profit over the three-year period before the actual number of shares to be released is determined. The amount charged to operating profit in 2004 was £158,327 (2003 £493,243).

All awards under the Scheme are subject to the same performance conditions, as described above.

Details of awards granted to the Chairman and the Executive Directors under the Scheme are set out in the table on page 66.

Executive Share Option Schemes

The Executive Directors, the Company Secretary and designated senior executives of the Group are eligible to participate in the Executive Share Option Schemes. Going forward, the Chairman will no longer be granted options under any executive share option scheme. However, he does hold existing options which will become exercisable if the performance target detailed below is met.

Under the 2002 Approved Executive Share Option Plan (the '2002 Plan') and the 2002 Unapproved Executive Share Option Plan (the '2002 No.2 Plan') (together the '2002 Plans'), eligible executives would normally receive an annual grant of options over shares with a value on grant of up to the equivalent of 100 per cent of their annual remuneration.

Options will normally be exercisable between three and ten years of the date of grant if the performance condition imposed by the Committee has been satisfied. If the performance condition has not been satisfied by the third anniversary of the date of grant, options cannot be exercised and will lapse. Options can only be exercised if the growth in the Company's adjusted diluted EPS exceeds the growth in the RPI by at least 3 per cent per annum measured over the three financial years beginning with the financial year in which the option is granted. The performance condition applies to all of the options which have been granted to the Chairman and the Executive Directors under the 2002 Plans. The 2002 grant under the 2002 Plans will also be tested to confirm if the performance criteria have been met.

The Chairman, the Company Secretary, the Executive Directors, and other designated senior executives also participated previously in the Company's 1994 Approved Executive Share Option Scheme (the '1994 Approved Scheme') and the 1994 Executive Share Option Scheme (No.2) (the 'Unapproved 1994 Scheme') (together the '1994 Schemes'). Under the 1994 Schemes, options are normally exercisable between three and ten years from the date of grant (three and seven years in the case of the Unapproved 1994 Scheme) if the performance condition set at the date of grant is satisfied. Options granted under the 1994 Schemes are only exercisable if the growth in the Company's adjusted diluted EPS exceeds the increase in the RPI over any three-year period from the date of grant plus 6 per cent. Under both the 2002 Plans and the 1994 Schemes, the calculation of whether the performance criteria have been met is initially prepared by the Finance Director. This calculation is based on the figure for adjusted diluted EPS as shown in the Report and Accounts. These figures are reviewed by the auditors and are then submitted for the approval of the Committee. This method was chosen by the Committee because the figures used are the ones shown in the Report and Accounts and are audited. During the year the 2001 grant under the 1994 Scheme was re-tested as the performance criteria was not met. This grant will be re-tested in 2005 as permitted under the 1994 Schemes.

The last grant of options under the 1994 Schemes was in 2001. The performance condition applies to all the options which have been granted to the Chairman and Executive Directors under the 1994 Schemes.

Details of options granted to the Chairman and Executive Directors under the 2002 Plans and the 1994 Schemes are set out in the table on page 67.

1981 Savings-Related Option Scheme (the 'SAYE Scheme')

The Company has operated an Inland Revenue approved SAYE share option scheme since 1981. All eligible employees of participating Group companies may participate in the SAYE Scheme. Each participant may save up to £250 a month to buy shares under option at the end of the option period. Savings contracts can be for a three, five or seven year period. The exercise price for options granted in 2004 included a discount of 20 per cent to the market value of the shares at the time of grant.

Options granted to Executive Directors under the SAYE Scheme are not subject to performance conditions. The SAYE Scheme is an Inland Revenue approved all-employee scheme, the terms of approval for which do not allow the imposition of performance conditions on the exercise of options.

Details of options granted to Executive Directors under the SAYE Scheme are set out in the table on page 67.

Profit Sharing Scheme and Share Incentive Plan

The last appropriation under the Profit Sharing Scheme was made on 5 June 2002. Shares previously appropriated to eligible employees under the Profit Sharing Scheme are held by the Trustees of the Profit Sharing Scheme on behalf of a participant for a period of three years from the date of appropriation before being released to a participant. The Company introduced in June 2003 a new Inland Revenue approved all-employee share scheme, the Share Incentive Plan, which supersedes the Profit Sharing Scheme.

All eligible employees of participating Group companies may participate in the Share Incentive Plan. Under the Share Incentive Plan free shares are normally awarded annually based on a percentage of each employee's basic salary per annum (for 2004 this percentage was 7 per cent) subject to a maximum amount of £3,000. The shares are held by the Trustees of the Share Incentive Plan on behalf of a participant for a period of five years from the date of appropriation before being released to the participant. The Trustees of the Share Incentive Plan are the Chairman, Mr R D Kingston and Mr J A N Heawood.

Details of the Chairman's and the Executive Directors' holdings under the Profit Sharing Scheme and Share Incentive Plan are set out in the table showing director's interests in shares on page 65.

Remuneration report
continued

Policy on outside appointments

An appointment of the Chairman or an Executive Director to the board of a non-Group company requires the approval of the Board. Executive Directors who are non-executive directors of non-Group companies may retain any fees payable to them with the consent of the Committee, except in cases where the directorship is as a representative of the company. Both Mr I D Coull and Mr R D Kingston are non-executive directors of external companies and the details of their remuneration are shown in the table opposite.

Policy on service contracts

The Chairman and Executive Directors

Service agreements for the Chairman and the Executive Directors are on a one-year rolling basis. For Executive Directors the service agreements provide for retirement at the normal retirement age of 62. The service agreement may be terminated by either party on giving one year's notice, except for Mr I D Coull and Mr R D Kingston who are required to give 6 months' notice to the Company. The Company may also terminate Mr R D Kingston's contract early by making a payment in lieu of notice.

The contract commencement date for the Chairman and the Executive Directors are as follows:

Name	Date of contract commencement/renewal
Sir Nigel Mobbs	14 April 2004
I D Coull	1 January 2003
R D Kingston	1 January 2005
J A N Heawood	4 November 1996
M D Lees	25 March 1998

Any proposals for the early termination of the service contracts of Executive Directors and senior executives are considered by the Committee. The contractual terms and the principles of mitigation are applied in settling compensatory amounts.

Non-executive directors

The fees payable to non-executive directors are set by reference to those paid by comparable organisations for similar appointments. In setting the fees, independent external advice is sought on current market practice. The fees payable to non-executive directors are ratified by the Board after discussion between the Executive Directors.

The non-executive directors do not participate in any of the Company's employee share schemes nor do they receive any other benefits or pension rights under the pension scheme. Whilst the non-executive directors do not have service contracts they have signed letters of engagement that inter alia prescribe their duties and obligations. Non-executive directors are not appointed for specified terms but are subject to re-election by shareholders annually, for any non-executive director appointed longer than nine years, otherwise re-election is every three years.

Audited part

Directors' emoluments

	Salaries and fees £000	Benefits± £000	Bonus £000	Annual incentive plan £000	Total 2004 £000	Total 2003 £000
Sir Nigel Mobbs Chairman	260	24	–	–	284	322
Executive directors						
I D Coull Chief Executive	422	42	–	196	660	640
J A N Heawood	319	25	20*	43	407	320
R D Kingston	295	26	20*	50	391	315
M D Lees +	255	24	96*	156	531	365
Non-executive directors – fees						
Lord Blackwell Senior Independent Director	38	–	–	–	38	30
S L Howard Chairman of the Remuneration Committee	35	–	–	–	35	30
D Kramer**	93	–	–	–	93	101
The Rt Hon Lord MacGregor of Pulham Market Chairman of the Audit Committee	39	–	–	–	39	35
P D Orchard Lisle Deputy Chairman	51	–	–	–	51	47
A W Palmer (appointed 28 January 2004)	32	–	–	–	32	–
C A Peacock (appointed 28 January 2004)	32	–	–	–	32	–

* Relates to a discretionary bonus awarded for 2003 (but paid in 2004).

\+ Mr M D Lees, Chief Executive of Slough Estates USA Inc., is resident and remunerated in the US.

** Mr D Kramer is non-executive Chairman of Slough Estates USA Inc. He is resident in and his fees are paid in the US.

± The benefits comprise the provision of health insurance, life insurance and a company car.

I D Coull was paid a fee of £25,000 for his services as a non-executive director of House of Fraser plc to 31 December 2004. He was also paid £1,300 for his services as a director of London Regional Board of Royal & Sun Alliance to 31 December 2004.

R D Kingston was appointed a director of Mersey Docks and Harbour Company on 1 June 2004 and was paid £22,458 for his services to 31 December 2004.

Directors' interests in shares

The interests of the directors and their immediate families in the ordinary shares and convertible redeemable preference shares of the Company at 31 December 2004 and 1 January 2004 were:

	Beneficial interests		Other interests	
	31.12.04	1.1.04	31.12.04	1.1.04
Number of ordinary shares				
Sir Nigel Mobbs	588,111	573,548	18,327	18,327
Lord Blackwell	2,500	2,500	–	–
I D Coull	23,327	17,645	5,000	–
J A N Heawood	33,815	31,227	19,978	19,978
S L Howard	7,500	7,500	–	–
R D Kingston	54,415	58,034	5,366	7,866
D Kramer	6,250	6,250	–	–
M D Lees	53,436	51,411	–	–
Lord MacGregor	3,000	3,000	–	–
P D Orchard-Lisle	28,580	28,580	–	–
A W Palmer (as from date of appointment 28 January 2004)	–	–	–	–
C A Peacock (as from date of appointment 28 January 2004)	–	–	–	–

A W Palmer & CA Peacock both purchased 2,500 ordinary shares of 25 pence on 13 January 2005.

	Beneficial interests		Other interests	
	31.12.04	1.1.04	31.12.04	1.1.04
8.25 pence convertible redeemable preference shares				
Sir Nigel Mobbs	35,752	35,752	6,760	6,760
P D Orchard-Lisle	6,300	6,300	–	–

Beneficial interests in the tables above represent shares beneficially held by each director together with shares beneficially owned by his spouse and children under 18. They include any interests held on behalf of directors by the Trustees of the Profit Sharing Scheme and the Share Incentive Plan.

Between 31 December 2004 and 22 March 2005 there were no changes to the above except Sir Nigel Mobb's non-beneficial interest in the ordinary shares of 25 pence increased by 135,926.

At 31 December 2004, the Executive Directors above, together with other senior executives were potential beneficiaries in respect of a total of 835,477 ordinary shares in the Company held by the Trustees of the 1994 Employees' Benefit Trust.

The following are the non-beneficial interests of the directors who were in office at 31 December 2004.

	Ordinary shares		Preference shares	
	31.12.04	1.1.04	31.12.04	1.1.04
Sir Nigel Mobbs	71,804	71,804	–	–
Sir Nigel Mobbs, J A N Heawood and R D Kingston (as Trustees of the Profit Sharing Scheme)	166,427	344,609	–	–
Sir Nigel Mobbs, J A N Heawood and R D Kingston (as Trustees of the Share Incentive Plan)	378,133	212,477	–	–

The Trustees of the Profit Sharing Scheme sold 479 shares between 31 December 2004 and 22 March 2005. The Trustees of the Share Incentive Plan sold 36,792 shares between 31 December 2004 and 22 March 2005.

Directors' other interests

Mr D Kramer is the non-executive Chairman of Slough Estates USA, Inc. and a director of Draper & Kramer Inc. which has provided professional and management services to businesses in which the Group has an interest and has received fees for its services on normal professional terms. Mr D Kramer is a non-executive director of the Tipperary Corporation (a subsidiary company) and at 31 December 2004 he held 40,000 (2003: 40,000) Tipperary shares.

Remuneration report
continued

Long Term Share Incentive Scheme	Number of shares under award 01.01.04	Number of shares lapsed/ number of shares that did not vest	Number of shares over which awards granted	Market Value of share on grant £	Number of shares vested 22.06.04*	Market value on date of vesting £	Number of shares under award 31.12.04	End of performance period over which performance conditions have to be met
Sir Nigel Mobbs								
27.03.01	27,932	24,581		3.58	3,351	4.47	–	
04.04.02	25,125			3.98			25,125	31.12.04
20.03.03	41,118			3.06			41,118	31.12.05
14.05.04	–		30,005	4.28			30,005	31.12.06
I D Coull								
07.01.03	179,844			3.40			179,844	31.12.05
14.05.05	–		55,395	4.28			55,395	31.12.06
J A N Heawood								
27.03.01	21,229	18,682		3.58	2,547	4.47	–	
04.04.02	21,105			3.98			21,105	31.12.04
20.03.03	30,263			3.06			30,263	31.12.05
14.05.04	–		23,081	4.28			23,081	31.12.06
R D Kingston								
27.03.01	22,346	19,665		3.58	2,681	4.47	–	
04.04.02	22,110			3.98			22,110	31.12.04
20.03.03	32,236			3.06			32,236	31.12.05
14.05.04	–		25,851	4.28			25,851	31.12.06
M D Lees								
27.03.01	28,120	24,746		3.58	3,374	4.47	–	
04.04.02	27,798			3.98			27,798	31.12.04
20.03.03	33,099			3.06			33,099	31.12.05
14.05.04	–		23,726	4.28			23,726	31.12.06

No variations have been made to the terms and conditions of any of the awards.

* On 22 June 2004, there was a vesting of shares from the Long Term Incentive Scheme allocation made on 27 March 2001. The vesting was 12 per cent of the 2001 allocation.

The performance targets are based on the achievement of real growth in adjusted diluted EPS and adjusted diluted NAV over a period of three years.

The growth required in both adjusted diluted EPS (weighted 60 per cent) and adjusted diluted NAV per share (weighted 40 per cent) between grant and vesting is:

	Vesting	Adjusted diluted EPS	Adjusted diluted NAV per share
Low hurdle	20%	4.0% p.a.	4.0% p.a.
High hurdle	100%	11.0% p.a.	8.0% p.a.

and pro-rata for intermediate achievement subject to performance exceeding the low hurdle.

Options expiring, granted, exercised and outstanding to Executive Directors under the Executive and SAYE Schemes as follows:

		No of shares under options at 01.01.04	No of shares over which options granted	Grant price pence	No of shares under which options exercised	Exercise price pence	Mid-market value on day of exercise pence	No of shares under option at 31.12.04	Period in which options can be exercised
Sir Nigel Mobbs	(1)	65,530			65,530*	381.50	533.25	Nil	
	(2)	48,879				409.16		48,879	10.06.05-09.06.12
	(2)	86,206				290.00		86,206	20.03.06-19.03.13
	(2)		55,585	467.75				55,585	14.04.07-13.04.14
I D Coull	(3)	8,720				344.00		8,720	06.01.06-05.01.13
	(2)	107,559				344.00		107,559	06.01.06-05.01.13
	(2)		85,515	467.75				85,515	14.04.07-13.04.14
	(4)		4,726	372.40				4,726	01.05.11-31.10.11
J A N Heawood	(1)	7,110			7,110*	403.66	446.00	Nil	
	(1)	18,785				356.50		18,785	28.03.04-27.03.08
	(2)	51,323				409.16		51,323	10.06.05-09.06.12
	(2)	79,310				290.00		79,310	20.03.06-19.03.13
	(2)		53,447	467.75				53,447	14.04.07-13.04.14
	(4)	7,926				246.00		7,926	01.10.05-31.03.06
	(4)	3,028				304.60		3,028	01.10.06-31.03.07
R D Kingston	(1)	10,665			10,665*	403.66	515.50	Nil	
	(1)	24,796			24,796*	312.50	515.50	Nil	
	(1)	61,392			61,392*	352.00	515.50	Nil	
	(1)	22,936				356.50		22,936	28.03.04-27.03.08
	(2)	53,767				409.16		53,767	10.06.05-09.06.12
	(2)	84,482				290.00		84,482	20.03.06-19.03.13
	(2)		59,861	467.75				59,861	14.04.07-13.04.14
	(4)	7,520				218.40		7,520	01.05.08-31.10.08
M D Lees	(1)	9,009			9,009*	403.66	550.00	Nil	
	(1)	28,662				365.50		28,662	28.03.04-27.03.08
	(2)	65,284				409.16		65,284	10.06.05-09.06.12
	(2)	86,742				290.00		86,742	20.03.06-19.03.13
	(2)		54,940	467.75				54,940	14.04.07-13.04.14
	(5)	25,000						25,000	26.08.00- **

(1) 1994 Unapproved Executive Share Option Scheme.

(2) 2002 No 2 Executive Share Option Plan.

(3) 2002 No 1 Executive Share Option Plan.

(4) 1981 Savings Related Share Option Scheme.

(5) Tipperary Corporation.

* The aggregate gains on exercise of options by each director were as follows: Sir Nigel Mobbs £99,442, J A N Heawood £3,010, R D Kingston £162,640, M D Lees £13,184.

** Two years after leaving the Tipperary Corporation Board.

No payment is required for the grant of an option under the 1994 Schemes, 2002 Plans and the SAYE Schemes.

There have been no changes to the terms and conditions of the SAYE or Executive Share Option Schemes during the year. The performance criteria for the 1994 Unapproved Scheme is EPS-RPI + 6 per cent over three years. The performance criteria for the 2002 No 2 Plan and the 2002 No 1 Plan is EPS-RPI + 3 per cent per annum. A more detailed criteria for the Executive Share Option Schemes and the Long Term Incentive Scheme can be found on pages 62 and 63.

There is no performance criteria for the Tipperary Corporation options.

The market price of the shares as at 31 December 2004 was 550.0 pence. The highest and lowest market prices of ordinary shares during the financial year were 551.25 pence and 413.5 pence.

Remuneration report
continued

Pension and retirement benefits

The pension policy for Executive Directors is that the scheme provides upon retirement at the age of 62, a pension of two-thirds of final salary where they are not capped by the Finance Act 1989, which includes taxable benefits, subject to completion of a minimum of 20 years' service, or pro-rata. No other amounts nor bonuses are pensionable.

All Executive Directors other than Mr M D Lees, qualify for pension benefits under the Slough Estates (1957) Pension Scheme, which is a final salary scheme. Mr Lees has a deferred pension under the pension scheme but is no longer accruing any additional benefits. The Slough Estates (1957) Pension Scheme is contracted-out of the State Earnings Related Pension Scheme and is Inland Revenue approved. It has been registered with the Pensions' Registrar.

Set out below are details of the pension benefits to which the Chairman and each of the Executive Directors are entitled in respect of the disclosure required by Paragraph 12(2), Schedule 7A to the Companies Act 1985. The values given below include the effect of inflation in their calculation.

Director	Additional accrued pension earned in the year (£000 p.a.)	Accrued pension at 31.12.04 (£000 p.a.)	Transfer value at 31.12.03 (£000)	Transfer value at 31.12.04 (£000)	Increase in transfer value less directors' contributions (£000)
Sir Nigel Mobbs	8	231	3,396	3,570	174
I D Coull	16	30	161	393	213
J A N Heawood	4	27	250	345	83
R D Kingston	23	152	1,793	2,489	682
M D Lees	9	100	993	1,269	275

The Group has provided Mr M D Lees, a resident of the United States, a pension entitlement broadly equivalent to the benefit that he would receive had he continued to be a member of the Slough Estates (1957) Pension Scheme.

Set out below are details of the pension benefits for each of the Executive Directors in respect of the disclosure required under Paragraph 12.43A of the Listing Rules which are not shown opposite. The values given below exclude inflation from their calculation.

Director	Additional accrued pension in the year excluding inflation (£000 p.a.)	Transfer value of increase in accrued pension less directors' contributions (£000)
I D Coull	16	169
J A N Heawood	3	23
R D Kingston	19	270
M D Lees	6	79

Sir Nigel Mobbs' pension is in payment.

Funded Unapproved Retirement and Death Benefits Scheme

The Company has set up a Funded Unapproved Retirement and Death Benefits Scheme (FURBS). It became effective from 1 November 1996. The FURBS will provide benefits to certain employees who are capped by the Finance Act 1989, one of whom is Mr J A N Heawood. Mr Heawood's pension is funded by a combination of the company scheme and the funded unapproved scheme (which is a money purchase scheme) which has been charged to the profit and loss account. The cost of the FURBS in 2004 was £88,924 (2003: £84,840).

Mr I D Coull's Unfunded Unapproved Retirement Benefits Scheme ('UURBS') arrangements

Mr I D Coull will be entitled at age 62 to a total pension of two-thirds of his final pensionable salary less any retained benefits from prior employment. Final pensionable salary and retained benefits will be as defined in the Rules (as modified by UURBS) of the Slough Estates (1957) Pension Scheme, of which he is a member.

His entitlement to a pension from the company will consist of a scheme pension from the Slough Estates (1957) Pension Scheme and a company pension for which provision is being made in the accounts. The scheme pension will be the maximum that can be paid from the scheme without prejudicing Inland Revenue approval limits (subject to a maximum of his total pension entitlement). The company pension will be the balance of the total pension over and above the scheme pension.

The company will provide the company pension by means of the UURBS. It may choose, as an alternative to paying a regular monthly income in retirement, to pay a lump sum equal to the capitalised value of the pension which would otherwise have been payable. In this case, the liability for this will be calculated by Hewitt Bacon & Woodrow, the actuary of the Slough Estates (1957) Pension Scheme.

Compensation for past directors

There was no compensation paid to past directors in 2004.

Former Directors

Ex gratia payments to former directors and their dependants were £81,018 (2003: £80,665).

Approval

At the Annual General Meeting of the company to be held on 17 May 2005 an ordinary resolution approving this report will be proposed. This report was approved by the Board of Directors on 22 March 2005 and signed on its behalf by the order of the Board.

S L Howard
Chairman of the Committee
22 March 2005

Note: Ernst & Young LLP and Lovells have given and not withdrawn their written consent to the issues of this document with the inclusion of references to their names in the form and context in which they appear.

Statement of the directors' responsibilities for the preparation of financial statements

UK company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the Group and of the profit for that year. In preparing the financial statements the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for maintaining the integrity of the financial information, including the Annual Report, on the Slough Estates plc website.

Note: Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Slough Estates plc

We have audited the financial statements which comprise the accounting policies, the Group profit and loss account, the statement of Group total recognised gains and losses, the notes of Group historical profits and losses, reconciliation of movement in Group shareholders' funds, the balance sheets, the Group cash flow statement and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ('the auditable part').

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the financial summary, Chairman's statement, Chief Executive's Review, Financial Review, Corporate governance guidelines, Five year results, Directors' report, the unaudited part of the directors' remuneration report and the other information set out on the contents page.

We review whether the corporate governance statements reflect the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the United Kingdom Listing Authority, and we report if they do not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the directors' remuneration report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the Group at 31 December 2004 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading
22 March 2005

Note: Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Accounting policies

Basis of accounting

These financial statements have been prepared on the basis of historical costs but incorporating property valuations, and in accordance with applicable Accounting Standards and, except for the depreciation of investment properties, with the Companies Act 1985. An explanation of the departure from the requirements of the Act is given below in the depreciation note.

The value of investments in subsidiaries, associate and joint ventures has been adjusted to reflect the underlying net asset values (see note 14).

The company has taken advantage of the exemption provided by Section 230 of the Companies Act 1985 from presenting its own profit and loss account.

Accounting standards

The Group has implemented the transitional disclosure requirements of FRS17 'Retirement Benefits'. These disclosure requirements, together with the requirements of SSAP24, are set out in note 24.

Consolidation

The consolidated financial statements comprise the results of the company and its subsidiaries, made up to 31 December, together with the Group's share of net profits and losses and reserves of its associate and joint ventures.

Foreign currencies

Assets and liabilities expressed in foreign currency and profits and losses of overseas subsidiaries are translated into sterling at year-end exchange rates. Exchange differences arising on revenue items are reflected in the profit and loss account, together with any translation differences arising on currency borrowings which are not covered by translation differences arising on investments in currency assets. All other translation differences are reflected in reserves.

Property valuation

The Group's completed investment properties and land held for or under development were externally valued as at 31 December by CB Richard Ellis or DTZ Debenham Tie Leung or Colliers Conrad Ritblat Erdman in the United Kingdom, in the USA by Walden-Marling, Inc., in Belgium by De Crombrugghe & Partners s.a. and in France by CB Richard Ellis Bourdais.

The valuations have been prepared on the basis of market value in accordance with the relevant guidance notes on the valuation of property assets applicable to each country. The valuers have made the normal deductions for hypothetical purchasers' costs in arriving at their valuations in the UK. Each property has been valued individually and not as part of a portfolio. No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges, and no allowance has been made for any expenses of realisation, nor for any taxation which might arise in the event of a disposal. The figures also do not reflect any element of special purchaser value following a merger of interests or sale to an owner or occupier of an adjoining property.

The valuations have been prepared on the basis of information provided to the respective valuers by the Group relating to title, tenure, lettings, site and floor areas, planning consents and other relevant information. Valuers were instructed to assume that no deleterious materials or techniques had been used in the construction of any of the buildings and not to carry out structural surveys. The valuers were also instructed to assume that, unless informed to the contrary, the properties are not, or likely to be, affected by land contamination and have assumed that the cost of any decontamination work would be immaterial unless advised to the contrary. In addition, the valuers have assumed that there are no ground conditions which would affect the present or future uses of the properties.

The surpluses and deficiencies arising attributable to the Group are reflected in unrealised capital reserves. To the extent that projects have not been included in the valuation review, they are included at cost or at the directors' assessment of open market value. Buildings under construction are valued at cost.

Turnover
Turnover comprises: (1) rents, adjusted for lease incentives, and recharges charged to tenants; (2) the net realised value of trading properties and the value of work, including attributable profit, carried out during the year on pre-sold trading property developments; (3) the amounts charged to utilities customers for electricity, water and steam and Tipperary customers for oil and gas.

Depreciation
(a) Properties: In accordance with SSAP19, no depreciation is provided in respect of freehold investment properties or leasehold investment properties with over 20 years to run. This treatment is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate.

The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot reasonably be separately identified or quantified.

(b) Depreciation is provided on buildings occupied by the Group and is calculated on a straight-line basis over the estimated lives of the buildings: mainly 20-30 years.

(c) Plant and equipment: No depreciation is charged where plant and equipment is provided in the Group's premises for the use of its tenants, as it is covered by the full repairing covenant embodied in the respective leases. Other plant and equipment operated by the Group in the normal course of business is depreciated (after an initial commissioning period in the case of utilities) on a straight-line basis over its estimated useful life: mainly 10-25 years.

Capitalisation of interest
Interest costs incurred in funding land for or under development, construction work in progress and major construction programmes for the utilities plant are capitalised during the period of development.

Trading properties
Unless pre-sold, properties are held at the lower of cost, including finance costs, and market value. Pre-sold properties are stated at cost plus attributable profits less losses, where the outcome can be assessed with reasonable certainty, less progress payments receivable. Attributable profit consists of the relevant proportion of the total estimated profit appropriate to the progress made in construction and letting. Cost includes direct expenditure and interest.

Land that is re-classified for trading purposes is transferred from fixed assets to current assets at current market value.

Stocks
Stocks, excluding trading properties, are valued at cost, on a first in, first out basis, or net realisable value, whichever is the lower.

Investments
Investments held as current assets are stated at the lower of cost and directors' assessment of current market value.

Deferred taxation
Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax is not provided on timing differences arising from the revaluation of tangible fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions
The company has a number of defined benefit pension plans which are funded with assets held separately from those of the company. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Group profit and loss account
For the year ended 31 December 2004

		Note	£m	2004 £m	£m	2003 £m
Turnover						
Group	– continuing	2		**323.7**		312.4
	– discontinued	2		**13.3**		13.5
Total group				**337.0**		325.9
Joint ventures	– continuing			**10.8**		8.6
	– discontinued			**8.9**		8.2
Total joint ventures		2		**19.7**		16.8
Group operating income						
Property investment	– continuing	2	**220.6**		212.1	
	– discontinued	2	**10.3**		11.0	
				230.9		223.1
Property trading – operating		2	**7.1**		7.1	
Property trading – exceptional provision		2	**–**		(37.9)	
				7.1		(30.8)
Utilities		2		**(4.1)**		(4.2)
Oil and gas		2		**(3.1)**		(3.5)
Other income		3		**10.0**		4.8
Administration expenses		4		**(15.2)**		(14.0)
Group operating profit				**225.6**		175.4
Continuing		2	**215.3**		164.4	
Discontinued		2	**10.3**		11.0	
Share of operating profit/(loss) of property joint ventures and associate						
Property investment		5	**16.4**		15.1	
Property trading		5	**(0.5)**		0.2	
				15.9		15.3
Total operating profit				**241.5**		190.7
Profit on sale of investment properties – continuing		6	**55.5**		1.6	
– discontinued		6	**6.8**		–	
				62.3		1.6
Profit before interest and taxation				**303.8**		192.3
Interest (net)		7		**(94.7)**		(88.5)
Profit on ordinary activities before taxation				**209.1**		103.8
Taxation – current		8	**(35.1)**		(14.7)	
– deferred		8	**(6.6)**		2.3	
				(41.7)		(12.4)
Profit on ordinary activities after taxation				**167.4**		91.4
Minority interests – equity				**1.6**		1.8
Preference dividends		9		**(11.2)**		(11.4)
Profit attributable to ordinary shareholders				**157.8**		81.8
Ordinary dividends		9		**(67.0)**		(62.5)
Retained profit		17		**90.8**		19.3
Basic earnings per ordinary share		10		**37.8p**		19.6p
Adjustment to exclude profits and losses on sale of investment properties net of tax and minority and the 2003 exceptional provision for Quail West				**(10.1p)**		5.2p
Adjustment to exclude FRS19 Deferred Tax				**1.3p**		2.8p
Adjusted basic earnings per ordinary share		10		**29.0p**		27.6p
Diluted earnings per ordinary share		10		**36.0p**		19.6p

Unless otherwise indicated all operations are continuing. The discontinued activity relates to retail shopping centres.

Statement of Group total recognised gains and losses
For the year ended 31 December 2004

	£m	2004 £m	£m	2003 £m
Profit attributable to ordinary shareholders		**157.8**		81.8
Surplus/(deficit) on revaluation of properties	**186.6**		(97.7)	
Surplus on revaluation of – Joint ventures	**14.4**		10.5	
– Associate	**0.1**		0.3	
Total revaluation surplus/(deficit)		**201.1**		(86.9)
Exchange differences	**(10.2)**		(3.5)	
Taxation	**(14.0)**		4.0	
Minority interests	**(0.6)**		(1.9)	
Total other recognised gains and losses		**(24.8)**		(1.4)
Total recognised gains and losses for the year		**334.1**		(6.5)
Realised		**150.5**		91.7
Unrealised		**183.6**		(98.2)
		334.1		(6.5)

The tax charge relates to the valuation surplus realised on investment properties sold.

Notes of Group historical cost profits and losses
For the year ended 31 December 2004

	2004 £m	2003 £m
Reported profit on ordinary activities before taxation	**209.1**	103.8
Realisations of revaluation gains and losses of previous years	**150.5**	9.1
Historical cost profit on ordinary activities before taxation	**359.6**	112.9
Historical cost profit for the year after taxation, minority interests and dividends	**227.3**	32.4

Reconciliation of movement in Group shareholders' funds
For the year ended 31 December 2004

	2004 £m	2003 restated £m
Profit attributable to ordinary shareholders	**157.8**	81.8
Ordinary dividends	**(67.0)**	(62.5)
	90.8	19.3
Revaluation surplus/(deficit)	**201.1**	(86.9)
Other recognised gains and losses	**(24.8)**	(1.4)
Ordinary shares issued	**3.0**	5.2
Purchase of shares into ESOP Trust (note 1)	**(0.8)**	(2.0)
Issue of shares from ESOP Trust (note 1)	**0.8**	1.1
Net increase/(decrease) in shareholders' funds	**270.1**	(64.7)
Shareholders' funds at 1 January	**2,176.1**	2,240.8
Shareholders' funds at 31 December	**2,446.2**	2,176.1

The opening shareholders' fund as at 1 January 2004 and 1 January 2003 as previously reported amounted to £2,181.3 million and £2,245.1 million before the prior year adjustments of £5.2 million and £4.3 million respectively (see note 1).

Balance sheets
As at 31 December 2004

	Note	Group 2004 £m	Group 2003 restated £m	Company 2004 £m	Company 2003 restated £m
Fixed assets					
Intangible asset – goodwill	11	**(4.7)**	–	–	–
Tangible assets – investment properties	12	**3,795.6**	3,563.9	–	–
– other	13	**118.0**	41.8	–	–
Investments in subsidiaries	14	**–**	–	**3,847.9**	3,404.2
Investments in joint ventures – share of gross assets		**134.8**	255.9	**78.7**	65.3
– share of gross liabilities		**(46.4)**	(50.5)	**(27.0)**	(26.5)
	14	**88.4**	205.4	**51.7**	38.8
Investment in associate	14	**3.9**	3.9	**–**	–
		4,001.2	3,815.0	**3,899.6**	3,443.0
Current assets					
Stocks	15	**127.2**	123.2	**–**	–
Debtors	15	**61.2**	35.9	**2.9**	46.6
Trading investments	15	**38.4**	107.3	**–**	–
Cash and deposits	22(6)	**397.4**	159.3	**41.2**	34.9
		624.2	425.7	**44.1**	81.5
Prepayments and accrued income		**23.1**	19.3	**0.5**	1.6
Total assets		**4,648.5**	4,260.0	**3,944.2**	3,526.1
Capital and reserves					
Called up share capital	16	**138.8**	138.9	**138.8**	138.9
Share premium account	17	**339.1**	336.0	**339.1**	336.0
Capital reserves	17	**1,664.6**	1,439.2	**1,631.5**	1,455.5
Own shares held	17	**(5.2)**	(5.2)	**(5.2)**	(5.2)
Profit and loss account	17	**308.9**	267.2	**342.0**	250.9
Shareholders' funds		**2,446.2**	2,176.1	**2,446.2**	2,176.1
Minority interests – equity		**21.0**	22.1	**–**	–
– non-equity		**0.3**	0.3	**–**	–
Provisions for liabilities and charges	19	**211.6**	205.6	**28.2**	40.1
Creditors falling due within one year					
Borrowings	20	**39.2**	40.5	**27.6**	5.1
Other	21	**231.5**	179.3	**74.3**	72.5
		270.7	219.8	**101.9**	77.6
Creditors falling due after more than one year					
Borrowings	20	**1,683.5**	1,626.6	**1,197.4**	1,159.3
Other	21	**15.2**	9.5	**170.5**	73.0
		1,698.7	1,636.1	**1,367.9**	1,232.3
		4,648.5	4,260.0	**3,944.2**	3,526.1
Shareholders' funds attributable to:					
Equity shareholders – ordinary shares		**2,310.2**	2,038.3	**2,310.2**	2,038.3
Non-equity shareholders – preference shares		**136.0**	137.8	**136.0**	137.8
		2,446.2	2,176.1	**2,446.2**	2,176.1
Net assets per ordinary share					
– basic	10	**553p**	490p		
– basic excluding FRS 19 deferred tax	10	**601p**	536p		
– diluted	10	**521p**	464p		
– diluted excluding FRS 19 deferred tax	10	**564p**	505p		

The financial statements on pages 72 to 100 inclusive were approved by the Board of directors on 22 March 2005 and signed on its behalf by:

Sir Nigel Mobbs
I D Coull
Directors

Group cash flow statement
For the year ended 31 December 2004

	Note	£m	2004 £m	£m	2003 restated £m
Net cash inflow from operating activities	22(1)		**204.9**		214.3
Dividends from joint ventures and associate			**8.3**		8.8
Returns on investments and servicing of finance					
Interest received		**7.4**		3.5	
Interest paid		**(113.0)**		(113.9)	
Dividends paid to preference shareholders		**(11.3)**		(11.4)	
Dividends paid to minority shareholders		**(0.8)**		(0.9)	
			(117.7)		(122.7)
Taxation			**(14.1)**		(14.1)
Capital expenditure and financial investment					
Purchase and development of investment properties		**(86.4)**		(109.5)	
Purchase of other fixed assets		**(15.8)**		(8.9)	
Purchase of trading investments		**(16.0)**		(33.7)	
Sales of investment properties		**228.4**		59.3	
Sales of other fixed assets		**–**		0.1	
Sales of trading investments		**18.0**		11.9	
			128.2		(80.8)
Acquisitions and disposals					
Investment in joint ventures		**(5.3)**		(1.2)	
Loans to joint ventures		**(2.0)**		–	
Amount received from property swap *	23	**3.4**		–	
Legal costs paid in relation to property swap *		**(2.2)**		–	
Repayment of loans by others		**3.4**		–	
Contributions from minority		**4.4**		–	
Acquisition of minority		**(3.9)**		–	
Proceeds from a reduction of holding in subsidiary		**3.1**		–	
			0.9		(1.2)
Equity dividends paid			**(64.1)**		(59.6)
Net cash inflow/(outflow) before use of liquid resources and financing			**146.4**		(55.3)
Management of liquid resources	22(2)				
Investment in term deposits		**(230.6)**		(46.1)	
Net cash outflow from the management of liquid resources			**(230.6)**		(46.1)
Financing					
Issue of ordinary shares	22(3)	**3.0**		5.2	
Payment to acquire own shares		**(0.8)**		(2.0)	
Increase in debt	22(4)	**87.3**		118.3	
Cash inflow from financing			**89.5**		121.5
Increase in cash			**5.3**		20.1

* The property swap relates to the acquisition of Ravenseft Industrial Estates Limited from Land Securities and the disposal of certain of the Group retail companies. This arrangement was settled net.

Notes to the financial statements

1 Restatement

In accordance with UITF 38, which became effective for accounting periods ending on or after 22 June 2004, consideration paid by the Employee Share Ownership Plans (ESOPs) trust for the company's own shares is deducted from shareholders' equity. The shares held by the ESOPs trust are treated as if they were cancelled for the purposes of calculating earnings and net assets per ordinary share. Previously all shares held by the ESOPs trust were held in prepayments at cost less amounts written off. Where appropriate, previously reported figures have been restated to show the financial effect of this change in accounting policy. There is no effect on the profits for the current and prior periods. The effect on shareholders' funds is shown in note 10 of these financial statements.

Previously it was the company's practice to settle the tax charges of the company and its UK subsidiaries and the company made provision for its subsidiaries' tax liabilities in its own financial statements. In 2004, the company changed this policy to allow the UK subsidiaries to suffer their own tax liabilities including deferred tax. The directors consider that this will give a fairer presentation of the tax effects of each company's results within the Group. Prior year figures have been restated accordingly. The total reserves of the parent company are unchanged. The restatement has had the effect of reducing the valuation of investments in subsidiaries by £104.4 million, reducing provision for liabilities and charges – deferred taxation by £99.6 million and creditors falling due within one year – taxation by £4.8 million.

2 Segmental information and operating profit

	Turnover		Group operating profit		Profit before tax		Net assets	
	2004 £m	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 restated £m
Business segments:								
Property investment – continuing	**251.9**	243.1	**220.6**	212.1	**229.1**	219.8	**3,801.1**	3,381.5
– discontinued	**13.3**	13.5	**10.3**	11.0	**18.2**	18.4	**–**	320.7
Property trading – operating	**36.7**	40.6	**7.1**	7.1	**6.6**	7.3	**137.3**	104.9
– exceptional provision	**–**	–	**–**	(37.9)	**–**	(37.9)	**–**	–
Utilities	**30.7**	25.2	**(4.1)**	(4.2)	**(4.1)**	(4.2)	**42.7**	43.0
Oil and gas	**4.4**	3.5	**(3.1)**	(3.5)	**(3.1)**	(3.5)	**64.0**	55.6
Other activities	**–**	–	**10.0**	4.8	**10.0**	4.8	**39.0**	41.4
Profit on sale of investment properties	**–**	–	**–**	–	**62.3**	1.6	**–**	–
Net interest/net borrowings	**–**	–	**–**	–	**(94.7)**	(88.5)	**(1,325.3)**	(1,507.8)
Common costs/common net liabilities	**–**	–	**(15.2)**	(14.0)	**(15.2)**	(14.0)	**(312.6)**	(263.2)
	337.0	325.9	**225.6**	175.4	**209.1**	103.8	**2,446.2**	2,176.1
Geographical segments:								
United Kingdom – continuing	**198.7**	183.7	**135.0**	130.1	**145.5**	134.9	**2,846.1**	2,338.3
– discontinued	**13.3**	13.5	**10.3**	11.0	**18.2**	18.4	**–**	320.7
Australia – oil and gas	**4.4**	3.5	**(3.1)**	(3.5)	**(3.1)**	(3.5)	**64.1**	55.6
Canada	**2.4**	2.6	**1.7**	2.2	**5.1**	1.8	**–**	28.3
USA	**65.1**	60.9	**55.1**	4.6	**110.8**	9.5	**530.2**	637.1
Europe	**53.1**	61.7	**26.6**	31.0	**27.3**	31.2	**376.1**	346.1
Net interest/net borrowings	**–**	–	**–**	–	**(94.7)**	(88.5)	**(1,325.3)**	(1,507.8)
Common net liabilities	**–**	–	**–**	–	**–**	–	**(45.0)**	(42.2)
	337.0	325.9	**225.6**	175.4	**209.1**	103.8	**2,446.2**	2,176.1

Property investment discontinued is in respect of the disposal of retail properties during the period.

The 2003 exceptional provision above was in respect of the residential leisure development at Quail West in Florida.

Joint ventures (Group share)	Turnover		Share of assets		Share of liabilities		Net investment	
	2004 £m	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 £m
Business segments:								
Property investment – property	**18.0**	16.5	**111.4**	238.4	**(40.7)**	(46.2)	**70.7**	192.2
– other	**–**	–	**4.4**	5.8	**–**	–	**4.4**	5.8
Property trading	**1.7**	0.3	**19.0**	11.7	**(5.7)**	(4.3)	**13.3**	7.4
	19.7	16.8	**134.8**	255.9	**(46.4)**	(50.5)	**88.4**	205.4
Geographical segments:								
United Kingdom	**13.8**	12.1	**84.3**	209.8	**(27.7)**	(30.5)	**56.6**	179.3
USA	**3.9**	4.4	**33.0**	31.2	**(11.9)**	(13.9)	**21.1**	17.3
Europe	**2.0**	0.3	**17.5**	14.9	**(6.8)**	(6.1)	**10.7**	8.8
	19.7	16.8	**134.8**	255.9	**(46.4)**	(50.5)	**88.4**	205.4

Turnover by geographical origin is the same by geographical destination.

2 Segmental information and operating profit continued

Property investment turnover comprises:

	Rents		Tenant recharges and other		Total	
	2004 £m	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 £m
Rents and recharges						
– United Kingdom	**174.4**	167.3	**4.4**	4.7	**178.8**	172.0
– Canada	**1.7**	2.1	**0.7**	0.5	**2.4**	2.6
– USA	**54.1**	49.6	**7.5**	10.1	**61.6**	59.7
– Europe	**21.9**	21.8	**0.5**	0.5	**22.4**	22.3
	252.1	240.8	**13.1**	15.8	**265.2**	256.6

Net operating income comprises:

	Property investment		Property trading		Utilities		Oil and gas		Total	
	2004 £m	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 £m
Turnover	**265.2**	256.6	**36.7**	40.6	**30.7**	25.2	**4.4**	3.5	**337.0**	325.9
Ground rents payable	**(0.8)**	(1.7)	**–**	–	**–**	–	**–**	–	**(0.8)**	(1.7)
Depreciation	**(0.5)**	(0.3)	**–**	–	**(2.1)**	(1.2)	**(1.1)**	(0.9)	**(3.7)**	(2.4)
Exceptional provision	**–**	–	**–**	(37.9)	**–**	–	**–**	–	**–**	(37.9)
Other property outgoings/cost of sales	**(33.0)**	(31.5)	**(29.6)**	(33.5)	**(32.7)**	(28.2)	**(6.4)**	(6.1)	**(101.7)**	(99.3)
Total property outgoings/cost of sales	**(34.3)**	(33.5)	**(29.6)**	(71.4)	**(34.8)**	(29.4)	**(7.5)**	(7.0)	**(106.2)**	(141.3)
Net operating income	**230.9**	223.1	**7.1**	(30.8)	**(4.1)**	(4.2)	**(3.1)**	(3.5)	**230.8**	184.6

3 Other income

	2004 £m	2003 £m
Net profit on trading investments	**9.8**	4.5
Dividends received from investments	**0.2**	0.3
	10.0	4.8

4 Administration expenses

	2004 £m	2003 £m
Directors' remuneration	**2.5**	2.2
Depreciation of tangible fixed assets	**0.8**	0.8
Auditors' remuneration Group (parent company £55,000 (2003 £50,000))	**0.7**	0.7
Other administration costs	**11.2**	10.3
	15.2	14.0

Fees paid to the auditors in the United Kingdom and overseas during the year in respect of non-audit appointments were:

	UK		Overseas		Total	
	2004 £m	2003 £m	**2004 £m**	2003 £m	**2004 £m**	2003 £m
Taxation – compliance services	**–**	0.1	**0.4**	0.2	**0.4**	0.3
– other advisory services	**0.1**	–	**–**	0.4	**0.1**	0.4
Other services – advice relating to acquisitions and development projects	**0.2**	0.1	**–**	–	**0.2**	0.1
	0.3	0.2	**0.4**	0.6	**0.7**	0.8

Employees' staff costs were:

	Property management £m	Utilities £m	Oil and gas £m	**Total 2004 £m**	Total 2003 £m
Wages and salaries	15.5	5.8	1.4	**22.7**	22.1
Social security costs	1.6	0.5	0.1	**2.2**	2.1
Pension contributions (see note 24)	2.9	1.2	–	**4.1**	3.9
	20.0	7.5	1.5	**29.0**	28.1

The average number of employees of the Group was 585 (2003 583 restated) of which 372 (2003 376 restated) were engaged in property development, management and general administration, 155 (2003 154 restated) were engaged in utilities and 58 (2003 53 restated) were engaged in oil and gas.
The average number of employees in the UK amounted to 475 (2003 475 restated).

The 2003 comparatives for the average number of employees have been restated to include part-time and limited-term contract employees in the UK.

Disclosures required by the Companies Act 1985 on directors' remuneration, including salaries, share options, pension contributions and pension entitlement and those specified by the Financial Services Authority are included in the audited information section of the Remuneration Report which form part of these financial statements.

Notes to the financial statements continued

5 Share of operating profit/(loss) of joint ventures and associate

	Property investment		Property trading		Total	Total
	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m
Joint ventures	**15.9**	14.6	**(0.5)**	0.2	**15.4**	14.8
Associate	**0.5**	0.5	–	–	**0.5**	0.5
	16.4	15.1	**(0.5)**	0.2	**15.9**	15.3

6 Profit/(loss) on sale of investment properties

	2004 £m	2003 £m
Retail investment properties – discontinued activity	**8.6**	–
Retail joint ventures – discontinued activity	**(1.8)**	–
Other investment properties	**55.5**	1.6
	62.3	1.6

The effect of these sales on the current tax charge is shown in note 8.

7 Interest (net)

	2004 £m	2003 £m
Group:		
On bank loans and overdrafts	**20.6**	20.4
On other loans	**94.6**	93.0
Unwinding of discount on provision	**0.5**	–
	115.7	113.4
Less interest received	**(6.7)**	(4.1)
Less amount charged to: the development of trading properties	**(0.8)**	(1.5)
: the development of investment properties	**(14.9)**	(20.1)
: the development of other assets	**(1.2)**	(1.5)
Charged to profit and loss account – Group	**92.1**	86.2
– Joint ventures	**2.5**	2.2
– Associate	**0.1**	0.1
	94.7	88.5

The interest capitalised rates for 2004 were: UK 8.0 per cent (2003 8.0 per cent), USA 5.62 per cent (2003 5.72 per cent), Canada 6.76 per cent (2003 6.76 per cent) and in Europe at rates ranging from 3 per cent to 4.5 per cent (2003 3.5 per cent to 4.5 per cent).

8 Taxation

	2004 £m	2003 £m
Current tax		
Provision for taxation based on profits for the year		
United Kingdom		
Corporation tax charge at 30 per cent (2003 30 per cent)	**14.1**	14.2
Over provision in earlier years	**(2.8)**	(2.5)
Tax in joint venture	**1.0**	0.6
	12.3	12.3
Overseas		
Current tax charge	**2.4**	3.2
Under/ (over) provision in earlier years	**0.6**	(0.8)
Tax charge/(credit) on sale of investment properties	**19.7**	(0.1)
Tax in joint venture	**0.1**	0.1
Total current tax	**35.1**	14.7

8 Taxation continued

	2004 £m	2003 £m
Deferred tax		
Origination and reversal of timing differences	**32.1**	17.3
Effect of changes in tax rates on opening timing differences	**–**	(2.2)
Released in respect of property disposals	**(26.5)**	(3.5)
Credit in respect of the exceptional provision for Quail West	**–**	(14.6)
Other deferred tax	**1.0**	0.7
Total deferred tax charge/(credit)	**6.6**	(2.3)
Total tax	**41.7**	12.4

Factors affecting tax charge for the year
The current tax charge for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2004 £m	2003 £m
Profit on ordinary activities before taxation	**209.1**	103.8
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30 per cent (2003 30 per cent)	**62.7**	31.1
Effects of:		
Exceptional provision for Quail West	**–**	11.4
Capital allowances	**(13.9)**	(15.6)
Interest capitalised	**(3.6)**	(5.4)
Utilisation of tax losses	**(12.8)**	(3.8)
Higher tax rates on overseas earnings	**4.9**	0.3
Prior year adjustments	**(2.2)**	(3.3)
	35.1	14.7

Factors that may affect future tax charges
Based on current investment plans the Group expects to continue to be able to claim allowances on expenditure relating to properties.

The USA tax losses resulting from accelerated capital allowance claims have been substantially utilised in 2004 as a result of property sales.

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

9 Dividends

	2004 £m	2003 £m
Preference dividends		
Dividend paid to 1 September	**7.5**	7.6
Dividend accrued for period from 2 September to 31 December	**3.7**	3.8
	11.2	11.4
Ordinary dividends		
Interim dividend at 6.15 pence per share (2003 5.8 pence)	**25.8**	24.1
Proposed final dividend at 9.85 pence per share (2003 9.2 pence)	**41.2**	38.4
	67.0	62.5

Notes to the financial statements continued

10 Earnings, capital surplus/(deficit) and net assets per ordinary share

			2004	2003 restated
Earnings per share				
The weighted average number of shares used for the calculation of the earnings per share is as follows:				
Weighted average number of shares in issue		Shares m	**418.6**	416.6
Less the weighted average number of shares held by the ESOP		Shares m	**(1.4)**	(1.4)
Weighted average number of shares used for the basic EPS calculation	a	Shares m	**417.2**	415.2
Dilution adjustments:				
Preference shares (2003 anti-dilutive)		Shares m	**50.4**	–
Share options and save as you earn schemes		Shares m	**1.3**	0.7
Diluted weighted average number of shares	b	Shares m	**468.9**	415.9
Earnings used for the calculation of earnings per share:				
Attributable profit	c	£m	**157.8**	81.8
Dividends on preference shares (2003 anti-dilutive)		£m	**11.2**	–
	d	£m	**169.0**	81.8
Exceptional provision on Quail West net of tax		£m	**–**	23.3
Deferred tax relating to investment properties		£m	**5.6**	11.6
Profits and losses on sale of investment properties net of tax and minorities		£m	**(42.6)**	(1.7)
Diluted adjusted earnings	e	£m	**132.0**	115.0
Basic adjusted earnings	f	£m	**120.8**	115.0
Earnings per share				
Basic	c/a	pence	**37.8**	19.6
Basic – adjusted	f/a	pence	**29.0**	27.6
Diluted	d/b	pence	**36.0**	19.6
Diluted – adjusted	e/b	pence	**28.2**	27.6
Capital surplus/(deficit) per ordinary share				
Capital surplus/(deficit) attributable to ordinary shareholders	g	£m	**176.3**	(88.3)
Capital surplus/(deficit) per ordinary share – basic	g/a	pence	**42.3**	(21.3)
– diluted	g/b	pence	**37.6**	(21.2)
Net assets per ordinary share				
The number of shares used for the calculation of the net assets per ordinary share is as follows:				
Number of shares in issue		Shares m	**419.3**	417.8
Less shares held by the ESOP (note 1)		Shares m	**(1.4)**	(1.4)
Basic number of shares	h	Shares m	**417.9**	416.4
Dilution adjustments:				
Preference shares		Shares m	**50.4**	51.1
Share options and save as you earn schemes		Shares m	**1.3**	1.4
Diluted number of shares	l	Shares m	**469.6**	468.9
Total equity attributable to ordinary shareholders		£m	**2,315.4**	2,043.5
Less shares held by the ESOP (note 1)		£m	**(5.2)**	(5.2)
Restated equity	j	£m	**2,310.2**	2,038.3
Adjustment to exclude FRS 19 deferred tax		£m	**200.9**	193.1
Adjusted equity attributable to ordinary shareholders	k	£m	**2,511.1**	2,231.4
Dilution adjustment for the preference shares		£m	**136.0**	137.8
Adjusted diluted equity attributable to ordinary shareholders	m	£m	**2,647.1**	2,369.2
Diluted equity attributable to ordinary shareholders.	n	£m	**2,446.2**	2,176.1
Net assets per ordinary share				
Basic	j/h	pence	**553**	490
Basic excluding FRS 19 deferred tax	k/h	pence	**601**	536
Diluted	n/l	pence	**521**	464
Diluted excluding FRS 19 deferred tax	m/l	pence	**564**	505

10 Earnings, capital surplus/(deficit) and net assets per ordinary share continued

In 2004, the effect of the preference shares is dilutive and therefore they are included in the diluted earnings per share calculation. In 2003, the effect of the preference shares was anti-dilutive and therefore they were excluded from the diluted earnings per share calculation. The preference shares are dilutive in 2004 and 2003 for the purpose of the diluted net assets per share calculations and have been treated as such.

The Group has also presented an adjusted basic earnings per share figure to exclude the impact of exceptional items, profits and losses on the sale of investment properties (net of taxation and minority interests) and deferred tax in respect of investment properties. The directors consider that this adjusted figure gives a more meaningful comparison for the periods shown in the consolidated financial statements. Deferred tax has been excluded from the adjusted calculation as the Group has no plans to sell a significant proportion of its investment properties, and in any case it is generally very unusual for UK capital allowances to be recaptured on the disposal of a property. Profits and losses on the sale of investment properties are excluded from adjusted earnings as these are non-recurring items.

Net assets per share are calculated on the equity shareholders' funds of £2,310.2 million (2003 £2,038.3 million restated). Adjusted net assets per share have been calculated on the same number of shares but shareholders' funds exclude the deferred tax liability of £200.9 million (2003 £193.1 million) as it is the opinion of the directors that deferred tax on capital allowances in relation to investment properties is unlikely to crystallise materially in practice.

11 Goodwill

The goodwill arose from the acquisition on 15 December 2004 of Ravenseft Industrial Estates Limited, a subsidiary of Land Securities Group PLC (see note 23). The negative goodwill amounting to £4.7 million is required to be shown as a negative balance on the balance sheet within fixed assets. The amount is not amortised and will only be released to profit and loss account on the eventual sale of the properties acquired.

12 Tangible assets – investment properties

	UK £m	Canada £m	USA £m	Europe £m	**Total £m**
At 1 January 2004	2,627.8	28.6	622.8	284.7	**3,563.9**
Exchange movement	–	0.1	(42.1)	2.0	**(40.0)**
Additions	60.0	1.2	47.9	3.3	**112.4**
Acquisition of Ravenseft	334.9	–	–	–	**334.9**
Disposals	(184.5)	(29.9)	(140.2)	–	**(354.6)**
Transfer to trading property	(7.6)	–	–	–	**(7.6)**
Surplus on valuation	118.9	–	60.5	7.2	**186.6**
At 31 December 2004	2,949.5	–	548.9	297.2	**3,795.6**
Completed properties	2,791.5	–	439.1	266.3	**3,496.9**
Properties for or under development	158.0	–	109.8	30.9	**298.7**
	2,949.5	–	548.9	297.2	**3,795.6**

		2004 £m	2003 £m
Properties held at valuation	– cost less amounts written off	**1,815.6**	1,985.0
	– interest capitalised	**244.7**	259.4
	– valuation surplus	**1,356.3**	1,257.0
		3,416.6	3,501.4
Properties held at cost including the industrial properties acquired from Land Securities in December 2004 which have been included at fair value		**379.0**	62.5
		3,795.6	3,563.9

The above assets include long-term leaseholds valued at £110.8 million (2003 £119.0 million) and buildings occupied by Group companies valued at £10.6 million (2003 £10.6 million).

The Group's completed investment properties and land held for or under development were externally valued as at 31 December 2004, in accordance with the accounting policies, by CB Richard Ellis or DTZ Debenham Tie Leung or Colliers Conrad Ritblat Erdman in the United Kingdom, in the USA by Walden-Marling, Inc., in Belgium by De Crombrugghe & Partners s.a. and in France by CB Richard Ellis Bourdais. The industrial properties acquired from Land Securities in December 2004 have been included at their fair values as at the date of acquisition.

CB Richard Ellis and DTZ Debenham Tie Leung also undertake some professional and letting work on behalf of the Group, although this activity is limited in relation to the activities of the Group as a whole. Both companies advise us that the total fees paid by the Group represent less than five per cent of their total revenue in any year in accordance with the Carsberg Report and have adopted policies for the regular rotation of the responsible valuer.

Notes to the financial statements continued

13 Tangible assets – other

	Cost £m	Depreciation £m	Net £m
At 1 January 2004	51.9	(10.1)	41.8
Additions	4.9	(3.0)	1.9
Transfer from trade investments	75.7	(1.1)	74.6
Disposals	(0.7)	0.4	(0.3)
At 31 December 2004	131.8	(13.8)	118.0

The net book value includes Utilities plant and equipment amounting to £40.0 million (2003 £38.8 million) and Tipperary oil and gas assets of £74.6 million (2003: Nil).

14 Investments

		Joint ventures			
	Associate £m	Investments £m	Loans £m	**Total 2004 £m**	Total 2003 £m
Group					
Cost or valuation at 1 January 2004	3.9	201.2	4.2	**209.3**	188.7
Exchange movement	(0.3)	(1.1)	–	**(1.4)**	(2.3)
Net additions	–	5.2	2.0	**7.2**	2.0
Disposal	–	(141.2)	–	**(141.2)**	–
Reclassified from trading property	–	–	–	**–**	6.6
Dividends received	(0.2)	(8.1)	–	**(8.3)**	(8.8)
Valuation surplus	0.1	14.4	–	**14.5**	10.8
Share of profits net of taxation	0.4	11.8	–	**12.2**	12.3
Cost or valuation at 31 December 2004	3.9	82.2	6.2	**92.3**	209.3
Analysed as follows:					
Cost less amounts written off	1.1	21.8	6.2	**29.1**	96.4
Valuation surplus	2.1	50.7	–	**52.8**	104.3
Share of retained profits	0.7	9.7	–	**10.4**	8.6
	3.9	82.2	6.2	**92.3**	209.3
Net borrowings of joint ventures and associate					
Included in joint venture gross liabilities shown on the balance sheet					
– borrowings	–	40.8	–	**40.8**	42.6
– other liabilities	–	5.6	–	**5.6**	7.9
Off balance sheet net borrowings of associate	1.5	–	–	**1.5**	1.9
	1.5	46.4	–	**47.9**	52.4

		Subsidiaries		
	Joint venture investment £m	Shares £m	Loans £m	Total £m
Company				
Cost or valuation at 1 January 2004	38.8	2,373.5	1,135.1	3,547.4
Prior year adjustment (see note 1)	–	(113.9)	9.5	(104.4)
Restated	38.8	2,259.6	1,144.6	3,443.0
Additions	–	1.8	–	1.8
Disposals	–	(16.7)	–	(16.7)
Net movement in loans	–	–	260.5	260.5
Provisions	–	–	36.3	36.3
Valuation surplus	12.9	161.8	–	174.7
Cost or valuation at 31 December 2004	51.7	2,406.5	1,441.4	3,899.6

Company investments comprise investments at cost less amounts written off of £2,908.9 million (2003 £2,610.3 million restated) and valuation surplus of £990.7 million (2003 £832.7 million restated).

14 Investments continued

The principal undertakings at 31 December 2004 are listed below (all equity holdings unless otherwise stated).

	Country of incorporation		Subsidiaries % holding	Joint ventures % holding
Property				
Slough Properties Limited *	England		100	
Slough Trading Estate Limited *	England		100	
Allnatt London Properties PLC *	England		100	
Bilton p.l.c. *	England		100	
Bredero Properties Plc *	England	Ordinary	99.2	
		Preference	100	
Cambridge Research Park Limited	England		100	
Slough Industrial Estates Limited (formerly Ravenseft Industrial Estates Limited)	England		100	
Slough Investments Limited (operating in Germany)	England		100	
Shopping Centres Limited *	England			50
Slough Europe Limited	England		100	
Slough Estates USA Inc.	USA		100	
Quail West, Ltd.	USA		100	
Slough Management N.V.	Belgium		100	
Slough Properties N.V.	Belgium		100	
Slough Developments (France) SA	France		100	
Kingswood Ascot Property Investments Limited	England		100	
Farnborough Business Park Limited	England		100	
Real Estate and Commercial Trust Limited	England		100	
HelioSlough Ltd	England			50
Slough Estates (Warrington) Limited	England		100	
Slough Estates (Epsom) Limited	England		100	
Slough Estates (Leatherhead) Limited	England		100	
Slough Estates (Chelmsford) Limited	England		100	
Slough Estates (Northampton) Limited	England		100	
Slough Estates (Mitchell Way) Limited	England		100	
Slough Estates (Motor Park) Limited	England		100	
Slough Estates (Swanley) Limited	England		100	
Service				
Slough Estates Administration Limited *	England		100	
Slough Estates Finance plc *	England		100	
Other				
Tipperary Corporation	USA		54	
Slough Heat & Power Limited	England		100	
Kwacker Limited *	England		100	

* Held directly by Slough Estates plc.

Unless otherwise indicated the principal country of operation is the same as the country of incorporation.

To comply with the Companies Act 1985 a full list of subsidiaries will be filed with the company's next annual return.

Related party transactions

The Group undertakes a number of immaterial transactions in the normal course of business with its associate and joint ventures.

Notes to the financial statements continued

15 Current assets

	Group 2004 £m	Group 2003 £m
Stocks		
Trading properties – completed properties	**88.7**	75.5
– properties under development	**36.6**	46.1
	125.3	121.6
Utilities stock	**1.9**	1.6
	127.2	123.2

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Debtors (receivable in less than one year)				
Trade debtors	**47.1**	19.5	**–**	–
Amounts recoverable under contracts	**2.6**	–	**–**	–
Dividends receivable from subsidiaries	**–**	–	**1.5**	46.6
Amounts due from subsidiaries	**–**	–	**0.5**	–
Other debtors	**9.6**	12.2	**0.2**	–
Tax recoverable	**1.3**	3.4	**–**	–
	60.6	35.1	**2.2**	46.6
Debtors (receivable in more than one year)				
Amounts due from a Group joint venture	**–**	**–**	**0.7**	–
Other debtors	**0.6**	0.8	**–**	–
	61.2	35.9	**2.9**	46.6
Trading investments				
Shares – listed (market value £0.6 million)	**0.2**	0.2	–	–
– unlisted	**38.2**	40.6	–	–
Gas investments in USA and Australia *	**–**	66.5	–	–
	38.4	107.3	**–**	–

* Gas investments in USA and Australia have been reclassified as other tangible fixed assets in 2004.

16 Share capital

	Authorised Shares m	Authorised £m	Issued and fully paid Shares m	Issued and fully paid £m
Ordinary shares of 25p each				
At 1 January 2004	586.4	146.6	417.8	104.4
Shares issued during the year			1.5	0.4
At 31 December 2004	586.4	146.6	419.3	104.8
Cumulative redeemable convertible preference shares of 25p each				
At 1 January 2004	141.6	35.4	137.8	34.5
Conversions during the year			(1.8)	(0.5)
At 31 December 2004	141.6	35.4	136.0	34.0

Cumulative redeemable convertible preference shares The preference shares were issued on 6 June 1991 at a price of 100p per share. They carry the right to a fixed cumulative preferential dividend of 8.25p (net) per share per annum payable half yearly in arrears in equal amounts on 1 March and 1 September in each year. The company may redeem some or all of the preference shares at any time between 1 March 2006 and 31 August 2011. All preference shares not converted or redeemed on or prior to 31 August 2011 will be redeemed by the company on 1 September 2011 at a price of 100p per share.

The preference shares will ordinarily be convertible at the option of the holder in each of the years 2005 to 2011 (inclusive) during the period of 28 days prior to the record date for any final dividend on the ordinary shares, on the basis of 37.0793 ordinary shares for every 100 preference shares.

Full conversion of the preference shares at 31 December 2004 would have resulted in the issue of 50,428,037 ordinary shares.

The preference shares carry no right to attend or vote at General Meetings except in certain very limited circumstances.

The following issues of ordinary shares and conversions of preference shares took place during the year:

Share Incentive Plan 179,371 ordinary shares were subscribed in cash at a price of 439.6p per share and were issued to the trustees and allocated at that price to eligible employees under the share incentive plan.

Share option schemes 668,449 ordinary shares were subscribed in cash following the exercise of employees' options under the share option schemes. The consideration received by the company was £2,261,406.

16 Share capital continued

Conversions During the year 678,134 ordinary shares were issued, credited as fully paid following the conversion of, and in satisfaction of 1,828,875 8.25p cumulative redeemable convertible preference shares.

During the year options to subscribe for ordinary shares of the company were granted as follows:

Savings related scheme 70,735 ordinary shares at a subscription price of 372.4p per share and 60,443 ordinary shares at a subscription price of 372.0p per share.

Executive share option scheme 1,227,411 ordinary shares at a subscription price of 467.75p per share and 53,452 ordinary shares at a subscription price of 459.83p per share.

Share Incentive Plan Sir Nigel Mobbs and Messrs. Heawood and Kingston are trustees of the Slough Estates plc Share Incentive Plan which was approved by shareholders on 16 May 2000. At 22 March 2005, the number of shares held under the plan was 341,341 ordinary shares. The interests stated in the 341,341 ordinary shares included in the figure of 378,133 shown in the table on page 65 represent all of the shares which those directors hold in a non-beneficial capacity as trustees of the plan but also included therein are those shares beneficially owned under the plan by Sir Nigel Mobbs and Messrs. Heawood and Kingston and which are included in their beneficial holdings in the table shown on page 65.

Profit sharing scheme Sir Nigel Mobbs and Messrs. Heawood and Kingston are trustees of the Slough Estates plc profit sharing scheme which was approved by the shareholders on 21 May 1980. At 22 March 2005, the number of shares held under the scheme was 165,948 ordinary shares. The interests stated in the 166,427 ordinary shares shown in the table on page 65 represent all of the shares which those directors hold in a non-beneficial capacity as trustees of the scheme but also included therein are those shares beneficially owned under the scheme by Sir Nigel Mobbs and Messrs. Heawood and Kingston and which are included in their beneficial holdings in the table shown on page 65.

Executive share option schemes Under the 1994 Slough Estates plc Approved Executive Share Option Scheme approved by the shareholders on 18 May 1994, certain executives have options to subscribe for unissued ordinary shares. Options are generally exercisable after three and before ten years from the date of the grant of the option. At 22 March 2005, the number of ordinary shares under option was 68,104 at option prices ranging from 217.83p to 356.5p expiring on 27 March 2011.

Under the 1994 Slough Estates plc Executive Share Option Scheme (No. 2) approved by the shareholders on 18 May 1994, certain executives have options to subscribe for unissued ordinary shares. Options are generally exercisable after three and before seven years from the date of the grant of the option. At 22 March 2005, the number of ordinary shares under option was 389,382 at option prices ranging from 312.5p to 403.66p expiring on 27 March 2008.

Under the Slough Estates plc 2002 Approved Executive Share Option Plan approved by the shareholders on 14 May 2002, certain executives have options to subscribe for unissued ordinary shares. Options are generally exercisable after three and before ten years from the date of the grant of the option. At 22 March 2005, the number of ordinary shares under option was 139,725 at option prices ranging from 290.0p to 467.75p expiring on 1 September 2014.

Under the Slough Estates plc 2002 Unapproved Executive Share Option Plan approved by the shareholders on 14 May 2002, certain executives have options to subscribe for unissued ordinary shares. Options are generally exercisable after three and before ten years from the date of the grant of the option. At 22 March 2005, the number of ordinary shares under option was 3,656,380 at option prices ranging from 290.0p to 467.75p expiring on 1 September 2014.

1981 savings related share option scheme Under the option scheme approved by the shareholders on 20 May 1981, as amended, certain employees have options to subscribe for unissued ordinary shares. Options under the savings related scheme are generally exercisable three or five or seven years after the date of the grant of the option. At 22 March 2005, the number of ordinary shares under option was 1,051,632 at option prices ranging from 218.4p to 372.4p expiring on various dates up to 1 October 2011.

17 Reserves

	Share premium account £m	Own shares held £m	Capital reserve unrealised £m	Capital reserve realised £m	Profit and loss £m	Total restated £m
Group						
Balance at 1 January 2004	336.0	–	1,377.2	62.0	267.2	2,042.4
Prior year adjustment (Note 1)	–	(5.2)	–	–	–	(5.2)
Restated balance	336.0	(5.2)	1,377.2	62.0	267.2	2,037.2
Realisation of revaluation gains and losses of previous years	–	–	(150.5)	150.5	–	–
Revaluation surplus	–	–	201.1	–	–	201.1
Other recognised gains and losses (see page 75)	–	–	(17.5)	(4.5)	(2.8)	(24.8)
Retained profit for the year	–	–	–	–	90.8	90.8
Shares issued	3.1	–	–	–	–	3.1
Reserve transfer	–	–	10.3	36.0	(46.3)	–
Balance at 31 December 2004	339.1	(5.2)	1,420.6	244.0	308.9	2,307.4

Exchange gains and losses on net borrowings offset in reserves amount to a net credit of £4.1 million (2003 £5.4 million) and the net debit in reserves arising from exchange differences amounts to £10.2 million (2003 £3.5 million).

Notes to the financial statements continued

17 Reserves continued

	2004 £m	2003 restated £m
Retained profit/(deficit) for the year		
Parent company	**92.4**	(0.2)
Subsidiaries	**(5.5)**	16.0
Associate and joint ventures	**3.9**	3.5
	90.8	19.3

	Share premium account £m	Own shares held £m	Capital reserve unrealised £m	Capital reserve realised £m	Profit and loss £m	Total restated £m
Company						
Balance at 1 January 2004	336.0	–	992.2	577.2	137.0	2,042.4
Prior year adjustment (Note 1)	–	(5.2)	(113.9)	–	113.9	(5.2)
Restated balance	336.0	(5.2)	878.3	577.2	250.9	2,037.2
Profit for the year	–	–	–	–	92.4	92.4
Revaluation surplus realised on disposal	–	–	(16.7)	16.7	–	–
Revaluation surplus	–	–	174.7	–	–	174.7
Shares issued	3.1	–	–	–	–	3.1
Reserve transfer	–	–	1.8	(0.5)	(1.3)	–
Balance at 31 December 2004	339.1	(5.2)	1,038.1	593.4	342.0	2,307.4

As permitted by the Companies Act 1985, the profit and loss account of the parent company has not been presented separately in these financial statements. The profit for the year attributable to ordinary shareholders of the parent company is £159.4 million (2003 £62.3 million restated).

18 Commitments

	2004 £m	2003 £m
a) Capital expenditure commitments		
Property – United Kingdom	**36.6**	8.6
– Overseas	**147.5**	22.8
Utilities	**0.6**	0.3
Other activities	**17.3**	35.3
	202.0	67.0

b) Operating leases

At 31 December 2004 the Group had annual commitments in respect of operating leases relating to land and buildings as follows:

	2004 £m	2003 £m
Leases which expire:		
Within two to five years	**–**	1.4
After five years	**0.4**	0.4
	0.4	1.8

19 Provisions for liabilities and charges

	Pensions £m	Quail West £m	Deferred tax £m	Other liabilities £m	Total £m
Group					
Balance at 1 January 2004	1.2	20.8	182.3	1.3	205.6
Exchange movement	(0.1)	(1.4)	(1.1)	–	(2.6)
Charged/(credited) to profit and loss account	0.1	–	6.6	(0.7)	6.0
Unwinding of discount	–	0.5	–	–	0.5
Deferred tax liability acquired on acquisition of Ravenseft	–	–	4.1	–	4.1
Other	–	–	0.2	(0.3)	(0.1)
Paid	–	(1.9)	–	–	(1.9)
Balance at 31 December 2004	1.2	18.0	192.1	0.3	211.6

19 Provisions for liabilities and charges continued

	Pensions £m	Deferred tax £m	Total restated £m
Company			
Balance at 1 January 2004	0.2	139.5	139.7
Prior year adjustment (Note 1)	–	(99.6)	(99.6)
Restated balance	0.2	39.9	40.1
Charged/ (credited) to profit and loss account	0.3	(12.2)	(11.9)
Balance at 31 December 2004	0.5	27.7	28.2

Deferred tax relates to UK and overseas timing differences arising mainly from capital allowances on plant, industrial building allowances, overseas depreciation allowances on properties and interest capitalised and is provided at 30 per cent (2003 30 per cent) in the UK and at local rates overseas.

	Group		Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Deferred taxation consists of:				
Accelerated capital allowances	**59.7**	63.6	**–**	6.5
Overseas depreciation allowances	**52.9**	53.7	**–**	–
Interest capitalised	**69.5**	75.3	**11.3**	18.5
Tax losses	**(5.0)**	(13.9)	**–**	–
Deferred tax assets *	**(0.5)**	(0.5)	**–**	–
Acquired on acquisition	**4.1**	–	**–**	–
Other timing differences	**20.2**	14.9	**15.3**	13.6
Total deferred tax in respect of investment properties	**200.9**	193.1	**26.6**	38.6
Deferred tax asset in respect of Quail West *	**(13.1)**	(14.6)	**–**	–
Other deferred tax	**4.3**	3.8	**1.1**	1.3
	192.1	182.3	**27.7**	39.9

* The deferred tax assets at 31 December 2004 relate to the exceptional provision for Quail West and deferred costs in USA £0.5 million (2003 in Canada £0.5 million).

The Group has a commitment to support the ongoing activities at the residential leisure development at Quail West until the overall activity reaches a certain level, which is not expected to occur for a number of years. In accordance with UK GAAP, the Group has therefore recognised a provision for the estimated net liability arising from this commitment. The balance of the provision at 31 December 2004 amounted to £18.0 million (2003 £20.8 million). The most significant assumption in the determination of the provision is the rate of membership sales and the consequent timing of the release of the Group's commitment. The Group board is satisfied that the assumptions used to compute the provision are appropriate and will continue to review these at each balance sheet date. The provision is stated at present value. It will be amortised to the profit and loss account after allowing for the unwind of the discount used, on the basis of the actual losses incurred by the ongoing activities.

The other liabilities relate principally to provisions for onerous leases on rented properties and represent the estimated liability of future costs for lease rentals and dilapidation costs less the expected receipts from sub-letting these properties which are surplus to business requirements.

The estimated amount of potential taxation, for which no provision has been made and which would arise if the assets held as long-term investments were sold at the values at which they appear in the balance sheet, amounts to £176.5 million (2003 £129.5 million).

Notes to the financial statements continued

20 Borrowings

Borrowings falling due after one year	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Payable in more than five years:				
Secured:				
11.25 % first mortgage debenture 2019	**40.0**	40.0	**40.0**	40.0
Currency first mortgages on overseas properties:				
Canadian dollars from 6.8 % to 6.91 % to 2014	**–**	8.3	**–**	–
US dollars 6.71 % to 7.51 % 2013 to 2017	**40.4**	52.4	**–**	–
Euro mortgages 5.14 % to 6.36 % 2014 to 2016	**45.6**	46.2	**–**	–
Australian dollar project finance loan 2014	**45.4**	–	**–**	–
Unsecured:				
12.375 % loan stock 2009	**–**	31.9	**–**	31.9
7.125 % bonds 2010	**124.4**	124.3	**124.4**	124.3
11.625 % bonds 2012	**100.0**	100.0	**100.0**	100.0
6.25 % bonds 2015	**148.3**	148.1	**148.3**	148.1
10 % bonds 2017	**98.7**	98.6	**98.7**	98.6
7 % bonds 2022	**148.8**	148.8	**148.8**	148.8
6.75 % bonds 2024	**221.0**	220.8	**221.0**	220.8
8.09 % US dollar Notes 2015	**5.2**	5.6	**–**	–
8.0 % US dollar Notes 2012	**22.6**	24.3	**–**	–
7.94 % US dollar Notes 2010	**47.6**	51.0	**–**	–
9.27 % Canadian dollar Notes 2010	**10.9**	10.8	**–**	–
6.57 % US dollar Notes 2011	**52.0**	55.7	**–**	–
6.97 % US dollar Notes 2016	**52.0**	55.7	**–**	–
6.417 % Euro Notes 2011	**35.5**	35.2	**–**	–
Long-term loan 2010	**18.4**	19.0	**–**	–
	1,256.8	1,276.7	**881.2**	912.5
Exchange difference on currency swaps	**(2.6)**	(1.9)	**–**	–
Less instalments due in less than five years	**(51.7)**	(29.1)	**–**	–
	1,202.5	1,245.7	**881.2**	912.5

Payable by instalments in more than five years	**98.1**	96.8	**–**	–
Payable on final maturity date	**1,104.4**	1,148.9	**881.2**	912.5
	1,202.5	1,245.7	**881.2**	912.5

Wholly repayable between three and five years:				
Secured:				
US dollars 6.9 % 2007 first mortgage	**4.1**	4.5	**–**	–
Unsecured:				
7.58 % US dollar Notes 2007	**10.4**	11.2	**–**	–
7.84 % US dollar Notes 2008	**7.8**	8.3	**–**	–
10 % Bonds 2007	**50.0**	50.0	**50.0**	50.0
12.375 % loan stock 2009	**31.9**	–	**31.9**	–
Bank loans scheduled for renewal between three and five years	**327.9**	261.0	**234.3**	185.8
	432.1	335.0	**316.2**	235.8
Instalments due on longer dated borrowings	**42.0**	18.5	**–**	–
Less instalments due in less than three years	**(0.4)**	(0.4)	**–**	–
	473.7	353.1	**316.2**	235.8

20 Borrowings continued

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Repayable between one and two years:				
Unsecured:				
Bank loans scheduled for renewal in one to two years	**2.1**	–	**–**	–
Bank loans and overdrafts	**–**	25.4	**–**	14.4
	2.1	25.4	**–**	14.4
Exchange difference on currency swaps	**–**	(3.4)	**–**	(3.4)
Instalments due on longer dated borrowings	**5.2**	5.8	**–**	–
	7.3	27.8	–	11.0
Total repayable in more than one year	**1,683.5**	1,626.6	**1,197.4**	1,159.3
Borrowings falling due within one year				
Unsecured:				
8.09 % US dollar Notes 2004	**–**	8.4	**–**	–
Bank loans	**–**	6.0	**–**	–
Bank loans and overdrafts	**34.3**	20.9	**27.6**	5.1
	34.3	35.3	**27.6**	5.1
Instalments due on longer dated borrowings	**4.9**	5.2	**–**	–
Total repayable within one year	**39.2**	40.5	**27.6**	5.1

Financial instruments

This note contains disclosures as required under FRS13 (Derivatives and Other Financial Instruments: Disclosures) and should be read in conjunction with the objectives, policies and strategies set out in the Financial Review on pages 14 to 17 inclusive.

31 December 2004

Interest rate profile of Group debt	Total £m	Variable rate £m	Fixed rate £m	Weighted average fixed rate %	Weighted average fixed period Years
Borrowings					
Sterling	964.1	1.0	963.1	7.47	11.9
Australian dollars	47.9	47.9	–	–	–
US dollars	459.8	131.4	328.4	6.28	5.3
Euros	250.9	149.1	101.8	6.03	6.6
Total borrowings	1,722.7*	329.4	1,393.3	7.08	10.0
Cash and deposits					
Sterling	(200.4)	(200.4)	–		
US dollars	(178.9)	(178.9)	–		
Canadian dollars	(4.3)	(4.3)	–		
Euros	(13.8)	(13.8)	–		
Total cash and deposits	(397.4)	(397.4)	–		
Net borrowings	1,325.3	(68.0)	1,393.3		

* Derivatives included in above analysis.

US$150 million has been swapped from variable rate funding into fixed at 2.28 % to 2006.

£150 million of Sterling swapped from 6.75 % fixed to variable rate at LIBOR plus 1.0 %. Bank option to cancel on any rollover between 2005 and expiry in 2013. The LIBOR exposure is collared in a range of 4.5 % to 5.5 % to 2006.

£125 million swaption at banks' option to provide fixed rate funding at 5 % from 2010 to 2025. Banks pay premium of 0.52 % per annum until 2010 in this respect.

€26 million, amortising at €1 million per annum, swapped from variable rate funding into fixed rate funding at 5.68 % until 2010.

C$25 million at 9.27 % swapped into US$15.9 million to produce funding at 9.23 % fixed to 2010.

Variable rate borrowings attract interest at a margin over LIBOR or similar local benchmark. All cash is either on short-term deposit with banks or similar institutions. Any such bank or institution must hold at least an A1/P1 short-term credit rating. At 31 December 2004, £21.1 million of total cash was invested in AAA rated liquidity funds.

Notes to the financial statements continued

20 Borrowings continued

31 December 2003

Interest rate profile of Group debt	Total £m	Variable rate £m	Fixed rate £m	Weighted average fixed rate %	Weighted average fixed period Years
Borrowings					
Sterling	899.0	0.2	898.8	8.15	12.9
Australian dollars	34.2	34.2	–	–	–
US dollars	492.6	80.8	411.8	5.88	5.5
Canadian dollars	8.3	–	8.3	6.86	7.4
Euros	233.0	132.2	100.8	6.04	7.7
Total borrowings	1,667.1*	247.4	1,419.7	7.34	10.4
Cash and deposits					
Sterling	(120.2)	(120.2)	–		
US dollars	(9.0)	(9.0)	–		
Canadian dollars	(6.2)	(6.2)	–		
Euros	(23.9)	(23.9)	–		
Total cash and deposits	(159.3)	(159.3)	–		
Net borrowings	1,507.8	88.1	1,419.7		

* Derivatives included in the above analysis.

£31.1 million swapped into US$50 million to produce funding at 1.8325 % fixed to 2005.

£15.4 million swapped into US$25 million to produce funding at 1.9325 % fixed to 2005.

£17.2 million swapped into €26 million to produce funding at EURIBOR until 2005.

US$150 million has been swapped from variable rate funding into fixed at 2.28 % to 2006.

£150 million of Sterling swapped from 6.75 % fixed to variable rate at LIBOR plus 1.0%. Bank option to cancel on any rollover between 2004 and expiry in 2013. The LIBOR exposure is collared in a range of 4.5 % to 5.5 % to 2006.

£125 million swaption at banks' option to provide fixed rate funding at 5 % from 2010 to 2025. Banks pay premium of 0.52 % per annum until 2010 in this respect.

€7.4 million swapped from variable rate funding into fixed rate funding at 5.28 % until 2004.

€27 million, amortising at €1 million per annum, swapped from variable rate funding into fixed rate funding at 5.68 % until 2010.

C$25 million at 9.27 % swapped into US$15.9 million to produce funding at 9.23 % fixed to 2010.

Variable rate borrowings attract interest at a margin over LIBOR or similar local benchmark. All cash is either on short-term deposit with banks or similar institutions. Any such bank or institution must hold at least an A1/P1 short-term credit rating. At 31 December 2003, £19.6 million of total cash was invested in AAA rated liquidity funds.

	Group		Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Maturity profile of Group debt				
In one year or less	**39.2**	40.5	**27.6**	5.1
In more than one year but less than two	**7.3**	27.8	**–**	11.0
In more than two years but less than five	**473.7**	353.1	**316.2**	235.8
In more than five years but less than ten	**466.6**	488.7	**224.4**	256.2
In more than ten years	**735.9**	757.0	**656.8**	656.3
Total Group debt	**1,722.7**	1,667.1	**1,225.0**	1,164.4
Split between secured and unsecured borrowings				
Secured (on land and buildings)	**175.5**	151.4	**40.0**	40.0
Unsecured	**1,547.2**	1,515.7	**1,185.0**	1,124.4
	1,722.7	1,667.1	**1,225.0**	1,164.4

20 Borrowings continued

	Group 2004 £m	Group 2003 £m	Company 2004 £m	Company 2003 £m
Maturity profile of undrawn borrowing facilities				
In one year or less	**47.3**	67.5	**2.6**	4.8
In more than one year but less than two	**–**	8.6	**–**	5.6
In more than two years	**275.9**	288.1	**190.8**	238.0
Total available undrawn facilities	**323.2**	364.2	**193.4**	248.4

	Group Book value 2004 £m	Group Fair value 2004 £m	Group Book value 2003 £m	Group Fair value 2003 £m
Fair value of borrowings				
Short-term fixed and variable rate borrowings (before swaps etc.)	**426.0**	**426.0**	331.9	331.9
Long-term fixed rate borrowings	**1,299.3**	**1,520.5**	1,340.5	1,545.3
Interest rate swaps	**–**	**1.7**	–	2.0
Swaptions and caps	**–**	**4.3**	–	4.5
Currency swaps	**(2.6)**	**(3.3)**	(5.3)	(5.6)
	1,722.7	**1,949.2**	1,667.1	1,878.1
Tax relief due on early redemption/termination		**(68.0)**		(63.3)
	1,722.7	**1,881.2**	1,667.1	1,814.8
After tax mark to market adjustment		**158.5**		147.7
Fair value of other financial assets and liabilities				
Cash and deposits	**397.4**	**397.4**	159.3	159.3
Trading investments	**38.4**	**43.7**	107.3	111.9
	435.8	**441.1**	266.6	271.2
Related tax at 30 per cent (2003 30 per cent)		**(1.6)**		(1.4)
Fair value of other financial assets and liabilities after tax	**435.8**	**439.5**	266.6	269.8

Unrecognised gains and losses on instruments used for hedging and the movements therein are as follows:

	2004 £m	2003 £m
Unrecognised losses as at 1 January	**(0.9)**	(5.9)
Losses recognised in year	**(5.1)**	(3.8)
Gains arising in year	**3.3**	8.8
Unrecognised losses as at 31 December	**(2.7)**	(0.9)
of which:		
Gains expected to be recognised within one year	**0.2**	2.9
Losses expected to be recognised in more than one year	**(2.9)**	(3.8)

With the exception of cash and deposits none of the above financial assets are interest bearing. Short-term debtors and creditors have been excluded from these disclosures as permitted by Financial Reporting Standard 13. There are no material debtors or creditors due after more than one year.

The market value of the preference shares at 31 December 2004 was £282.2 million (2003 £233.6 million) and £249.6 million at 22 March 2005. This has already been included in the diluted net assets per ordinary share calculation in Note 10.

Fair values have been collated by either:
i) Obtaining the market price of tradable instruments.
ii) Obtaining indicative quotations from banks.
iii) Arriving at a net present value by using discounted cash flows.

Notes to the financial statements continued

21 Creditors – other

	Group 2004 £m	Group 2003 restated £m	Company 2004 £m	Company 2003 restated £m
Creditors falling due within one year				
Rents in advance	**38.8**	37.1	–	–
Accruals and other deferred income	**68.6**	56.9	**26.9**	24.9
Trade creditors	**10.6**	7.7	–	0.1
Other creditors	**22.3**	21.1	**1.3**	1.4
Taxation	**46.2**	14.3	**1.1**	3.9
Proposed ordinary dividend	**41.3**	38.4	**41.3**	38.4
Accrued preference dividend	**3.7**	3.8	**3.7**	3.8
	231.5	179.3	**74.3**	72.5
Creditors falling due after more than one year				
Loans from subsidiaries	**–**	–	**167.7**	70.2
Other creditors	**15.2**	9.5	**2.8**	2.8
	15.2	9.5	**170.5**	73.0

22 Notes to Group cash flow statement

	2004 £m	2003 restated £m
(1) Reconciliation of Group operating profit to net cash inflow from operating activities		
Group operating profit	**225.6**	175.4
Less other income reallocated	**(5.1)**	(2.4)
Add back depreciation	**4.5**	3.2
Add back exceptional provision against Quail West	–	37.9
Adjust for other non-cash items	**0.1**	1.6
	225.1	215.7
Other movements arising from operations:		
Decrease in stocks	**6.9**	3.0
Increase in debtors	**(31.0)**	(1.8)
Increase/(decrease) in creditors	**5.8**	(2.6)
Decrease in provision for liabilities and charges	**(1.9)**	–
Net cash inflow from operating activities	**204.9**	214.3

(2) Liquid resources

Liquid resources are term deposits of less than one year.

	Ordinary share capital £m	Share premium £m	Total £m
(3) Issue of shares			
Balance at 1 January 2004	104.4	336.0	440.4
Ordinary shares issued for non-cash consideration	0.2	0.3	0.5
Ordinary shares issued for cash	0.2	2.8	3.0
Balance at 31 December 2004	104.8	339.1	443.9

	2004 £m	2003 £m
(4) Reconciliation of net cash flow to movement in net debt		
Increase in cash in the year	**5.3**	20.1
Increase in debt	**(87.3)**	(118.3)
Increase in liquid resources	**230.6**	46.1
Change in net debt resulting from cash flows	**148.6**	(52.1)
Non-cash adjustment **	**2.1**	1.4
Translation difference	**31.8**	32.5
Movement in net debt in the year	**182.5**	(18.2)
Net debt at 1 January 2004	**(1,507.8)**	(1,489.6)
Net debt at 31 December 2004	**(1,325.3)**	(1,507.8)

** (see page 95)

22 Notes to Group cash flow statement continued

	At 1 Jan 2004 £m	Cash flow £m	Non-cash** adjustment £m	Exchange movement £m	At 31 Dec 2004 £m
(5) Analysis of net debt					
Cash in hand and at bank *	48.3	8.0		(0.5)	55.8
Overdrafts	(0.6)	(2.7)			(3.3)
		5.3			
Loan capital	(1,666.5)	(87.3)	2.1	32.3	(1,719.4)
Term deposits *	111.0	230.6			341.6
	(1,507.8)	148.6	2.1	31.8	(1,325.3)

* Cash and deposits per balance sheet.
** The non-cash adjustment relates to the movement in borrowing costs which are deducted from borrowings in the balance sheet and amortised to the profit and loss account over the term of the borrowings.

(6) Cash and deposits
On 29 October 2004 proceeds of £187.1 million from the sale of the Pfizer campus at Torrey Pines Science Center were deposited into various escrow accounts, to seek rollover tax relief by reinvesting the funds in property projects in the USA within the allowable six-month period. At 31 December 2004 cash balances held in escrow amounted to £175.9 million. The statutory reinvestment period expires on 27 April 2005, at which point the funds that have not been redeployed will be released from escrow and will become taxable in 2005.

23 Acquisitions and disposals

Acquisition
As part of an asset swap, the Group acquired Ravenseft Industrial Estates Ltd from Land Securities Group PLC on 15 December 2004 for £316.2 million. This has been accounted for using the acquisition method of accounting. Negative goodwill of £4.7 million, which arose on the acquisition as part of the asset swap, has been taken to the balance sheet under intangible assets. Details of the book value and the fair value of the assets and liabilities at the date of acquisition, after making the necessary adjustments, are summarised as follows:

	Book value £m	Fair value adjustment* £m	Fair value £m
Tangible assets – property	291.3	43.6	334.9
Debtors	8.4	–	8.4
Amounts owed to Land Securities	(10.4)	–	(10.4)
Creditors	(7.9)	–	(7.9)
Provisions for liabilities and charges	(4.1)	–	(4.1)
Total net assets acquired	277.3	43.6	320.9
Goodwill			(4.7)
Total consideration			316.2

Consideration paid is made up as follows:

	£m
Amount due from the disposal of the retail net assets (part of the asset swap)	72.1
Settlement of intercompany debt due to Slough group companies	262.5
Settlement of intercompany debt due to Land Securities	(10.4)
Other fixed asset acquired	(5.5)
Accrued consideration	(0.8)
Total of non-cash transactions	317.9
Cash settlement received from Land Securities	(3.4)
Consideration paid for net assets	314.5
Expenses paid	1.7
Total consideration	316.2

* Revaluation adjustment.

Due to the proximity of the Ravenseft Industrial Estates Ltd acquisition to the year end, fair value adjustments are provisional.

The summary results of Ravenseft Industrial Estates Ltd from the beginning of its financial year to the date of acquisition are as follows:

	1 April to 15 December 2004 £m
Turnover	**15.0**
Operating profit	**12.7**
Profit before tax	**17.0**
Taxation	**(4.9)**
Profit after tax attributable to shareholders	**12.1**

Notes to the financial statements continued

23 Acquisitions and disposals continued

The consolidated profit after tax for the previous financial year ending 31 March 2004 for Ravenseft Industrial Estates Ltd amounted to £30.0 million.

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

Disposal
The total net assets of the companies disposed of are summarised as follows:

	£m
Fixed assets – investment properties	184.5
– investment in joint venture	141.2
Other assets	0.2
Debtors	5.3
Amount due to Slough group companies	(262.5)
Creditors	(4.8)
Net assets disposed	63.9
Profit on disposal	7.1
Total consideration	71.0

Satisfied by

	£m
Assets acquired as part of the asset swap	314.5
Settlement of intercompany debt due to Land Securities	10.4
Settlement of intercompany debt due to Slough group companies	(262.5)
Amount due to Slough – accrued consideration	0.8
Other fixed asset acquired from Land Securities	5.5
Cash received	3.4
Expenses paid	(1.1)
	71.0

24 Pensions

The Group has continued to account for pensions under SSAP 24 and the disclosures given in (a) below are those required by that standard. FRS 17 Retirement Benefits was issued in November 2000 and requires certain transitional disclosures to be made in addition to the requirements of SSAP 24. These disclosures, to the extent that they are not given in (a), are set out in (b) below:

a) The Group operates a number of pension schemes throughout the world. Total pension costs for the Group were £4.1 million (2003 £3.9 million) of which £0.1 million (2003 £0.1 million) related to overseas schemes. Pension costs relating to overseas schemes have been determined in accordance with local practice.

The Group has two defined benefits schemes in the UK, the Slough Estates (1957) Pension Scheme (the 'Slough scheme') and the Bilton Group Pension Scheme (the 'Bilton scheme'). Their assets are held by trustees separately from the assets of the employer. Contributions to the schemes, which are assessed in accordance with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method of calculation, are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

As at 31 December 2004, the Group had a pension prepayment of £0.6 million (2003 £0.7 million) representing the unamortised cost of a £1.4 million cash contribution made in 1998 to eliminate the then calculated SSAP 24 deficit in the Slough scheme. This cost is being amortised to the profit and loss account on a straight-line basis and will be fully amortised by the year ended 31 December 2008.

The latest actuarial valuation of the Slough scheme, as at 31 March 2001, was carried out by William M Mercer. The scheme's assets were valued at market value. The assumptions used to calculate the liabilities of the scheme included investment returns 2.0 per cent per annum higher than the rate of annual salary increase and 2.25 per cent higher than the rate of increase in pensions. In order to calculate the contribution rate required, longer-term assumptions of investment returns 2.25 per cent per annum higher than the rate of annual salary increase were used. At the date of the latest valuation, the market value of the assets of the scheme was £42.4 million and the actuarial value of those assets represented 94 per cent of the benefits that had accrued to members, after allowing for assumed future increases in earnings. As a consequence, the company contribution rate was increased in 2001 by 6.08 per cent per annum to 24.97 per cent per annum.

The latest actuarial valuation of the Bilton scheme, as at 5 April 2001, was carried out by Hewitt Bacon & Woodrow. The assets of the scheme were valued at market value. The main assumptions used were investment returns 2.4 per cent per annum higher than the increase to pensions in payment and 2.4 per cent more than increases to pensions in deferment. At the valuation date the market value of the assets of the scheme was £23.8 million and the actuarial value of those assets represented 117 per cent of the benefits that had accrued to members, after allowing for expected future increases in earnings. The actuary has recommended that no contributions are required from Bilton p.l.c.

Hewitt have produced a draft triennial valuation of the Slough and Bilton pension schemes as at 31 March 2004 and 5 April 2004 respectively. As these actuarial valuations have not been finalised, their contents have not been disclosed in the financial statements as part of SSAP 24 disclosure requirements. The draft report for the Slough scheme indicates that the market value of the assets are £44.6 million and the actuarial value of those assets represented 61 per cent of the benefits that had accrued to members. The draft report of the Bilton scheme indicates that the market value of the assets are £20.6 million and the actuarial value of those assets represented 96 per cent of the benefits that had accrued to members. The company is currently in discussion with the trustees of the pension schemes as to how the deficits in both schemes will be financed.

The Group also has a number of defined contribution schemes in the UK and overseas. The total cost for these schemes for the period are fully expensed in the profit and loss account and amounted to £0.4 million (2003 £0.3 million).

24 Pensions continued

The Company has a funded unapproved pension arrangement (also known as a FURB) for one employee. This is a defined contribution arrangement. Contributions paid in the year ended 31 December 2004 amounted to £0.1 million (2003 £0.1 million).

There are two unfunded and unapproved pension scheme arrangements of a defined benefit nature.

Supplementary ex-gratia pensions of £0.2 million (2003 £0.2 million) were paid out of profits.

b) FRS 17 Retirement Benefits disclosures
The valuation of the Slough and Bilton schemes used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2001 for Slough and 5 April 2001 for Bilton and updated by Hewitt to take account of the requirements of FRS 17 in order to assess the liabilities of the schemes at 31 December 2004. The assets of both schemes are stated at their market value at 31 December 2004.

The projected unit method of valuation was used for both schemes and the financial assumptions used to calculate the schemes' liabilities under FRS 17 are as follows:

	Slough Scheme			Bilton Scheme		
At 31 December	**2004 %**	2003 %	2002 %	**2004 %**	2003 %	2002 %
Discount rate	**5.3**	5.4	5.5	**5.3**	5.4	5.5
Inflation rate	**2.9**	2.8	2.3	**2.9**	2.8	2.3
Increase to deferred benefits during deferment	**2.9**	2.8	2.3	**2.9**	2.8	2.3
Rate of increase to pensions in payment – pre 2003 pensions	**4.2**	4.2	4.2	**2.7**	2.7	2.4
– post 2003 pensions	**2.7**	2.7	2.4	**n/a**	n/a	n/a
Rate of increase in salaries	**4.9**	4.8	4.3	**n/a**	n/a	n/a

The assets in the Slough and Bilton schemes and the expected rates of return were:

	Rate of return expected			Fair value of assets		
	2004 %	2003 %	2002 %	**2004 £m**	2003 £m	2002 £m
Equities	**7.55**	7.80	7.52	**44.4**	39.2	33.8
Bonds	**4.75**	4.80	4.52	**25.3**	22.3	17.0
Other	**6.06**	6.48	6.41	**1.5**	2.7	4.0
Total market value of assets				**71.2**	64.2	54.8
Present value of schemes' liabilities				**(109.8)**	(91.8)	(81.7)
Deficit in the schemes				**(38.6)**	(27.6)	(26.9)
Less Bilton surplus which cannot be utilised				**(1.0)**	(1.2)	(0.8)
Gross pension liability				**(39.6)**	(28.8)	(27.7)
Related deferred tax asset				**11.9**	8.6	8.3
Net pension liability				**(27.7)**	(20.2)	(19.4)

If the above net pension liability (under FRS 17) had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 31 December 2004 would have been reduced by £28.3 million (2003 £20.2 million) including the pension prepayment of £0.6 million.

	2004 £m	2003 £m
Analysis of the amount that would have been charged/(credited) to operating profit		
Current service cost	**3.1**	2.8
Past service costs	**–**	(2.0)
	3.1	0.8
Analysis of the amount that would have been (charged)/credited to other finance (expense)/income		
Interest on pension liabilities	**(5.0)**	(4.4)
Expected return on schemes' assets	**4.4**	3.6
	(0.6)	(0.8)
Analysis of the amount that would have been recognised in the statement of Group total recognised gains and losses (STRGL)		
Actual return less expected return on assets	**1.1**	4.9
Experience gains and losses on liabilities	**6.2**	(0.1)
Changes in financial assumptions underlying the present value of the schemes' liabilities	**(17.9)**	(7.1)
Adjustment for unrecognisable loss	**0.4**	–
Actuarial loss recognised in STRGL	**(10.2)**	(2.3)

Notes to the financial statements continued

24 Pensions continued

	2004 £m	2003 £m
Movement in deficit during the year		
Deficit in scheme at 1 January	**(27.6)**	(26.9)
Current service cost	**(3.1)**	(2.8)
Contributions	**3.3**	3.2
Past service costs	**–**	2.0
Other finance expense	**(0.6)**	(0.8)
Actuarial loss	**(10.6)**	(2.3)
Deficit in scheme at 31 December	**(38.6)**	(27.6)

History of experience gains and (losses)	2004	2003	2002
Difference between the expected and the actual return on the schemes' assets			
Amount	**£1.1m**	£4.9m	(£14.8m)
Percentage of schemes' assets	**1.5%**	7.6%	26.9%
Experience gains and losses on the schemes' liabilities			
Amount	**£6.2m**	(£0.1m)	£0.3m
Percentage of the present value of the schemes' liabilities	**(5.6%)**	0.1%	0.4%
Effect of changes in assumptions underlying the present value of the schemes' liabilities			
Amount	**(£17.9m)**	(£7.1m)	(£5.6m)
Percentage of the present value of the schemes' liabilities	**16.3%**	7.7%	6.9%
Adjustment for unrecognisable loss	**£0.4m**	–	–
Total amount recognised in the Group statement of total recognised gains and losses			
Amount	**(£10.2m)**	(£2.3m)	(£20.1m)
Percentage of the present value of the schemes' liabilities	**9.3%**	2.5%	24.5%

Unfunded unapproved retirement benefit schemes (UURBS)

The Company has an UURBS for one employee, the Chief Executive. This arrangement is also defined benefit in nature. The calculation of the value of this unapproved benefit promise uses assumptions which are consistent with those used for the Slough Estates (1957) Pension Scheme. This arrangement has no assets backing the promised benefits.

	2004 £000	2003 £000
Present value of the UURBS liability	**(612)**	(224)
Related deferred tax asset	**184**	67
Net liability	**(428)**	(157)

The Company has an UURBS through Slough Estates USA Inc., for one employee. This is a US dollar denominated defined benefit arrangement. The calculation of the value of this unapproved benefit promise uses assumptions which are consistent with those used for the Slough Estates (1957) Pension Scheme and consistent with a US dollar denominated liability. This arrangement has no assets backing the promised benefits.

	2004 £000	2003 £000
Present value of the USA UURBS liability	**(977)**	(636)
Related deferred tax asset	**381**	248
Net liability	**(596)**	(388)

If the above net pension liabilities had been recognised in the financial statements, the Group's net assets and profit and loss reserve would have been reduced by £1.0 million (2003 £0.5 million).

	2004 £000	2003 £000
The amount that would have been charged to operating profit in respect of current service costs	**259**	201
The amount that would have been charged to other finance expense in respect of interest of pension scheme liabilities	**56**	6
Analysis of the amount that would have been recognised in the statement of Group total recognised gains and losses (STRGL):		
Experience gains/(losses) on liabilities	**(211)**	–
Changes in financial assumptions underlying the present value of the schemes liabilities	**(246)**	(17)
Actuarial loss for the year	**(457)**	(17)

24 Pensions continued

Movement in liabilities during the year is as follows:	2004 £000	2003 £000
Liabilities at 1 January	**860**	707
Exchange	**(43)**	(71)
Current service cost	**259**	201
Other finance expense	**56**	6
Actuarial loss	**457**	17
Liabilities at 31 December	**1,589**	860

History of experience gains and (losses)	2004	2003	2002
Experience gains and (losses) on the schemes' liabilities			
Amount	**(£211k)**	–	–
Percentage of the present value of the schemes' liabilities	**(13.3%)**	–	–
Effect of changes in assumptions underlying the present value of the schemes' liabilities			
Amount	**(£246k)**	(£17k)	–
Percentage of the present value of the schemes' liabilities	**(15.5%)**	(1.0%)	–
Total amount recognised in the Group statement of total recognised gains and losses			
Amount	**(£457k)**	(£17k)	–
Percentage of the present value of the schemes' liabilities	**(28.8%)**	(1.0%)	–

25 Contingent liabilities

The company has guaranteed loans and bank overdrafts of subsidiary companies aggregating £391.5 million (2003 £373.4 million). All loans and overdrafts so guaranteed are included in the consolidated balance sheet. The company has given performance guarantees to third parties amounting to £5.5 million (2003 £4.1 million) in respect of development contracts of subsidiary companies.

At 31 December 2004 Fibre Power (Slough) Limited, a wholly-owned subsidiary of the Group, was in commercial discussions with Amec Spareco (12) Limited regarding the contract to build a renewable energy power station. Amec Spareco (12) have lodged an £8.1 million claim for time delay and additional work they allege to have done in respect of the project. The directors of Fibre Power (Slough) Limited, having taken both legal and technical specialist's advice, do not accept this claim on the basis that the work referred to in the claim was covered by the original contract. It has also been rejected by the Independent Consulting Engineer who supervised the project. Furthermore Fibre Power (Slough) Limited has raised a counter claim for £6.6 million in respect of liquidated damages and extra work incurred because of the late delivery of the contract and poor initial fitness for purpose of the installation.

Five year financial results

	2004 £m	2003 restated £m	2002 restated £m	2001 restated £m	2000 restated £m
Group profit and loss account					
Property investment	**230.9**	223.1	216.9	212.3	196.7
Administration expenses	**(15.2)**	(14.0)	(14.9)	(13.2)	(12.9)
Share of operating profit from joint ventures and associate	**16.4**	15.1	14.8	13.9	14.0
Net interest	**(94.7)**	(88.5)	(76.5)	(77.9)	(78.2)
Core property income	**137.4**	135.7	140.3	135.1	119.6
Utilities – operating loss	**(4.1)**	(4.2)	(4.5)	(7.1)	(3.6)
Core income	**133.3**	131.5	135.8	128.0	116.0
Utilities – exceptional write-down	–	–	–	(60.2)	–
Property trading – operating	**7.1**	7.1	2.8	8.7	6.7
Share of operating (loss)/profit from trading property joint ventures	**(0.5)**	0.2	–	–	–
Property trading – exceptional provision	–	(37.9)	–	–	–
Oil and gas	**(3.1)**	(3.5)	(1.2)	(3.3)	0.7
Other income and non-property joint ventures	**10.0**	4.8	6.1	3.9	4.9
Profit/(loss) on sale of investment properties	**62.3**	1.6	(0.1)	(9.8)	0.6
Profit on ordinary activities before taxation	**209.1**	103.8	143.4	67.3	128.9
Group balance sheet					
Investment properties	**3,795.6**	3,563.9	3,632.6	3,514.2	3,463.8
Joint ventures and associate	**92.3**	209.3	188.7	174.7	191.8
Trading properties	**125.3**	121.6	144.9	134.0	105.0
Other assets (including negative goodwill)	**237.9**	205.9	168.7	166.6	203.0
Cash and deposits	**397.4**	159.3	93.9	175.9	36.9
Total assets	**4,648.5**	4,260.0	4,228.8	4,165.4	4,000.5
Borrowings	**(1,722.7)**	(1,667.1)	(1,583.5)	(1,541.1)	(1,344.5)
Other liabilities and minority interests	**(479.6)**	(416.8)	(404.5)	(387.7)	(386.7)
Shareholders' funds	**2,446.2**	2,176.1	2,240.8	2,236.6	2,269.3
Total return					
Profit attributable to ordinary shareholders	**157.8**	81.8	86.8	42.9	93.9
Capital surplus/(deficit)	**176.3**	(88.3)	(22.4)	(22.9)	260.3
	334.1	(6.5)	64.4	20.0	354.2

Data per ordinary share:

	2004	2003	2002	2001	2000
Revenue earnings					
Adjusted basic earnings per ordinary share	**29.0p**	27.6p	28.8p	27.6p	25.7p
Adjustments *	**8.8p**	(8.0p)	(7.9p)	(17.2p)	(2.9p)
Basic earnings per ordinary share	**37.8p**	19.6p	20.9p	10.4p	22.8p
Capital surplus/(deficit) per ordinary share	**42.3p**	(21.3p)	(5.4p)	(5.6p)	63.0p
Total return per ordinary share	**80.1p**	(1.7p)	15.5p	4.8p	85.8p
Total return per ordinary share as a percentage of opening basic net assets per share	**16.3%**	(0.3%)	3.1%	0.9%	19.4%
Dividends per ordinary share	**16.0p**	15.0p	14.0p	13.1p	12.1p
Net assets per ordinary share					
– Basic	**553p**	490p	506p	506p	514p
– Basic excluding FRS 19 deferred tax	**601p**	536p	551p	542p	553p
– Diluted	**521p**	464p	480p	479p	486p
– Diluted excluding FRS 19 deferred tax	**564p**	505p	519p	512p	520p

* The adjusted basic earnings per ordinary share is after having excluded the effects of profits and losses on the sale of investment properties net of tax and minority, Quail West exceptional provision in 2003, Utilities exceptional write-down in 2001 and FRS 19 deferred tax.

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Sir Nigel Mobbs

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J A N Heawood – UK Property
R D Kingston – Finance
M D Lees – North America

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P D Orchard-Lisle CBE, TD, DL – Deputy Chairman
Lord Blackwell
S L Howard
D Kramer
The Rt. Hon. Lord MacGregor of Pulham Market OBE
A W Palmer
C A Peacock

Secretary
J R Probert FCIS

Executive Committee
I D Coull – Chief Executive
J A N Heawood – UK Property
A S Gulliford – Director, Corporate Acquisitions
R D Kingston – Finance
J I Titford – Director of Human Resources
J R Probert – Group Secretary
MD Lees – North America

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G J Osborn – Regional Director, Thames Valley and West of England
M Wilson – Regional Director, South London and South of England
P A Redding – Regional Director, Heathrow and West London
J S Danks – Regional Director, North London and East of England
D A Arthur – Head of UK Business Support
R Bell – Head of Strategy
H E Rogers – Head of Design and Construction
J Pebworth – Managing Director, Slough Heat & Power
W Hens – Managing Director, Europe
S Hollings – Head of European Development
U Titz – General Manager, Germany
N Coessens – General Manager, Belgium
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