focused for growth
flexible business space

Slough Estates plc
Annual Report 2005

sloughestates international

Our vision is continuous improvement, ensuring that: investors understand us and are keen to invest; customers recommend us and want to expand with us; employees are proud of the Company and are encouraged to develop their skills; competitors respect us; and government and suppliers want to work with us.

Contents

Front Cover: Western Avenue, London. Office and warehousing space let to London Graphic Centre provides their Head Office and Distribution Centre.
Facing page: LG Electronics. Reception at 252 Bath Road (see page 29).

- The leading European provider of flexible business space
- 94% of assets in flexible business space
- Continuous change for continuous improvement
- Structural reshaping largely completed

Financial highlights

+22%
Net Asset Value

+34%
Earnings Per Share

+9.4%
Total Dividend for Year

	Year to 31 December 2005	2004 Restated	Change %
Diluted adjusted NAV per share*	680.4p	558.4p	up 21.8%
Profit before tax	£582.3m	£388.0m	up 50%
Adjusted profit before tax	£120.4m	£120.1m	–
Basic EPS	91.7p	68.5p	up 34%
Diluted adjusted EPS*	24.3p	24.4p	–
Total dividend	17.5p	16.0p	up 9.4%
Adjusted gearing*	62%	51%	up 11%
Loan to value ratio	42%	34%	up 8%
Equity shareholders' funds	£2,440m	£2,165m	up 18%
Total property portfolio – including share of joint ventures	£5,137.8m	£3,987.5m	up 29%

* For definitions of adjustments to reported numbers, see Glossary, page 136.

Group at a glance

UK

With assets of £3.6 billion, 1,353 customers and a rent roll of £193 million, Slough Estates' UK Business represents over 70 per cent of the Group by value. The strategy in the UK is to concentrate on providing flexible business space, particularly industrial and warehouse buildings, to a diverse range of customers. The team has increasingly focused on assembling a critical mass of property within its key areas of operation by developing or acquiring major estates, such as Heywood in Manchester and Woodside in Dunstable.
The same benefits are achieved by managing smaller multi-let estates as a single entity, to offer customers flexibility to expand their premises as well as providing efficient service delivery suited to their business needs.

Continental Europe

Slough Estates' approach in Continental Europe is to expand in strategic locations, with a focus on business centres in the logistics, suburban office and light industrial sectors. This expansion is achieved by leveraging and growing close customer relationships on a Pan-European level, and calling upon the experience of a management team of local nationals who understand their individual markets. Over the course of 2005, Continental European operations doubled in terms of geographical coverage, assets under management, land bank and personnel. Operations expanded in Germany and France and new operations were acquired in the target markets of the Netherlands, Poland, Hungary and the Czech Republic. In Germany, the strategy has been adapted to change from a niche trader to a long-term investor.

North America

Over the past three years Slough Estates has created substantial value for shareholders through the pursuit of development opportunities in the US life sciences industry. The Company's North American business is positioned to capitalise upon the growing demand for space from biotech companies, with a strategy in place to address the prudent management of risk. This strategy is based on: investment in major clusters of life sciences activity; construction of flexible, durable and adaptable industry facilities; and development of critical mass by providing facilities that can expand to meet clients' needs.

Slough Estates International Portfolio

	Gross Rental Income 2005* £m	Valuation at 31 December 2005 £m	Valuation Surplus £m	Total Property Return (ungeared) %	Initial Yield** %	Reversionary/ (over-rented) (including vacant space) %
UK						
Industrial	142.6	2,541.7	246.9	18.4	5.4	22.2
Office	30.4	489.0	48.5	17.9	6.5	2.1
Retail	10.6	216.9	28.4	21.2	4.8	12.3
Land	–	310.4	(2.4)	–	–	–
Total	**183.6**	**3,558.0**	**321.4**	**17.0**	**5.1**	**18.0**
Continental Europe						
Industrial	12.6	200.4	5.7	11.7	6.5	9.6
Office	8.2	132.4	2.0	9.1	6.7	16.9
Retail	1.1	15.0	2.3	28.7	7.8	–
Land/Work in progress	–	33.6	(1.4)	(4.4)	–	–
Total	**21.9**	**381.4**	**8.6**	**9.8**	**6.0**	**11.9**
North America						
Office/R&D	60.8	712.2	86.5	27.7	8.0	(5.2)
Land/Work in progress	–	224.8	41.0	28.6	–	–
Total	**60.8**	**937.0**	**127.5**	**28.0**	**6.1**	**(5.2)**
Group total* **	**266.3**	**4,876.4**	**457.5**	**19.1**	**5.3**	**12.9**

* Represents gross rental income receivable for the year, excluding exceptional lease surrenders and calculated under IFRS.
** Passing rent at 31 December 2005 as a percentage of property valuation, including vacant space and land.
*** Excludes joint ventures.

Investment portfolio*
By value, by location

Sector	%
UK	73
Europe	8
North America	19

Investment portfolio*
By value, by sector. Flexible business space 94%

Sector	%
Industrial	66
Office	14
R&D	14
Retail	6

* Includes share of joint ventures.

Chairman's statement

We have achieved excellent returns for shareholders in 2005. Significant progress has also been made in positioning the Company to meet the requirements of its long-term strategy and, as a result, I believe that the prospects for the future are as exciting now as they have been at any time in the Company's existence.

Paul Orchard-Lisle
Chairman

The headline figures are that in the 12-month period, the adjusted diluted net asset value of our property portfolio increased per share by 22 per cent to 680 pence while adjusted diluted earnings per share were at 24.3 pence. A resolution will be put in front of the Annual General Meeting that, if approved, would increase the total dividend for the year by 9.4 per cent over that paid in 2004.

Our expertise and focus is the creation, investment and management of good quality, flexible business space in the most sought-after trading locations. In pursuit of those objectives during the year, we have acquired assets in the UK, Continental Europe and North America while at the same time selling properties that we could not see performing in the future at the levels we require. Altogether, during 2005 we acquired more than 200 ha of land. Other notable acquisitions were at Heywood, Manchester, and Dunstable in the UK. Our drive to expand in Continental Europe led to our acquisition of a controlling interest in the very successful Mainland property development company in the Netherlands alongside the purchase of investment and development properties in Germany and the acquisition of two important new sites around Paris. In the US we have continued our very successful development programme in California, where highlights included the start of construction on Genentech's £191.3 million campus in South San Francisco, and the exercise by Amgen of an option for the construction of an 8,600 sq.m. office and laboratory facility, also in South San Francisco.

Just as important as acquisitions are lettings and sales. Highlights of our leasing programme included record UK lettings of 224,000 sq.m.

Looking forward, there is considerable potential to maximise the returns from the current portfolio while also moving ahead with our expansion programme. It is intrinsic that a property company such as ours takes its decisions ahead of the occupational market and particularly invests in areas of potential growth. Continental Europe will offer us many such opportunities and is likely to be a significant area for new investment by Slough Estates in the immediate future.

I see the introduction of REITs (Real Estate Investment Trusts) as a potentially attractive vehicle for investors, but they do not change the underlying requirement for skilled and imaginative managers. It would be foolish to believe that conversion into a REIT alone necessarily creates better long-term performance. The need to own the right assets and to have the right management team in place will continue. It is important to note that at the time of writing, key aspects of the REITs structure are not yet known.

Within the Company, and indeed for many people outside the Company, the second part of 2005 was over-shadowed by the illness and then tragically the death of Sir Nigel Mobbs. Many people have written and spoken about him in terms far more eloquent than mine. Even so I place on record our enormous debt to him for what he achieved at Slough Estates in laying the foundations for the growth that we are now enjoying. His leadership, his ability and his decisiveness created a wonderful working atmosphere within the Company and his companionship was invariably exhilarating. Finding his eventual long-term successor will not be an easy matter, but a search is in hand.

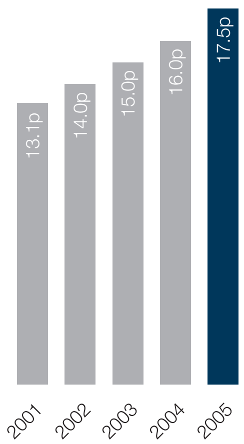
At the Annual General Meeting sadly we shall bid farewell to Lord MacGregor of Pulham Market who has been a director of the Company for eleven years. His ready grasp of the main issues confronting us, his chairmanship of our Audit Committee and his contribution to our debates in the boardroom have been exemplary. We shall miss him greatly. A new arrival on the Board is Mr Thom Wernink, a Dutch citizen who until recently was Chairman of the European Public Real Estate Association. As such he has a well-established reputation as one of the leading real estate experts in Continental Europe and I am confident that he will add materially to our discussions. We also welcome onto the Board David Sleath who became our Finance Director on 1 January, 2006 replacing Dick Kingston who has held that job for 10 years. Mr Kingston will continue on the Board as Chairman, Continental Europe. I pay tribute to Dick Kingston's achievements while he was our Finance Director. His steadying influence and meticulous attention to detail as well as his deep understanding of our business have been a strength to the Company.

Likewise, I acknowledge the unfailing hard work and perseverance of our staff in each country in which we are represented and at every level. The directors and the shareholders alike are fortunate to have their contributions.

Looking forward, it is clear that there will be many significant developments in the next few months. Our task is to use the assets, capabilities and reputation of the Company to enhance its performance to the benefit of both shareholders and other stakeholders. I believe that within the constraints of the economy and the market we are superbly positioned to do so.

Paul Orchard-Lisle
Chairman

Dividends per share
pence



2005 has been an exceptional year for the Company. We are now seeing significant benefits from the changes initiated in 2003.
Ian Coull
Chief Executive

Slough Estates International (SEI) has delivered a strong set of results, making good progress on a number of key objectives.

Our flexible business space focus is now firmly in place, representing 94 per cent of our portfolio. In markets showing little if any rental growth we have been very actively managing our assets for value, delivering a 22 per cent uplift in net asset value (NAV). We have grown our floor space by 34 per cent to over 4 million sq.m. under management and we are building on our position as the European leader in this specialised area of flexible business space. In 2005 SEI bought and sold £895 million of assets. Over a two-year period, SEI has been involved in approximately £1.8 billion worth of transactions. In 2005 we made major acquisitions in North America, the UK and in particular in Continental Europe, where by the end of the year we had doubled the size of our portfolio. By the end of 2005 our development pipeline had grown to 2.5 million sq.m., with an expected aggregate expenditure of some £2.6 billion, and we are well placed to realise its value potential.

The 22 per cent increase in NAV per share was driven not only by market yield compression but also by direct management input from the record level of lettings, from a valuation uplift in our development projects and from an uplift in the value of the assets acquired during the year. Heywood and Woodside alone delivered year-end valuation gains of almost eight per cent since the acquisition of the holding entities in mid-year. Similarly, the US acquisitions delivered almost 10 per cent of uplift since acquisition. Total returns on our UK industrial properties at 18.4 per cent were identical to the Investment Property Databank (IPD) industrial index. In 2005 we made good progress against our key target voids – such as the prime site taken by Research In Motion (BlackBerry®) on the Slough Trading Estate.

We report a profit before tax, excluding valuation gains and exceptionals of £120.4 million, unchanged on last year – reflecting the generally flat rental trends in 2005 and the disposals we made at the end of 2004. We delivered a record level of lettings of over 364,000 sq.m. and, although this was to some extent offset by space returned, in many cases space was brought back in order to create fresh redevelopment opportunities. The UK achieved significant progress with voids down from 12.1 per cent to 10.9 per cent.

A key differentiator for SEI is our major development programme and much of the vacancy we record therefore represents an opportunity to enhance value. Similarly, acquisitions of portfolios with voids will naturally increase our vacancy levels but, actually, represent a significant opportunity for us. Stripping out recent major acquisitions and completed development sites, the underlying SEI vacancy is down from 9.8 per cent to 8.1 per cent.

We have been actively managing our assets for value – locking in gains by making disposals (£136 million profit against book value in 2005) and reinvesting where there are greater opportunities. Our profit performance was achieved despite the loss of significant income from those assets sold as part of the recycling programme.

Strength in both NAV and profit resulted in total returns for the year of 24.8 per cent. Our strong financial performance, coupled with confidence in the future performance of the business, has led the Board to recommend a final dividend of 11p per share, making the total dividend for the year 17.5p per share, an increase of 9.4 per cent on 2004.

Outlook

2006 has got off to a good start. We have achieved 100,000 sq.m. of new lettings in Continental Europe and we have seen an early increase in the level of UK leasing activity leading to a further reduction in vacancy rates by the end of February. Whilst there has been some limited evidence that rental levels are edging up, we do not expect to see significant growth in market rentals in 2006. There is further evidence of yield compression in the early part of 2006 but the indications are that this is not likely to be as sustained as we experienced in 2005.

The recent dynamic pace of change continues. Our focused business model and our core areas of expertise leave us well positioned to generate strong levels of returns for investors. We are in good shape.

The portfolio

The Group's investment and development portfolio is summarised in the table below:

Good valuation surpluses were achieved in all regions, countries and asset classes. Particularly strong performances were delivered in the Slough Trading Estate and in North America – the latter building on several successive years of strong performance and the Slough Trading Estate benefiting from an improved product offer and a marketing re-launch.

Total returns of 18.4 per cent on our UK industrial properties were in line with the IPD industrial index.

Overview – UK

The portfolio in the UK is at the heart of our business and, although we are expanding our Continental European business, we expect the UK to remain the financial driver for the Group for the foreseeable future. The UK business performance has been flat for a few years, so we took the decision at the beginning of 2005 to significantly change the way we operated in the UK. We changed our in-house management structure from the previous functional reporting model and created six new, market-facing geographic regions, each headed by a Regional Director. This change has created a clear ownership of the value creation within each region and has ensured that business decisions are now taken on the basis of this overall value creation rather than on a narrower, functional basis. The new regional teams were created at the beginning of April and we believe that the excellent financial performance in the second half of the year was due substantially to the cultural change which has followed this restructuring. We expect to see more benefits emerging this year and beyond.

Focusing our portfolio

2005: 94% Flexible business space

Sector	%
Industrial	66
Suburban Office	14
R&D	14
Retail	6

	Gross Rental Income 2005* £m	Valuation at 31 December 2005 £m	Valuation Surplus £m	Total Property Return (ungeared) %	Initial Yield** %	Reversionary/ (over-rented) (including vacant space) %
UK						
Slough	73.4	1,313.1	145.8	19.5	5.3	14.1
South London & South of England	14.4	403.9	29.1	12.8	3.5	35.8
North London & East of England	21.5	472.0	33.4	14.4	4.9	27.5
Midlands	16.3	374.2	25.5	16.1	5.5	22.7
Heathrow & West London	29.6	552.0	54.2	17.7	4.9	15.5
Thames Valley & West of England	28.4	442.8	33.4	15.7	5.9	10.5
Total	183.6	3,558.0	321.4	17.0	5.1	18.0
Industrial	142.6	2,541.7	246.9	18.4	5.4	22.2
Office	30.4	489.0	48.5	17.9	6.5	2.1
Retail	10.6	216.9	28.4	21.2	4.8	12.3
Land	–	310.4	(2.4)	–	–	–
Total	183.6	3,558.0	321.4	17.0	5.1	18.0
Continental Europe						
Industrial	12.6	200.4	5.7	11.7	6.5	9.6
Office	8.2	132.4	2.0	9.1	6.7	16.9
Retail	1.1	15.0	2.3	28.7	7.8	–
Land/Work in progress	–	33.6	(1.4)	(4.4)	–	–
Total	21.9	381.4	8.6	9.8	6.0	11.9
North America						
Office/R&D	60.8	712.2	86.5	27.7	8.0	(5.2)
Land/Work in progress	–	224.8	41.0	28.6	–	–
Total	60.8	937.0	127.5	28.0	6.1	(5.2)
Group total***	266.3	4,876.4	457.5	19.1	5.3	12.9

* Represents gross rental income receivable for the year, excluding exceptional lease surrenders and calculated under IFRS.
** Passing rent at 31 December 2005 as a percentage of property valuation, including vacant space and land.
*** Excludes joint ventures.

The Slough Trading Estate is one of Europe's best known business facilities and is, we believe, the biggest single trading estate in private ownership in Europe. Over the last two years, we have recognised that the traditional industrial businesses which have been at the heart of the Slough Trading Estate are no longer in such profusion in the UK and we recognised that, if the Estate was to continue in its premier position in Europe, then it needed some radical re-thinking. Accordingly, in October we re-launched the Trading Estate with a new branding, underpinned by an improved service offering, and have launched a master-planning exercise designed to ensure that the Estate continues to develop by attracting contemporary business users in the future. We expect to see these positive changes directly reflected in the value of the Estate in the years ahead.

Major acquisitions in the UK notably included the holding entities owning Heywood and Woodside industrial parks. The UK also achieved a record 224,000 sq.m. of lettings in 2005.

The 50/50 joint venture HelioSlough was created in 2004 to provide us with access to the UK logistics market where we were under-represented. In its first full year of operating, it has succeeded in making a profit before tax of £0.6 million (SEI's share), which is ahead of plan.

We have been very successful in acquiring a number of new opportunities, and the prospects for HelioSlough in 2006 and beyond are very encouraging. The high level of post year-end activity has resulted in a £42 million of pre-funding agreement being secured for HelioSlough's 70,000 sq.m. speculative distribution facility at Nimbus Park, near Doncaster.

Overview – Continental Europe

At the Interims in 2004, we announced that we planned to significantly expand our operations in Continental Europe. We have had development and investment programmes in Belgium, France and Germany for over 40 years and we have built up an enviable reputation in those markets. We are now building on this market position, both within those countries by expanding out of the core areas in which we have operated previously and also by moving into new countries.

We believe that there is an appetite with both investors and occupiers for a pan-European business space provider. We are already building up strong relationships with a number of international businesses who want support in developing across international boundaries and we believe that there are many multi-national organisations who want to enter into partnership arrangements to deliver their space requirements.

During the year we made two significant corporate acquisitions which are helping us to deliver our vision. In July we acquired 60 per cent of Mainland BV which is a Netherlands-based development company, specialising in the light industrial and suburban office market around Amsterdam's Schiphol airport. The acquisition not only brought substantial development opportunities for around 100,000 sq.m. of new business accommodation but, also, an established and well respected team of professionals whom we have now embraced into the Slough family. Our relationship with Jelle Kuiper – who owned the business and retains the other 40 per cent of the company – is very strong and we could exercise our option to acquire the balance of 40 per cent at an appropriate time as the business develops.

In December we acquired the Central European development arm of a Dutch engineering company, Grontmij, and as a result have secured development opportunities in a number of new countries in Central Europe. We are now represented in Poland, the Czech Republic and Hungary and we also have options for development sites in northern Italy and Hungary. As well as the 80 ha that we have acquired, we have been joined by an excellent team of professionals who all know the markets in which they operate and who have been swiftly integrated into the Group. We are optimistic about achieving good performance in these new territories – as evidenced already in 2006 by the pre-let to a major US company of a 43,000 sq.m. distribution and manufacturing facility.

Meanwhile our organic programme has also accelerated and we have acquired some outstanding new opportunities around Paris, at Schiphol Airport in the Netherlands and a large portfolio of logistics and office facilities from the retailer KarstadtQuelle in Germany. The latter provides a powerful combination of a significant revenue stream and major development opportunity – a combination which we believe few of the other potential bidders were in a position to unlock.

Overview – North America

Over the last 10 years we have developed a real expertise in the health science market in California and we are undoubtedly the leading developer in the sector. In October 2005 we organised a trip for investors and analysts to see our US operation. The purpose was to highlight the excellent quality of our local portfolio, the development pipeline, our people and also of our customers. The feedback we received clearly indicated that this was a very worthwhile trip and that this business is now much better understood.

Health science is now a mature industry and, as a result of consolidation over the last few years, we find ourselves with some of the biggest corporations in the world as our customers.

In 2005 construction started on the first phase of the 73,000 sq.m., £191.3 million campus we are developing for Genentech – currently on target for completion during 2006.

We will continue to exploit the outstanding pipeline of development sites that we have in the Bay Area of San Francisco and in San Diego. In 2005 two major new sites were acquired for £168 million at Shoreline and Seaport in the Bay Area.

We have been selling all of the activities in the US outside our Californian health science core and we have been successful in hitting markets at the right time. During the year we sold the leisure and residential complex in Florida, known as Quail West, and we also sold our holding in the Tipperary Oil and Gas Company. Both of these disposals produced substantial profits over book value.

Strength of rental income profile

SEI has an excellent spread of customers, including many blue chip clients, but with no major exposure to any one customer and a particularly resilient lease expiry and break profile. The weighted average lease expiry before breaks is 11.4 years, 10.1 years including breaks (note the basis of calculation here is the weighted average calculated by value of annual contracted rent per year and includes pre-let developments and pre-contracted rents).

The number of tenants occupying property throughout the Group increased by 5.7 per cent to 1,639, with the top 10 representing 21 per cent of income and the top 20 representing 28 per cent of income. 91 per cent of income is secured for five years, 57 per cent for 10 years. If all breaks were exercised these percentages would only drop to 81 per cent and 49 per cent for five and 10 years, respectively.

In terms of UK occupational markets, the tenant profile is diversified with the largest industry sectors represented being Telecommunications Media & Technology (25 per cent), Engineering & Machinery (16 per cent), Food Producers, Beverages & Household Goods (12 per cent) and Retailers (11 per cent). No other single sector represented more than 10 per cent.

Information on current rent passing, upcoming rent reviews, expiries and breaks can be found in the Finance Director's review on page 12.

Lettings Analysis

	Area 000's sq.m.	Rent* pa £m
UK		
Vacant let first time	25.6	4.2
New construction 2005	16.4	1.8
Existing vacant	146.9	9.0
Licenses	35.2	0.8
Total UK	224.2	15.8
Continental Europe **	107.4	9.7
North America	32.8	3.1
Group total	364.4	28.6

* Annual passing rent in first full year excluding rent free periods.
** Includes sale and leaseback transactions with KarstadtQuelle and Alstom.

Vacancy Analysis

Occupancy rates – Headline (basis** as per interims 2005)	2005 %	2004 %
UK	89.1	87.9
Continental Europe	87.7	87.9
(Continental Europe – excluding trading properties)	92.9	94.2
US	80.5	86.2
SEI total	87.8	87.7

Analysis of UK Occupancy rates		
Recent acquisitions (Heywood, Woodside, Land Securities)	85.0	77.5
Completed development sites (less than 18 months)	54.3	43.6
Underlying* UK Portfolio Occupancy rates	91.9	90.2

* Excluding recent acquisitions and completed development sites (less than 18 months).
** Treating former Land Securities properties as vacant.

Record levels of lettings in the UK improved overall occupancy levels from 87.9 per cent to 89.1 per cent with the Slough Trading Estate and the Thames Valley & West of England regions showing the best progress.

An important driver of SEI's performance is its development programme – consequently much of its vacancy level actually represents an opportunity. The majority of the vacancy increase in the US relates to the acquisitions of Shoreline and Seaport. Similarly, if the UK vacancy position is adjusted to exclude recent major acquisitions and completed development sites, the underlying UK vacancy figure for 2005 becomes 8.1 per cent compared to 9.8 per cent for 2004. 8.1 per cent is a reasonable level at this stage of the cycle to allow for the management of both the demand for new space and for the flexibility to relocate tenants as required.

In 2006 the Continental European businesses have achieved major letting successes in a series of post-balance sheet transactions – including SEI's largest ever letting in Continental Europe with a 43,000 sq.m. bespoke building transaction in the newly-acquired business in Poland.

Acquisitions and disposals

In 2005 SEI made £597 million of acquisitions and £187 million of property disposals (including Quail West) – plus a further £111 million from the sale of non-core Tipperary which generated a profit of £100 million against book value. These included important strategic moves with the £279 million acquisition of holding entities owning Woodside and Heywood in Dunstable and Manchester – two of the largest industrial parks in the UK, the £168 million acquisition of major bio-tech sites for SEI's strong specialist operations in California and the acquisition of a large portfolio of both investment and development properties from retailer KarstadtQuelle in Germany (£58 million in 2005 – parts of the deal completed after the year-end). With the acquisition of the holding entities owning Woodside and Heywood, SEI now owns five of the largest industrial estates in the UK. The major 2005 acquisitions have delivered significant year-end valuation uplifts against acquisition prices.

In addition to these strategic moves, SEI continued with its active asset recycling programme across the board – crystallising value on sites where the Company's ability to add further value was outweighed by opportunities elsewhere in the portfolio or by new acquisition opportunities. This programme resulted in significant disposals at Elstree (£49 million), Heston (£10 million) and two sites at Pleasanton, California (£29 million and £8 million) and acquisitions in Feltham (£11 million), Alstom – near Paris (£17 million), and Carlsbad – in California (£20 million).

Just before the end of 2005 we concluded a further strategic move in Continental Europe, with SEI's first expansion into Central Europe via a €19.1 million acquisition from the engineering company Grontmij. These properties in Poland, the Czech Republic and Hungary all provide excellent development potential at strategic locations well placed for logistics projects. In early 2006 SEI also completed the remaining elements of the KarstadtQuelle deal announced but not concluded in 2005.

Post year-end activity in the UK also demonstrates our increasingly flexible approach with the announcement of a proposed sale of land at Farnborough Business Park to the De Vere Group for the development of a hotel, designed to enhance the comprehensive offer and the overall attractiveness of the 50 ha park to its occupiers.

Development programme

An important driver of SEI's performance is the development programme. We completed 143,000 sq.m. of projects during 2005, of which 45 per cent has been let, and at 31 December we had 123,000 sq.m. under construction, of which 71 per cent has been let.

The total "pipeline" of 2.5 million sq.m. of current and potential developments, with a built-out cost in the order of £2.6 billion represents a major opportunity to generate superior returns for investors.

The overall development pipeline as at 31 December 2005 is summarised in the table below.

In the UK over the course of 2005 we saw a good level of take up for our core product of flexible business space. The year was a letting record in terms of numbers, volume, floor space and rental income secured. After a low level of activity in previous years, occupiers are now starting to reassess their future space requirements and are becoming more confident about updating their property portfolios. There is a particular interest in occupying new and modern premises, which reflect an appropriate image to both customers and employees. As a result we have committed to increasing our continuing programme of speculative development in the UK.

Our success in pre-letting ranges from the 47,000 sq.m. complex under development for Thales at Crawley (by floor space our largest UK letting ever), to the small premises built for Bradford Builders Merchants at Weston-super-Mare.

The majority of letting transactions in 2005 (63 per cent), and in previous years, were in respect of buildings provided in anticipation of future requirements, on a speculative basis. While we are targeting increasing proportions of pre-let accommodation, we recognise that going forward it will continue to be advantageous to provide a range of new flexible business accommodation designed to suit the most diverse range of potential customers.

In Continental Europe we significantly increased our land bank over the course of 2005 and by the end of the year, held 206 ha across the seven European countries. This land bank provides a significant development pipeline in the target suburban markets across Europe. Notably we have high profile developments in each of our core markets at Pegasus Park next to Brussels International

	Space to be built 000's sq.m.	Land area ha	Current Book Value £m	Future spend £m	Estimated Total Spend £m	ERV £m
Investment properties						
Work in progress	125	18	227	122	350	33
Future developments	1,080	224	490	1,149	1,638	143
Total	1,205	242	717	1,271	1,988	176
						Development Profit £m
Trading properties						
Work in progress	–	–	–	–	–	–
Future developments	1,336	274	117	534	651	86
Total	1,336	274	117	534	651	86
Group total	2,541	516	834	1,805	2,639	

Note: Space to be built and land area includes joint ventures on a 100 per cent basis. All financial figures are estimates and subject to change. These amounts include the Group's developments plus its share of joint ventures' projects. Estimated total spend comprises current value plus all future expenditure including capitalised interest. Future developments include development of bare land and redevelopment of existing buildings – some of which are currently income producing.

Airport, the 17 ha De Hoek scheme opposite Schiphol Airport, Amsterdam, the Portes de France suburban office scheme next to the Stade de France in St Denis, the Alzenau logistics park in Germany, Tulipan Park next to Prague Airport in the Czech Republic and at Strykow in Poland. These international projects are supported by a tier of schemes targeted at their respective domestic markets which complement the existing investment portfolio; such as the Carré des Aviateurs scheme and the Alstom project, both to the north of Paris, and the Zellik and Zaventem projects in the periphery of Brussels, Belgium.

Over the course of the year our German operations have expanded from providing a concentration of business park developments in the Düsseldorf and Frankfurt suburban markets to – through our acquisition of the KarstadtQuelle AG portfolio – holding assets and potential schemes in most of the large business centres across the country. We believe that the time was right to make this move in Germany – given the improving market conditions and the excellent opportunities we had secured. In Central Europe, our development pipeline in Poland is mainly provided by three projects; the largest of which is a 61 ha logistics/business park adjacent to the new motorway at Strykow in central Poland. In the Czech Republic we have a six ha scheme next to Prague Airport and there is a nine ha scheme in Budapest, Hungary.

In North America in December 2004 we completed a master lease with Genentech to develop a £191.3 million, eight-building 73,000 sq.m. campus on our Britannia East Grand site in South San Francisco, California. In 2005 construction started on the four-building, 42,000 sq.m., Phase I component which is on target for completion during 2006. The Phase II component, consisting of four buildings totalling 31,000 sq.m., will commence construction during 2006.

We also completed, in mid 2005, Phase I of our unique, modular lab facility in South San Francisco. This pioneering 6,000 sq.m. life sciences facility, featuring flexible 460 and 930 sq.m. laboratory units, was the product of two years planning and design and is targeted at small biotech companies requiring small laboratories on flexible lease terms. We developed the modular lab concept in order to cater for smaller life sciences companies requiring sophisticated laboratory facilities for relatively short periods of time. We believe this investment will also provide access to life sciences companies at the smaller end of the scale, to develop relationships and to capture opportunities for future expansion. A Phase II project of 5,800 sq.m., adjacent to the initial facility and featuring four 1,400 sq.m. units, commenced construction during the year and is scheduled for completion in mid 2006.

In October 2005, Amgen exercised an option to commence construction of a further building at Britannia Oyster Point, South San Francisco. The 8,600 sq.m. office/laboratory facility is now under construction and is scheduled for completion and occupancy in January 2007.

We are encouraged by the level of enquiries for life sciences facilities in the Bay Area and San Diego County and are confident that additional development and acquisition transactions will take place during 2006 and beyond.

REITS

SEI has been carefully studying developments with regard to the possible introduction of real estate investment trusts in the UK and has played a leading role in the industry-wide consultation undertaken by the UK Government. We are generally supportive and positive about recent developments in this area but many important details are still to be resolved and we do not yet know key aspects of the structures which the government will implement. These areas include the interest cover test, the 10 per cent shareholding limit, the treatment of international subsidiaries and the conversion charge. We await future developments with interest.

Property markets and outlook – by geography

In the UK to the end of February 2006 we have let 29,000 sq.m. of space – giving an additional £2.2 million of income and leading to a further reduction in vacancy levels. The level of take up of the core product – evidenced by the number of transactions and the level of rent secured – has encouraged us to plan for an increase in development starts in 2006; we are currently planning to commence 568,000 sq.m. of construction, eight per cent of which is already pre-let. We anticipate that in 2006 more companies will review their property needs and our plan is to be in a position to satisfy those requirements and to deliver a standard of service that will encourage even greater customer loyalty.

In Continental Europe we believe that the investment market will become more competitive. Our rare position as both an investor and developer can give us a significant competitive advantage when sellers want to sell both types of assets to one purchaser – as evidenced in the acquisition of the KarstadtQuelle portfolio in Germany. In 2006 we aim to bring together the individual country operations under a single, enhanced European presence and to fully integrate our recent corporate acquisitions into the existing network – increasingly we are leveraging and growing customer relationships on a pan-European basis.

In the US we aim to build on the substantial value creation of the last three years through the further pursuit of both new and existing development opportunities in the same specialised market in the Bay Area and in San Diego County. Building on a productive and rewarding year in 2005, more initiatives are in the pipeline and will generate attractive development and investment opportunities during 2006 and beyond. We aim to further reduce our core vacancy through leasing and development of pre-leased product.

Ian Coull
Chief Executive

We have delivered a strong set of financial results, with a total return of 24.8 per cent and diluted net asset value up 22 per cent per share. With a comfortable gearing level of 62 per cent, available funds of over £700 million, and a substantial development pipeline of 2.5m sq.m., we are well positioned for further growth.

David Sleath
Finance Director

International Financial Reporting Standards
The Group adopted International Financial Reporting Standards (IFRS) with effect from 1 January 2005 and summary financial statements for 2004 presented under IFRS were issued on 13 July 2005, complete with reconciliations to, and explanations of the differences from, the previously published figures prepared in accordance with UK GAAP. These documents are available on the Group's website, www.sloughestates.com.

Income Statement
Adjusted profit before tax
The published IFRS Income Statement includes the revaluation surplus on investment properties and a number of exceptional gains and losses. The directors consider it helpful for shareholders to show an additional presentation of the income statement which separately highlights such items. Accordingly, the adjusted profit before tax shown below has been arrived at by following the EPRA Best Practices Policy Recommendations (January 2006) and by making other adjustments to exclude exceptional gains and losses not related to the Group's underlying property activities, as follows:

	Year ended 31 December 2005 £m	2004 £m
Net rental income from investment properties	221.2	225.0
Net income from trading properties	9.7	6.8
Net loss from utilities and gas	(0.9)	(7.4)
Other investment income	5.5	6.1
Administration expenses	(20.7)	(14.7)
Share of joint ventures' profits before tax & valuation gains	6.2	12.7
Operating income	221.0	228.5
Net finance costs	(100.6)	(108.4)
Adjusted profit before tax	120.4	120.1
Revaluation gains on investment properties (including joint ventures)	419.6	182.1
Exceptional lease surrender premiums	36.4	7.5
Profit on sale of non-current assets	20.3	64.7
Profit on sale of gas interests	99.7	4.4
Profit on sale of Quail West	16.1	–
Cost of bond refinancing	(126.0)	–
Net losses on derivatives	(1.0)	–
Tax in joint ventures & associate	(3.2)	(4.0)
Notional finance charge in respect of preference shares	–	13.2
Reported profit before tax per Income Statement	582.3	388.0

Adjusted profits before tax for the year were unchanged at £120.4 million (2004: £120.1 million). This mainly reflects a reduction in net rental income following the sale of the Pfizer campus in the US at the end of 2004 and a lower contribution from joint ventures following the sale of retail assets, also in 2004. Offsetting these factors was a significant turnaround in the performance of Slough Heath & Power (utilities) and a reduction in finance costs, following the bond refinancing earlier in 2005.

Net rental income
Reflecting the 2004 disposals referred to above, total net rental income for the year, including rents from trading properties and the Group's share of joint ventures' rental income, but excluding exceptional surrender premiums, reduced by 5.0 per cent from £244.4 million to £232.5 million, comprised as follows:

	Year ended 31 December 2005 £m	2004 £m
Rental income from investment properties	289.1	259.1
Less exceptional surrender premiums	(36.4)	(7.5)
	252.7	251.6
Property operating costs less recharges to tenants and other property income	(31.5)	(26.6)
Net rental income from investment properties	221.2	225.0
Net rental income from trading properties	2.7	3.1
Share of net rental income of joint ventures	8.6	16.3
Total net rental income	232.5	244.4

Total surrender premiums of £42.7 million (2004: £11.7 million) were unusually high in 2005 as a result of £36.4 million received from Pfizer in January 2005 to buy-out of its obligations in respect of the Sugen campus in South San Francisco; all of the space surrendered by Pfizer was subsequently re-let and is now fully occupied. In the year ended 31 December 2004 a premium of £7.5 million was received from Cubist in connection with 252 Bath Road, Slough; this space has also since been fully re-let. Due to their magnitude, the Pfizer and Cubist premiums have been excluded from adjusted profit before tax. The directors believe this treatment, which differs from that adopted for the 2005 Interim Results, provides a clearer picture of the underlying performance of the business.

The increase in property operating costs was mainly attributable to the non-recovery of property outgoings on vacant buildings, property taxes and costs associated with properties acquired in the year.

The movement in underlying net rental income is analysed in the table below:

	£m
Net rental income – 2004	244.4
Pfizer sale & Pfizer/Sugen space surrendered	(14.3)
Other space returned	(9.2)
Other disposals (Group £18.5m, JV's £7.8m)	(26.3)
Acquisitions	28.9
New lettings, rent reviews & other	14.5
Increase in property operating expenses, net of recoveries	(4.9)
Other including rent averaging	(0.6)
Net rental income – 2005	232.5

The current passing rent of the Group's property portfolio at 31 December 2005, including 100 per cent of joint ventures and trading properties, was £288 million and the profile of future rents passing allowing for contracted rents on pre-let developments and the loss of rents from lease expiries and potential breaks is as follows:

Contracted rents at 31 December 2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m
Ignoring break clauses 288	279	276	282	268	256
Assuming all breaks exercised 288	270	263	260	244	229

The profile of rent reviews, expiries, potential breaks and contracted rents from pre-let developments yet to be completed, and other recent lettings where the customer has yet to take up occupation is as follows:

	2006 £m	2007 £m	2008 £m
Current rent passing subject to:			
– Rent reviews	22	27	42
– Lease expiries	10	9	8
– Potential breaks	9	4	9
Contracted additional rent (cumulative)	5	11	24

In addition to the above, the Group has significant potential to grow its rental income through letting existing vacant space and through building out the development pipeline. The total potential rental income which could be generated from the development pipeline (including the amounts shown above in respect of pre-lettings already agreed) amounts to approximately £176 million in respect of investment property developments, although it may take several years before the potential developments could be fully built and let. In some cases where redevelopments of existing properties are planned, there would be a loss of existing income in order to generate the redevelopment opportunity.

The reversionary potential of the investment portfolio at 31 December 2005 was as follows:

Reversion to ERV	On occupied properties £m	On vacant properties £m
UK – Industrial	8.3	22.3
– Offices	(5.0)	6.8
– Retail	0.9	0.4
North America	(13.0)	10.0
Continental Europe	(0.5)	3.3
	(9.3)	42.8

Property trading

Net income from property trading activities increased by £2.9 million to £9.7 million (2004: £6.8 million), reflecting the net rental income shown above plus profits from the sale of trading properties of £7.0 million (2004: £3.7 million) which included £4.5 million relating to the sale of the Group's Avenue Kléber development in Paris.

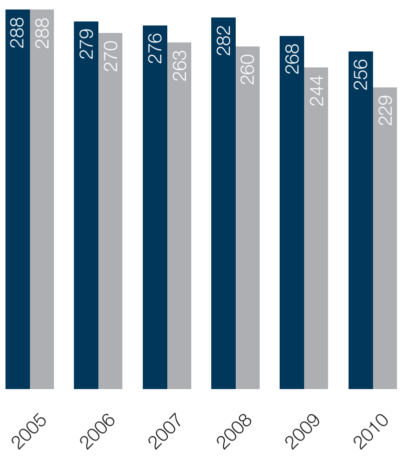
Also included within property trading activities in the Income Statement is an amount of £16.1 million representing the gain on disposal of the Group's interest in the Quail West leisure development in Naples, Florida. This was sold in April 2005 and, for presentational purposes, the gain has been excluded from adjusted profit before tax.

Utilities and Gas

Following several difficult years at Slough Heat & Power, the business showed a significant improvement in performance in 2005, turning an operating loss of £4.1 million in 2004 into an operating profit of £1.2 million in 2005. This was a result of the management changes introduced at the end of 2004, the subsequent implementation of plant operating improvements and stronger market conditions for energy trading and for the trading of carbon emission credits and renewable energy certificates.

The net loss from gas activities amounted to £2.2 million (2004: £3.3 million) and represents the Group's share of the operating losses of Tipperary Corporation up to July 2005, when the Group disposed of its interests in that company. The Group's interests in

Secured rental income (£)



Total contracted rent before breaks

Total contracted rent assuming breaks exercised

Tipperary Corporation were sold for £110.5 million ($197.6 million) giving rise to a net profit on sale of £99.7 million.

Other income
Other income represents the Group's share of realisations from available-for-sale investments, principally comprising holdings in venture capital funds and warrants received from certain tenants in the US. At 31 December 2005, the Group had available-for-sale investments recorded at fair value amounting to £54.7 million, with a remaining commitment to invest further funds of £10.5 million.

Administration expenses
Administration expenses included a number of one-off costs associated with the implementation of IFRS, pensions advice and additional staff and related costs associated with the refocusing and growth of the Group's activities.

Net income from joint ventures
The Group's share of net income from joint ventures reduced from £12.7 million in 2004 to £6.2 million in 2005. This is attributable to the sale of retail assets to Land Securities at the end of 2004 since a number of the Group's former retail assets were held in joint ventures.

Net finance costs
Adjusted net finance costs for the year, excluding the exceptional cost of the bond refinancing and gains and losses on derivatives, are comprised as follows:

	Year ended 31 December 2005 £m	2004 £m
Interest on overdrafts & loans	116.9	115.7
Interest on convertible preference shares[1]	13.2	13.2
Interest receivable	(9.9)	(6.7)
Other net (income)/expense	(0.5)	2.2
Net finance costs before capitalisation	119.7	124.4
Less amounts capitalised in respect of development activities	(19.1)	(16.0)
Adjusted net finance costs before mark-to-market adjustment of derivatives and costs of bond refinancing	100.6	108.4

[1] In accordance with IAS 32 & 39, with effect from 1 January 2005, the Group's convertible redeemable preference shares are classified as borrowings and preference dividends are replaced by a financing charge recorded within finance costs. In order to aid comparability between the two years, a notional finance charge of £13.2 million has been included in the comparative amounts shown above for 2004.

Interest costs before capitalisation benefited in the second half of the year by approximately £5 million as a result of the bond refinancing undertaken in June. On a like-for-like basis, therefore, net interest costs were broadly unchanged.

Exceptional items and valuation gains and losses
Under IFRS, revaluation gains on investment properties are included within the Income Statement and the equivalent items in respect of our joint venture companies are included within the Group's share of results of such entities. As recommended by EPRA, such valuation gains have been excluded from adjusted profits before tax.

Similarly, the £22.2 million (2004: £64.7 million) gain on the sale of investment properties is excluded from adjusted earnings, as is the gain arising on the disposal of the Group's interests in Tipperary Corporation and the surplus on the disposal of the Group's residential leisure development at Quail West, Florida. While the latter property was classified as a trading activity, it was not part of the core business and, accordingly, the profit on disposal of that asset is excluded from our underlying performance measures.

Details of the exceptional cost of the bond refinancing and the net losses on derivatives are provided in 'Financing' on page 17.

Taxation
The tax charge for the year can be analysed as follows:

	Year ended 31 December 2005 £m	2005 %	2004 £m	2004 %
Underlying tax charge on adjusted profit before tax	16.9	14	20.2	17
Tax relating to exceptional items and valuation gains/losses	180.5	39	76.0	28
Less amounts included above in respect of joint ventures	(3.2)	19	(4.0)	14
Total Group tax charge	194.2	33	92.2	24

The underlying tax charge for the year as a percentage of adjusted profit before tax was 14 per cent (2004: 17 per cent) primarily due to the release of an over-provision in relation to previous years' taxation. Looking ahead for the next two years, we expect the underlying current tax rate to remain less than 15 per cent of adjusted profit before tax as the Group benefits from utilising UK tax losses.

The tax charge on exceptional items and valuation gain/losses includes a tax charge of £34.0 million arising on the sale of Tipperary, £14.9 million on the exceptional lease surrender premium (2004: £nil) and deferred tax of £130.5 million (2004: £58.2 million) on the revaluation gains on investment properties.

Earnings per share and dividends

Basic earnings per share for the year were 91.7 pence, an increase of 34 per cent over 2004 (68.5 pence). Diluted adjusted earnings per share were unchanged at 24.3 pence (2004: 24.4 pence). Diluted adjusted earnings per share is based upon adjusted profit before tax, excluding all exceptional items and valuation gains and losses, and takes into account the dilutive effects of the convertible preferred shares and shares held by the ESOP trust.

The directors have proposed a final dividend of 11 pence per share, taking the total dividend for the year to 17.5 pence per share, an increase of 9.4 per cent over the total dividend for 2004. Under IFRS no provision is made for dividends declared after the balance sheet date.

Property portfolio

The Group's total property portfolio at 31 December 2005 amounted to £5,137.8 million, as follows:

	31 December 2005 £m	31 December 2004 £m
Investment properties		
– completed properties	4,304.7	3,413.1
– under development	135.4	39.6
Development properties	436.3	276.8
Sub-total : investment and development properties	4,876.4	3,729.5
Trading Properties		
– completed properties	61.4	88.7
– properties under development	62.2	36.6
Share of properties held within joint ventures		
– investment properties	113.5	115.0
– trading properties	24.3	17.6
Total property portfolio, including share of joint ventures	5,137.8	3,987.4

All of the Group's properties except trading properties were independently valued at 31 December 2005. Trading properties are recorded at the lower of cost and net realisable value.

The value of property portfolio increased by £1,150.4 million (29 per cent) during 2005. This increase was comprised of:

	£m
Additions	757.8
Disposals	(156.8)
Valuation surpluses	
– included in Income Statement	409.1
– included in SORIE*	48.4
– joint ventures	10.5
Currency translation differences	68.7
Other changes	12.7
	1,150.4

* Statement of Recognised Income and Expense.

Net assets per share

Under IFRS, the Group is required to provide for deferred tax on investment properties and the capital gains tax on revaluation surpluses. In arriving at adjusted net assets and adjusted net assets per share, the Board believes it is appropriate to add back such contingent tax liabilities since the nature of the Group's investment portfolio means the tax is not expected to crystallise. Accordingly, diluted adjusted net assets per share is calculated as follows:

	31 December 2005 £m	31 December 2004 £m
Equity attributable to ordinary shareholders	2,447.3	2,034.3
Less shares held by ESOP	(6.9)	(5.2)
	2,440.4	2,029.1
Add back:		
Deferred tax on revaluation surpluses	412.1	256.6
Deferred tax on capital allowances	237.1	200.7
Dilution adjustment in respect of preference shares	107.7	136.0
Diluted adjusted net assets	3,197.3	2,622.4
Shares in issue (diluted) millions	469.9	469.6
Net assets per share (diluted, adjusted)	680.4p	558.4p

At the year end diluted adjusted net assets per share were 680.4 pence, an increase of 22 per cent over the previous year end. The increase is analysed in the following table:

	£m	Pence per share
Adjusted diluted equity attributable to shareholders 31 December 2004	2,622.4	558.4
Adjusted profit after tax	103.5	22.0
Exceptional items, net of tax	28.8	6.1
Property valuation gains (including joint ventures)	468.0	99.6
Increase in value of available for sale investments	6.5	1.4
Actuarial loss on pension scheme, net of tax	(7.8)	(1.7)
Currency translation differences	37.2	7.9
Ordinary dividends paid	(69.0)	(14.7)
Other items	7.7	1.4
Adjusted diluted equity attributable to shareholders 31 December 2005	3,197.3	680.4

NNNAV

The Group's triple net asset value (NNNAV) per share, calculated using the principles recommended by EPRA, is set out in the table below. It should be noted that capital allowance elections at the point of sale of a property often mean that deferred tax liabilities relating to capital allowances do not, in practice, reverse.

At 31 December 2005	£m	Per share (p)
Diluted adjusted NAV	3,197.3	680.4
Mark-to-market adjustment of debt, net of tax	(106.0)	(22.6)
Deferred tax on investment properties		
– in respect of capital allowances	(237.1)	(50.5)
– in respect of revaluation surpluses	(412.1)	(87.6)
– less unrecognised indexation allowances	93.6	19.9
Triple NAV (NNNAV)	2,535.7	539.6

Cash flow

A summary of the cash flow for the year is as follows:

	Year ended 31 December 2005 £m	2004 £m
Cash flow from operations	237.3	202.4
Finance costs (net)	(116.3)	(108.3)
Tax paid (net)	(91.8)	(15.3)
Additional pension scheme contributions	(16.2)	–
Free cash flow	13.0	78.8
Capital expenditure	(738.9)	(102.7)
Property sales (including joint ventures)	147.0	238.0
Sale of Tipperary	110.5	–
Cash cost of bond exchange	(40.8)	–
Ordinary dividends	(69.0)	(64.1)
Other items	0.8	6.6
Net funds flow	(577.4)	156.6
Investments in term deposits	185.6	(184.5)
Net increase in borrowings	340.0	88.2
Net cash (outflow)/inflow	(51.8)	60.3
Opening cash and cash equivalents	218.1	158.6
Exchange rate changes	0.6	(0.8)
Closing cash and cash equivalents	166.9	218.1

Commentary on cash flows

Cash flow from operations increased by 17 per cent to £237.3 million (2004: £202.4 million) mainly as a result of the exceptional surrender premium received in the first half. Finance costs paid, net of interest income and dividends from joint ventures, increased from £108.3 million to £116.3 million due to higher levels of average debt caused by the capital expenditure programme, mitigated partly by savings from the bond exchange. Tax paid of £91.8 million was much higher than in 2004 (£15.3 million) mainly as a result of taxes paid relating to the 2004 sale of the Pfizer campus and other US taxes. During the year, the Company agreed to make a one-off UK pension contribution of £15 million and to accelerate the elimination of the remaining UK pension scheme deficit through increased monthly contributions, resulting in additional contributions of £16.2 million in the year over and above the regular charge.

Capital expenditure of £738.9 million included property acquisitions of £587.6 million, the acquisitions of Mainland BV (£1.8 million) and Grontmij (£7.5 million) and development expenditure of £142.0 million. Property sales, including joint ventures, generated proceeds of £147.1 million and the sale of Tipperary gave rise to net receipts of £110.5 million. After the cash cost of the bond refinancing and the payment of dividends, there was a net "funds outflow" of £577.4 million (2004: inflow of £156.6 million). Allowing for movements in borrowings and investments in term deposits, the net cash outflow for the year was £51.3 million (2004: inflow of £60.3 million).

Potential future capital expenditure on the Group's development programme as at 31 December 2005 was as follows:

	2006 £m	2007 £m	Thereafter £m
Projects in progress or already approved	225	110	55
Potential future projects, not yet authorised	185	270	960
Total	410	380	1,015

Financing

At 31 December 2005, the Group's borrowings totalled £2,264.9 million including £107.7million representing the deemed debt component of the 8.25 pence convertible redeemable preference shares 2006 – 2011 which were reclassified as debt under IFRS on 1st January 2005. Cash balances totalled £172.6 million resulting in reported net debt of £2,092.3 million (2004: £1,325.3 million). The weighted average maturity of the debt portfolio was 11.8 years.

Unsecured borrowings represent 96 per cent of gross debt at the year end. Secured debt totalled £86.6 million being certain historical mortgage debt domiciled in the Group's international operations. £1,783.6 million of debt is domiciled in the UK, is unsecured and is issued by the Parent Company without any supporting up-stream guarantees. £394.7 million of debt is unsecured and is issued by subsidiary companies located internationally.

Reported financial gearing was 86 per cent (2004: 54 per cent) or 62 per cent (2004: 51 per cent) after adding back deferred tax of £649.2 million and treating the convertible redeemable preference shares as equity. The loan to value ratio (net debt divided by property assets) at 31 December 2005 was 42 per cent.

Interest cover based upon adjusted profit before interest and tax and adjusted net finance costs was 2.2 times (2004: 2.1 times), or 2.0 times (2004: 2.0 times) based upon recurring income allowing for the inclusion of capitalised interest.

The market value of borrowings at the end of December 2005 was £151.4 million higher than the book value, equivalent, after tax relief, to a reduction in net asset value of 23 pence per share or 3.4 per cent.

Funds availability at year end 2005 totalled £706.9 million, comprised of £172.6 million of cash deposits and £534.3 million of undrawn bank facilities. Only £25 million of this total is uncommitted overdraft lines with the balance of undrawn facilities being fully committed and with £471 million remaining available to 2010/11.

In June the Company completed a debt exchange transaction whereby £322 million of bonds at a weighted average interest rate of circa 11 per cent were exchanged into £200 million of 5.50 per cent 2018 bonds and £100 million of 5.75 per cent 2035 bonds with the balance being redeemed from new bank line drawings. The cost of the exchange was £126 million which has been expensed through the Income Statement but is treated as an exceptional loss above. Going forward this transaction will save the Group approximately £10 million pa in interest charges.

Also in June the Group's £415 million committed revolving credit facility was extended through to 2011 at a reduced margin. In September the similar €150 million committed revolving credit facility was extended through to 2010 at a reduced margin. In November a new $550 million committed revolving credit facility was signed with a new syndicate of banks. This remains available to 2010 but with extension options to 2012. Finally in December a £100 million tap of the 5.75 per cent 2035 bond was closed along with a new £250 million 5.625 per cent 2020 bond.

Hedging Policies

The Group has set policies on interest rate and foreign currency translation exposures, liquidity and funding. These policies state that at least 85 per cent (increased from 70 per cent effective January 2006) of the Group's debt portfolio should attract a fixed or capped rate of interest and that at least 75 per cent of foreign currency assets (excluding unrealised valuation gains) should be matched with liabilities of the same currency.

Interest rate exposure

As at 31 December 2005, 87 per cent (2004: 81 per cent) of the debt portfolio attracted a fixed or capped rate of interest at a weighted average rate of 6.19 per cent (2004: 7.09 per cent). Much of this debt is in the form of fixed rate debt issues raised through Sterling Eurobonds and US dollar private placements. Such fixed rate debt issues are held in the balance sheet at amortised cost. Interest rate swaps, caps, collars and forward rate agreements are also used to convert variable rate bank debt to fixed-rate. The 13 per cent of debt remaining at a variable rate of interest brought the overall weighted average cost of debt down to 5.81 per cent (2004: 6.41 per cent).

The Group has decided not to elect to hedge account its interest rate derivatives portfolio. Therefore movements in the fair value are taken to the Income Statement but, in accordance with EPRA recommendations, these gains and losses are eliminated from adjusted profit before tax and adjusted EPS.

Foreign currency translation exposure

Due to the nature of the Group's business it has no cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does have operations located internationally which transact business in the domestic currency of where the business is located – mostly in US dollars and Euros. The Group's main currency exposure therefore is the translation risk associated with converting net currency assets back into sterling in the Group consolidated accounts at each balance sheet date. As mentioned above, the policy is that at least 75 per cent of currency-denominated assets (excluding unrealised valuation surpluses) are matched with liabilities of the same currency. At year end 2005, £260.7 million (excluding unrealised valuation surpluses) or 19.6 per cent of currency denominated net assets were exposed to exchange movements. This increases to £460.9 million or 34 per cent when unrealised valuation surpluses are included. A 10 per cent movement in the value of sterling against all currencies in which the Group operates would therefore change net assets by £46 million and net assets per share by 10 pence or 1.4 per cent. However, it should be noted that, historically, sterling has rarely moved in the same direction against the US dollar and Euro.

Financial ratios and credit rating

The Group follows an unsecured funding model which relies upon maintaining a strong investment grade credit rating. The Board believes it is appropriate to adapt gearing levels according to its assessment of prevailing property market conditions and the stage in the economic cycle. Accordingly, while current Group policy is to maintain an adjusted long-term financial gearing level below 80 per cent (net debt to adjusted equity) and interest cover in excess of 1.8 times (recurring, adjusted profit before tax divided by net interest before capitalisation), the Group retains flexibility to temporarily exceed these thresholds should particular circumstances warrant it. The Group is currently rated A- (long-term) F2 (short-term) with a stable outlook, by the credit rating agency FITCH.

Liquidity and funding

The policy on liquidity risk is that at any given time forecasts should demonstrate that there is headroom of at least £200 million against immediately available cash and/or committed bank facilities for two years projected forward. As property investment is a long-term business, the Group aims to raise funding on a long-term basis through a mix of equity, long-term debt issues and committed medium term revolving credit facilities as well as recycling capital generated from property sales. Typically developments are funded through cash resources or drawing down committed bank lines whilst the investment portfolio is funded through unsecured long-term debt issues of similar weighted average life to that of the unexpired remaining term of the lease portfolio.

David Sleath
Finance Director

Business Review: focused for growth

Review of actions since 2003

David Sleath
Finance Director

Ian Coull
Chief Executive

- March 2003
  Reorganised UK leasing
- May 2003
  Appointed Director of Human Resources
- August 2003
  Changed Valuers
- Mid-2003
  Introduced new Incentivisation and Reward structure
- April 2004
  Set up HelioSlough joint venture (JV) to develop "Big box" large-scale distribution parks
- September 2004
  Restructured European Management
- October 2004
  Exited from Canada
- November 2004
  Settled Tipperary litigation with TriStar
- November 2004
  Sold Pfizer complex, San Diego for $372 million ($275 million valuation at half year)
- December 2004
  Exited majority of retail via Land Securities Swap

Group* Valuation Surplus

Year to 31 December 2005

	Industrial £m	Office/R&D £m	Retail/Land £m	Total £m	Change %
Slough Trading Estate	89.7	32.3	23.8	145.8	12.5
South London & South of England	31.7	1.3	(3.9)	29.1	7.8
North London & East of England	30.0	1.7	1.7	33.4	7.6
Midlands	20.2	2.5	2.8	25.5	7.3
Heathrow & West London	47.3	5.7	1.2	54.2	10.9
Thames Valley & West of England	28.0	5.0	0.4	33.4	8.2
UK total	**246.9**	**48.5**	**26.0**	**321.4**	**10.0**
Continental Europe	5.7	2.0	0.9	8.6	2.3
North America	–	86.5	41.0	127.5	15.9
Group total	**252.6**	**137.0**	**67.9**	**457.5**	**10.4**

*Excludes Joint Ventures

Value Components

UK Yield Analysis – Year ended 31 December 2005

Yields %	2005 Including Land	2005 Excluding Land	2004 Including Land	2004 Excluding Land
Simple initial – including vacant	5.1	5.5	5.6	6.0
Simple initial – excluding vacant	5.8	6.3	6.3	6.7
Reversionary	6.1	6.6	6.4	6.9

- Appointed new Finance Director
- Introduced new regional structure in the UK
  – Now closer to our customers
- Purchased holding entities owning Woodside and Heywood
  – Now own five of the largest industrial parks in the UK
- Purchased Mainland BV (JV)
  – Foothold in the Netherlands
- Sold Quail West
  – Non-core
- Sold Tipperary stake
  – Non-core – £99.7 million over book value
- Purchased Seaport, Shoreline and Bressi Ranch
  – Significant opportunity to add value
- Bond Exchange
  – Interest savings of circa £10 million pa
- Agreed 47,000 sq.m. gross pre-let with Thales UK
  – Largest ever UK pre-let
- Showcased Californian biotech assets to investor site visit
- Sold 71,000 sq.m. of offices in California for £105.6 million, a 38 per cent premium
- Slough Trading Estate upgraded and relaunched tenant offer
  – Growing cluster of technology customers
- Slough Trading Estate 6,400 sq.m. letting to BlackBerry®
- Expansion into Central Europe
- Acquired 17 ha development site close to Schiphol Airport
- Acquired KarstadtQuelle portfolio
  – Quantum leap forward in Germany

Slough Trading Estate
In October 2005 Slough Trading Estate unveiled its latest round of changes to meet the evolving needs of its customers – and underpinned them with a bold new identity.

Stephen Bailey, Regional Director, Slough Trading Estate, commented:
"The Slough Trading Estate is a fantastic place for business and we are proud to serve such a diverse range of occupiers that recognise the benefits of being here. However, we do not take continued success for granted and we must keep changing to support the changing needs of our customers – to be an effective business partner. That means attentive service, flexible approach, 'can-do' attitude and fast, innovative property solutions."

The estate provides 672,000 sq.m. of mixed-use space extending to 197 ha – the largest of its kind in single ownership in Europe and home to 400 occupiers supporting 20,000 jobs. The quality of companies on the estate, from major multinationals to exciting new start-ups, is testament to an outstanding location close to the M4, M25 and Heathrow Airport.

slough
trading
estate
where work comes to life

John Heawood
Group Executive Director, UK Property

Strategy and re-organisation

With assets of £3.6 billion, 1,353 customers and a rent roll of £193 million, Slough Estates' UK Business represents over 70 per cent of the Group by value.

The strategy in the UK is to concentrate on providing flexible business space, particularly industrial and warehouse buildings, to a diverse range of customers.

The team has increasingly focused on assembling a critical mass of property within its key areas of operation by developing or acquiring major estates, such as the holding entities owning Heywood in Manchester and Woodside in Dunstable. The same benefits are achieved by managing smaller multi-let estates such as the "theLHR.com" portfolio in the Heathrow and West London region as a single entity. This approach offers customers the flexibility to expand their premises within the portfolio, as well as giving them access to efficient service delivery suited to their business needs.

The opportunity has also been taken to recycle over £85 million of underperforming assets during a year of unprecedented demand for commercial property investments.

The introduction of the new regional structure in April 2005 moved the business closer to its customers and improved our understanding of existing and potential occupier requirements. Performance is stronger, with the regional teams securing an increasing volume of lettings from new and existing customers by reacting more rapidly to local market conditions. This is particularly important at a time when

As at 31.12.05	Slough	Heathrow & West London	Thames Valley & West of England	South London & South of England	Midlands	North London & East of England	Retail (50% joint venture)	Total
Value £m*	1,313.1	552.0	442.8	403.9	374.2	472.0	83.0	3,641.0
Area sq.m.	672,274	347,175	291,641	249,753	424,715	440,915	45,360**	2,471,833
Rent Roll £m	70.5	28.0	25.9	14.4	20.3	23.9	9.6**	192.6

* Including IAS adjustment and work in progress.
** 100% area and rent roll.

Woodside, Dunstable, and Heywood, Manchester

In July 2005 in an off-market purchase, Slough Estates acquired the holding entities owning Woodside and Heywood, two of the largest industrial parks in the UK. Together the two sites contain 381,000 sq.m. of prime industrial property, and over 16.4 ha of further development land.

Andrew Gulliford, Director, Corporate Acquisitions commented:
"The addition to our portfolio of the Woodside and Heywood estates is in line with our strategy of focusing on industrial property to provide flexible business space for our customers. The estates not only provide good quality properties with high-calibre occupiers, but also over 16 ha of well-situated, prime land, presenting an excellent development opportunity. Woodside strengthens our presence in our North London and East of England region and Heywood opens up new opportunities in the North West. Following this transaction, Slough Estates now owns five of the largest industrial estates in the UK including the Slough Trading Estate, Winnersh and Kings Norton."

parts of the portfolio are in transition with traditional manufacturing being replaced by knowledge-based industries, service industries, showrooms, trade counters and data centres.

The new structure puts the UK team in a strong position to drive superior returns by securing higher levels of occupancy from existing property and initiating developments to suit local requirements.

The effectiveness of the new structure was exemplified by the work that went into the re-launch of the Slough Trading Estate in October 2005. A master plan was drawn up to ensure that the Estate continues to be the home for modern business, including the introduction of clearly-defined and enhanced customer service standards, a bold new identity and a major marketing campaign.

Following these changes, a recent independent survey showed a significant increase in customer satisfaction levels across the UK, with the strongest performance in those areas of service delivery that are within our control.

2005 Performance

2005 was a year of strong returns from commercial property and the capital value of the UK portfolio increased from £2.9 billion to £3.6 billion. This significant increase was achieved through both capital growth and acquisitions – the capital value of those retained properties which were in the portfolio at the end of 2004 increased by 10.3 per cent.

The total surplus due to increasing values is £330 million (10 per cent). The uplift excluding development land is 11 per cent which exceeds the IPD Monthly Index of Industrial Property which rose 10.6 per cent.

Against a background of intense competition for all types of commercial investments, the UK team successfully acquired £333 million of property – nearly all in off-market transactions. These acquisitions show an end of year surplus of £23.4 million (a 7.1 per cent uplift net of all costs).

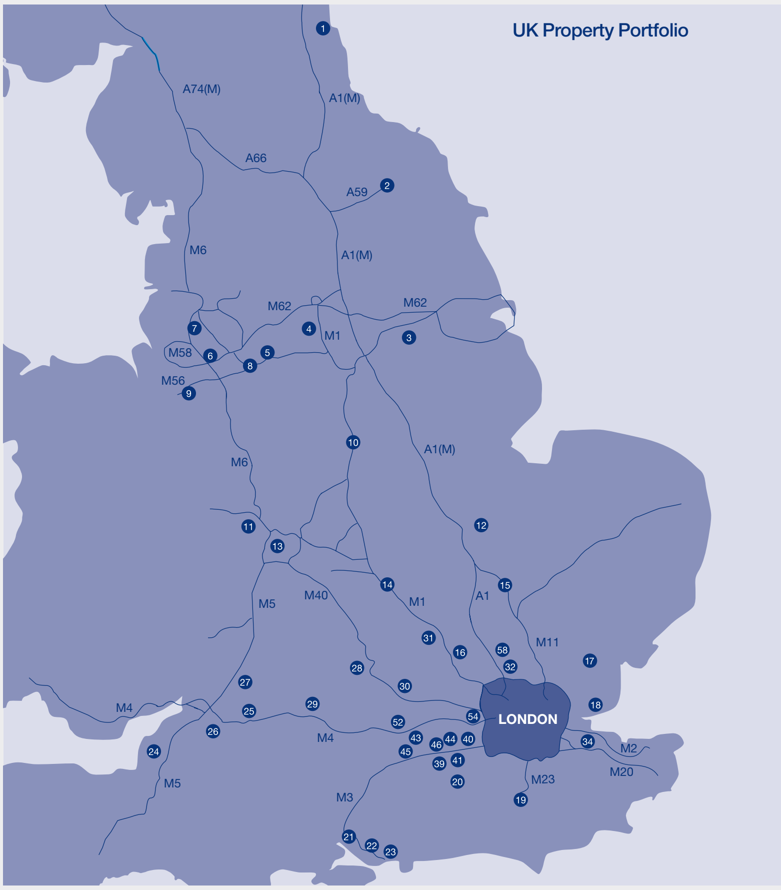
The strong investment market presented the opportunity to recycle capital from the sale of various underperforming properties for a total of £85.1 million (including phase 600/700 Centennial Park where the sale was completed in 2006).

During the year a record 224,000 sq.m. of newly constructed and existing property was let. This secured additional rent – including licence fees – of £15.8 million. Of those lettings, 25 per cent were to existing customers who chose to grow their business with us and 75 per cent were to new customers.

In 2005 rent reviews and lease renewals were agreed in respect of leases with passing rents of £19.7 million increasing annual rents by a further £2.3 million.

This significant progress was balanced by the £11.8 million of income lost due to property being vacated. However, it should be appreciated that almost 50 per cent of the properties involved were included in future redevelopment plans. The remainder will be refurbished and re-let.

During the year 42,000 sq.m. of new space was completed, 50 per cent of which was let or sold by the year end. A further 56,000



1 Wynyard
2 York
3 Doncaster
4 Huddersfield
5 Manchester
6 Runcorn
7 Chorley
8 Warrington
9 Chester
10 Derby
11 Oldbury
12 Huntingdon
13 Birmingham
14 Northampton
15 Cambridge
16 Luton
17 Chelmsford
18 Basildon
19 Crawley
20 Guildford
21 Southampton
22 Fareham
23 Portsmouth
24 Weston-Super-Mare
25 Yate
26 Bristol
27 Gloucester
28 Oxford
29 Swindon
30 High Wycombe
31 Dunstable
32 Hatfield
33 Barking
34 Swanley
35 Rotherhithe
36 Croydon
37 Coulsdon
38 Epsom
39 Farnborough
40 Camberley
41 Frimley
42 Feltham
43 Wokingham
44 Ascot
45 Basingstoke
46 Bracknell
47 Hounslow
48 Isleworth
49 Heston
50 West Drayton
51 Hayes
52 Reading
53 Colnbrook
54 Slough
55 Uxbridge
56 Greenford
57 South Ruislip
58 Welwyn Garden City
59 Elstree
60 Radlett
61 West Thurrock
62 London NW10
63 London W3
64 London N18
65 London SW19

London inside the M25

sq.m. of projects were underway with 10.5 per cent pre-let.

Good progress has been made in assimilating the 23 industrial estates acquired from Land Securities in December 2004. 62 per cent of the 68,000 sq.m. of vacant space has been let, sold or was in serious negotiation at the year end. This follows active estate management, a reinvigorated leasing campaign and a rebranding of all sites. The rental guarantee in respect of the new vacant space expires in June 2006 and we are on programme to secure the letting of most of this space during 2006.

The overall vacancy rate at year end is 10.9 per cent, down, but still offering a major opportunity to improve returns going forward.

Acquisitions and disposals

Acquisitions

With the volume of money driving yields to historic lows, resources were targeted at identifying off-market opportunities and property which will ultimately complement the performance of our existing holdings.

Woodside Industrial Estate & Heywood Distribution Park

	Price (inc. of all costs) £m	Value 31.12.05 £m	Surplus £m	%
Woodside	118.2	127.9	9.7	8.2
Heywood	160.5	169.1	8.6	5.4
	278.7	297.0	18.3	6.6

The holding entities owning these two major industrial estates were acquired in July 2005 to give Slough Estates five of the largest multi-let industrial estates in the UK. Both estates provided immediate critical mass, solid income, land for development and a range of opportunities to improve returns. At the time of purchase they increased the floor area of the UK portfolio by 15 per cent and its value by about eight per cent. Heywood extends to 79 ha of land with 240,000 sq.m. of buildings. Woodside extends to 37 ha with 142,000 sq.m. of accommodation.

The existing teams are already capitalising on opportunities to work with our new customers. At Woodside, WH Smith, an existing multi-site customer, took 2,700 sq.m. on a short-term lease. A further building has been let on a short-term basis to Twinmax Ltd, who were affected by the oil depot incident at Buncefield, Hemel Hempstead. The estate, in a prime location, close to junction 11 of the M1, has since been rebranded and vacant units are being refurbished. The value of the Woodside property has increased by 8.2 per cent since acquisition.

At Heywood 64,000 sq.m. have been let on lease or licence and rebranding is underway. Good progress has been made in documenting the S106 Agreement, incidental to securing planning permission for a further 56,000 sq.m. of development. The valuation of the Heywood property has increased by 5.4 per cent since acquisition during the second half of 2005.

Oxonian Park, Oxford

In 2005 Slough Estates completed the letting of a 5,400 sq.m. unit at Oxonian Park, Kidlington Oxford to Schedl Automotive System Service, supplier to BMW (Mini) at Cowley. This was one of the former Land Securities properties exchanged in a £700 million property swap in 2004.

The lease is for a term of 17 years, until 2022, with a break option after nine years, and at an annual rent of £350,000 pa.

Gareth Osborn, Regional Director for Thames Valley and West of England, commented:
"We are delighted to be able to support the expansion of Schedl in the UK and we believe that their presence will attract not only Schedl suppliers but also other suppliers of BMW to Oxonian Park. The unit taken by Schedl forms the major part of Oxonian Park."

Voyager Park, Portsmouth

Price (inclusive of all costs)	Value 31.12.05	Surplus	%
£9.07m	£12.72m	£3.65m	40.2

This 13 ha industrial/warehouse site was acquired in April 2005 as a major strategic addition to the existing £75 million Portsmouth and Southampton business space portfolio. The acquisition price takes account of the ground conditions following the vendors remediation works. Planning consent has been obtained and construction is to start early in 2006 on the first phase (16,000 sq.m.) of speculative development, with completion targeted for summer 2006. Half of this phase is to be offered freehold to owner occupiers. Pre-let and pre-sale opportunities are also being progressed. The local market is increasingly buoyant and the uplift in value since acquisition has been 40.2 per cent.

Argyle Street, Birmingham

Price (inclusive of all costs)	Value 31.12.05	Surplus	%
£3.58m	£3.67m	£0.09m	2.54

A prominent 4.4 ha industrial/warehouse site located close to the Spaghetti Junction on the M6 that was acquired in August 2005. The property represents an opportunity for a significant industrial development that will be a logical extension of our existing Midlands holdings. A planning application has been submitted for 21,000 sq.m. of development in two phases. Development commenced early 2006 after consent was secured with the 5,200 sq.m. phase one due to complete by the end of 2006, and phase two currently scheduled to complete by mid 2007.

Advent Way, Edmonton

Price (inclusive of all costs)	Value 31.12.05	Surplus	%
£9.18m	£10.28m	£1.1m	11.95

A 17,000 sq.m. older style warehouse on a 2.1 ha site prominently located on the North Circular was purchased in June 2005. The building is let with mutual breaks in the medium term to the Reality Group Limited. Redevelopment options are being evaluated.

Hatton Cross, Heathrow (Faggs Road, Feltham)

Price (inclusive of all costs)	Value 31.12.05	Surplus	%
£10.67m	£10.77m	£0.1m	0.94

A well-located 3.4 ha site acquired from LSG Sky Chefs in December 2005 for £10 million. A planning application has been submitted for a single 8,800 sq.m. distribution facility.

Contiguous property

Price (inclusive of all costs)	Value 31.12.05	Surplus	%
£20.2m	£20.35m	£0.15m	0.74

During the course of the year, various other properties which complement our existing holdings in Radlett, Hounslow and Portsmouth were acquired in a series of separate transactions. Several of the buildings acquired are income producing and all the sites have medium-term development potential.

Voyager Park, Portsmouth

In April 2005, Slough Estates announced that it had acquired the former Blueprint site in Portsmouth, one of the largest industrial sites in Southern England. The site, which was acquired in competition in the open market, covers 13 ha and has development potential for up to 49,000 sq.m.

The development, to be known as Voyager Park, will be developed with a mix of freehold, leasehold and purpose-built properties and will have a fully developed value in excess of £40 million. Planning consent has been obtained and construction is underway on the first phase (16,000 sq.m.) of development. The buildings will range in size from 240 sq.m. to 2,800 sq.m. This will leave land available for design and build projects of up to 30,000 sq.m., which will also be offered on both a freehold and a leasehold basis.

Mike Wilson, Slough Estates' Regional Director, South London and South England, said:
"The Blueprint site, with its outstanding transport links and central location, is an excellent addition to Slough Estates' portfolio in Southern England. We already have extensive knowledge of the local market through our holdings at Railway Triangle, Eastern Road, Airport Service Road, Mitchell Way and the Portsmouth Motor Park.

"Slough Estates has worked very closely with SecondSite Property Holdings in the remediation of the site prior to completion of the purchase. As a developer, Slough Estates has considerable expertise in the regeneration of brownfield sites. In the last 10 years, some 87 per cent of the Company's new UK projects, totalling over 372,000 sq.m. in floor area, were brownfield site regenerations."

Artist's impression.

Business Review: UK

Disposals
The strong market for investment property proved to be an opportunity to sell a number of non-core and other properties, increasing the focus on assets where there are more opportunities to add value. Overall receipts were in line with book value. Of particular note are:

Centennial Park, Elstree
The value of this site has been improved through development and realised through a number of disposals. The first two phases of this 27 ha development, Phase 100/200, comprising 16 units totalling 22,000 sq.m. on 5.2 ha and were sold to Morley for £35 million at a net initial yield of 6.2 per cent. The partially-vacant office element of Centennial Park, Phase 600/700, which comprises four buildings totalling 6,200 sq.m. and generating £1.3 million pa was contracted in December for £16.3 million. This sale completed early in 2006. Agreement has also been reached for the sale of 1.4 ha on the site, subject to planning consent being granted for a 153-room hotel and leisure facility.

Farnborough
Contracts were exchanged for the sale on a subject-to-planning basis of 4.3 ha of land to Redrow Homes. A planning application is being submitted for consent for 500 residential units. The £21 million sale price is subject to adjustment, depending upon the affordable housing requirement and other planning obligations. Completion is anticipated in Autumn 2006. The introduction of this residential development, and its integration with the Historic Quarter, will improve sustainability and compliments existing activities on the 51.8 ha Business Park.

3/5 Bedford Row
A 2,200 sq.m. Central London office property was sold for £8.8 million following refurbishment and re-letting on a 15-year term to an existing customer. This was the final element of a portfolio of London offices acquired in the early 1990s.

Navigator Park, Heston
A 6,300 sq.m. office campus scheme in Heston – mainly vacant and one of the 23 properties acquired from Land Securities in 2004 – was sold to UBS for £9.3 million.

The Bilton Centre, Leatherhead
Originally acquired as part of Bilton plc in 1998, this ageing industrial and office estate extending to 4,200 sq.m. was sold to the adjoining owner for a sale price of £5 million, representing a surplus of £0.4 million over book value.

Vista Park, Southampton
A 2.3 ha development site was sold to Tesco. Originally acquired in December 1998, the sale price of £4 million produced a significant surplus over book value.

Camberley Business Centre
2,500 sq.m. small business unit development pre-sold to local property company Dolphin Head for £3.6 million.

Other sales to occupiers, investors and residential developers raised a further £3.3 million.

Centennial Park, Elstree
In November 2005, Slough Estates exchanged contracts with Morley Fund Management for the sale of the first two phases of its Centennial Business Park in Elstree for £35 million.

Phases 100 and 200 comprise 22,000 sq.m. of production/warehousing space in 16 units, providing rental income of £2.3 million pa. The sale price reflects a net initial yield of 6.2 per cent.

John Danks, Regional Director, North London and East of England commented:
"This sale follows a portfolio review and is in line with our strategy of trading stock and recycling capital across the UK portfolio through an active acquisition and disposal programme. The remaining land provides us with an excellent development opportunity within the M25. It follows the recent acquisition of the 37.3 ha Woodside Estate at Dunstable which has strengthened our North London and East of England region."

Development

Development activity, both in terms of speculative construction and pre-let development, had been running at a low level since 2002 due to an oversupply of floor space and uncertainty in occupational markets.

Over the course of 2005 we saw a good level of take up for our core product of flexible business space. The year was a letting record in terms of numbers, volume, floor space and rental income secured. After a low level of activity in previous years, occupiers are now starting to reassess their future space requirements and are becoming more confident about updating their property portfolios. There is a particular interest in occupying new and modern premises, which reflect an appropriate image to both customers and employees.

As a result, we have committed to increase our programme of speculative development in the UK. However, this risk is managed by:

Diversification through developments in 12 locations over the next year, excluding HelioSlough.

Detailed knowledge and research of the market using best available market intelligence from our own experience and from external professional advisors.

Designing and specifying buildings to a size and type that meet current and projected occupier demand.

Careful monitoring of the construction process to ensure new and refurbished buildings are procured so as to minimise the risk of cost over runs or delays. This includes innovative initiatives, such as industry leading 'fast track' development techniques.

Developing strong relationships with local planning authorities in the markets where we invest. This is particularly the case at Slough Trading Estate and Kings Norton Business Centre which both benefit from SPZ status, where planning consent has effectively been granted in advance.

Pre-let development is particularly attractive. Our customers secure a product that meets their exact requirements in terms of size and specification, delivered when they need it. For us, pre-letting removes the letting risk associated with speculative development and locks in guaranteed returns.

Our successes in pre-letting range from the 47,000 sq.m. complex under construction for Thales at Crawley, to the 1,800 sq.m. unit built for Bradford Builders Merchants at Weston-super-Mare. However, due to the pace of change in the business environment, many occupiers have insufficient time to establish their requirements, agree terms for a pre-let and wait for the space to be delivered. Accordingly the majority (63 per cent) of developments in 2005 as in previous years were in respect of buildings provided in anticipation of future requirements, i.e. on a speculative basis. While we remain committed to increasing the proportion of pre-let accommodation to secure the advantages outlined above, we recognise that, going forward, it will be necessary to provide a range of new flexible business accommodation designed to suit the most diverse range of potential customers.

London Road, Crawley

In September 2005, Slough Estates and the global electronics group Thales exchanged contracts for the development of 47,000 sq.m. of office and R&D/light industrial space on the London Road in Crawley.

- In December 2004, a single site of nine ha was created from two adjoining purchases, of which, 28,000 sq.m. of existing buildings were leased back to Thales
- Pre-lets with Thales will generate over £6.5 million in rent annually
- The building of a prestigious new complex will allow the relocation of six of Thales UK businesses from across the South East of England into one site
- The facility will unite around 2,500 staff, plus manufacturing and service centres catering for specialised training, synthetic environments, communication, security, electronics and systems
- Construction began in January 2006 and will complete in two phases, in 2007 and 2008
- The two ha balance of the site will be available in 2009, providing the potential for 9,300 sq.m. of office space.

Mike Wilson, Regional Director, South London and South of England, commented:
"This transaction represents one of the largest pre-lettings in the South East for many years and is Slough Estate's largest ever pre-let by floor area in the UK."

Artist's impression.

Business Review: UK

Completed in 2005	sq.m.
Camberley – small unit scheme pre-sold	2,484
Portsmouth (Railway Triangle) – 2 industrial buildings	1,934
Weston Super Mare – pre-let warehouse	1,757
Slough, Buckingham Avenue – 6-unit Trade Park	2,440
Slough, Sykes Road – industrial warehouse building	2,394
Slough, Buckingham Avenue – warehouse	4,706
Radlett (Phase 200), 12-unit industrial scheme	9,676
Radlett – pre-let industrial facility	6,968
Portsmouth (Motor Park) – pre-let car showroom	3,074
West Drayton – industrial scheme (first unit)	876
West Drayton – pre-let car showroom	2,926
Hounslow	2,527
Total*	41,761

*50 per cent let and a further 10 per cent under offer at the year end.

Underway	sq.m.
Slough (Oxford Avenue) – industrial scheme (enabling work commenced)	3,964
Slough (Ajax Avenue) – pre-let business space	5,914
Portsmouth (Voyager Park) – enabling works for first phase (enabling work commenced)	16,594
Luton (Phase 200 & Bilton Court) – 14-unit industrial scheme	6,266
Uxbridge – offices	1,978
Uxbridge – business space	4,991
Farnborough offices	11,573
West Drayton (remainder of 4-unit industrial scheme)	5,100
Total*	56,380

*10.5 per cent pre-let at the year end.

Planned and potential development starts excluding HelioSlough	sq.m.
Crawley – pre-let to Thales offices	42,310
Reading (Winnersh) – pre-let offices	1,858
Birmingham (Argyle Street) – mixed industrial scheme	20,900
Manchester (Heywood Distribution Park) – industrial/warehouse	65,500
Thurrock (Frogmore Industrial Estate) – industrial "for sale scheme"	4,153
Dunstable (Woodside) – warehouse	14,000
Slough (Farnham Road, Ajax Avenue, Bedford Avenue)	11,334
Slough – pre-lets in negotiation	14,768
Slough (Bath Road) – offices	14,000
Camberley (Stanhope Road)	10,219
Hatton Cross – distribution facility	8,825
Feltham – industrial/warehouse scheme	9,569
Bracknell – Lovelace Road	1,488
Haresfield – Javelin Park	9,058

Phase 200 Riverside Way, Uxbridge

The Riverside Way site in Uxbridge demonstrates Slough Estate's strengths in revitalising a property to produce flexible space that meets current and future business needs.

- Acquired in 1998, as part of Bilton Plc the site originally comprised a number of older buildings, the majority of which were at the end of their useful life
- The site provides access to the M40, M25 and M4 motorways, Heathrow Airport and Central London
- Redevelopment began in 2000 with phase 100. Occupiers include FSL Aerospace, Kommerling, Lion Apparel Systems Limited & WMF United Kingdom Limited
- Phase 200 was a speculative development of two semi-detached units providing 4,000 sq.m. of new production/warehouse accommodation. Both units were let to Manpower, at £442,759 pa
- Phase 200 received the Industrial Agents Society Award for the Best Industrial Development of 2004

Phil Redding, Regional Director, Heathrow and West London, commented:

"Riverside Way is a project that demonstrates our expertise in identifying, acquiring and redeveloping property to deliver long-term regeneration of industrial assets. Development work continues with the construction of Waterside House, a 2,000 sq.m. office building and a further 5,000 sq.m. of flexible business space, ranging in size from 230 to 2,100 sq.m."

Lettings – a record year

- 160 transactions
- £15.8 million of new income
- 23 per cent by income from existing customers
- 32 per cent by number of transactions from existing customers

In addition to major new lettings to new customers, such as the deal with BlackBerry® (Research in Motion), many of these transactions are repeat business to existing customers, such as the letting to LG Electronics of 2,800 sq.m. at £216.88 psm on a 10-year lease. Flexible practices and understanding customer needs are important in securing many of these deals. Examples include the provision of interim decanting space while the new property is fitted out and expansion options within close proximity.

Pre-lettings included a purpose built building for the First Secretary of State for a Regional Control Centre for the Fire and Rescue Service at Cambridge Research Park – agreed in August 2005. The facility will provide 2,906 sq.m., produce income of £1.3 million pa and is let on a 25-year lease with five-yearly rent reviews. It is scheduled to be built in 2007 with completion in late 2008.

Major deals include:

Customer	Building Type	Location	Rent £ pa
Research in Motion	Offices	Slough	1,708,975
Next	Warehouse	Manchester	1,647,770
Bank	Data Centre	Slough	1,023,668
Viglen	Warehouse	Radlett	610,500
LG Electronics	Offices	Slough	608,480
SR Technics	Warehouse	Feltham	526,274
Pentagon	Showroom	Portsmouth	460,700
Manpower	Warehouse	Uxbridge	442,759
Schedl Automotive	Warehouse	Oxford	350,000
Westcon	Offices	Slough	329,990
FNS	Warehouse	Slough	240,000
Cosco	Warehouse	Basildon	198,088

Pre-lettings

Thales	Offices/R&D	Crawley	6,465,300
Secretary of State	Fire Control Centre	Cambridge	1,349,322
UCB-Celltech	Offices / Laboratories	Slough	900,000

200 Bath Road, Slough
In a transaction that represented one of the largest Thames Valley lettings in 2005, Slough Estates plc let a flagship grade A 6,400 sq.m. office development on the Slough Trading Estate, to Research in Motion (RIM), the company behind the BlackBerry® mobile communication device. RIM also took options on further business space to accommodate future expansion including 5,600 sq.m. of offices and a 4,600 sq.m. data centre.

John Heawood, Group Executive Director, UK Property said:
"Research in Motion is a leader in the field of mobile communications, and joins a growing number of high technology, research and development-oriented companies choosing Slough Trading Estate as a location. Apart from providing top quality business space, we are able to accommodate the growth such businesses expect to see. Our substantial investment in our award-winning Business Watch programme also makes for a very secure environment in which to operate."

Business Review: UK

Joint Ventures
HelioSlough JV
HelioSlough Ltd, a 50/50 joint venture between Slough Estates and Helios Properties, aims to develop a network of strategic distribution parks throughout the UK, each park having the potential for over 92,900 sq.m. of B8 (distribution warehousing) space. Both companies made an equity injection and HelioSlough has £150 million available to invest in the sector. The joint venture brings together Helios' proven ability to deliver large-scale development projects and Slough Estates' financial acumen and breadth of experience to create a major player in distribution development.

Acquisitions
Chorley
- 5.4 ha acquired from the Royal Ordnance
- Strong north-west distribution market
- 28,000 sq.m. distribution facility to be developed
- Further 24.6 ha of land secured on a phased drawdown basis over the next five years
- Several pre-let enquiries currently being progressed

Wynyard 1, Tees Valley
- 15.4 ha acquired from Wynyard Park LLP
- Prime location to access the North-East distribution market
- 65,000 sq.m. to be developed in two distribution units

Wynyard 2, Tees Valley
- 48.6 ha acquired from Wynyard Park LLP
- Capability to develop a further 118,900 sq.m

Stainforth
- A further 72.4 ha placed under option

Lettings
Traxpark, Doncaster
- 11,000 sq.m. distribution unit let to Miller Brothers
- 15-year lease at £51.13 psm

HelioSlough currently has no vacant speculative development.

Disposals
Traxpark, Doncaster
- 11,000 sq.m. distribution unit sold to Morley Investment Management (on behalf of UBS) for £9.1 million

Wynyard 1, Tees Valley
- Funding agreement completed with BA Pension Fund
- Initial development of a single 28,000 sq.m. speculative distribution unit to commence early 2006

Developments
- Nine live schemes
- 78.3 ha under direct ownership (240,000 sq.m. development potential)
- 48.3 ha subject to development agreements (198,000 sq.m. development potential)
- 368.2 ha under option

HelioSlough: Traxpark, Doncaster
HelioSlough let the final unit at its Traxpark development in Doncaster, South Yorkshire and sold its Traxpark investment to a client of Morley Fund Management for £9.1 million, reflecting a net initial yield of six per cent.

The 11,000 sq.m. warehouse/distribution facility, with self-contained service yard, was let to national electrical retailers, Miller Brothers on a 15-year lease at a rent of £574,650 pa for the base building. Miller Brothers were already based in Doncaster and this letting was a relocation of their Distribution Centre and head office facility.

Andrew Gulliford, Director, Corporate Acquisitions commented:
"We built the final phase speculatively due to demand for good quality warehouse space in a great location. Traxpark is well positioned, with good access to the east coast ports, the A1 and M1, and rail connections via an intermodal facility. The sale price achieved reflects the strength of the location and the development."

Shopping Centres JV

Shopping Centres Limited is a 50/50 joint venture between Slough Estates and Tesco plc. The venture owns and manages a 19,000 sq.m. Retail Park in York and a 26,000 sq.m. Shopping Centre in Surrey Quays, Rotherhithe. Revenue is shared on a 50/50 basis.

Planning Consents have been secured during 2005 to extend the Tesco foodstores as follows:

Surrey Quays	3,500 sq.m.
York	3,100 sq.m.

Agreement is progressing with Tesco to fund the extension proposals.

Surrey Quays falls within the boundaries of the BL Canada Quays Ltd and LB Southwark masterplan for Canada Water which will significantly regenerate the area over the coming five years.

Outlook

Since the year end, 29,000 sq.m. has been let producing an additional £2.16 million of income.

The level of take up of core product – evidenced by the number of transactions and the level of rent secured – has encouraged us to plan for a significant increase in development starts to over 260,000 sq.m. in 2006, 16 per cent of which is already pre-let.

Part of the Cambridge Research Park – including two let and one vacant office buildings extending to 11,500 sq.m. – have been sold for £23.9 million. A sale has also been completed of an 11,000 sq.m. mixed use scheme in Basingstoke for £10.8 million. At Farnborough agreement has been reached for the sale of 1.4 ha subject to planning consent being granted for hotel and leisure facilities. These disposals are in line with our continuing strategy of aggressively recycling properties where there are limited opportunities for us to add value. Further such disposals are anticipated in 2006.

HelioSlough has acquired the Lymedale Cross Business Park in Stoke, extending to 17.4 ha of income-producing property and development land. A 5,200 sq.m. pre-let has been agreed with existing customer, Spode and planning consent has been granted for a further 40,000 sq.m. of distribution space.

HelioSlough has also secured funding for its 70,000 sq.m. Nimbus Park Development near Doncaster.

Going forward we envisage more occupiers will review their property requirements and make plans to acquire property that will assist them to promote a positive image to customers and attract and retain high calibre employees.

Our intention is to be in a position to satisfy those requirements and deliver a standard of service that will encourage greater customer loyalty.

252 Bath Road, Slough

In the first half of 2005, Slough Estates announced the letting of its office development at 252 Bath Road, Slough to LG Electronics UK Ltd. The new building provides LG with an additional 2,800 sq.m. of linked office space in a state-of-the-art air-conditioned development over three floors.

LG Electronics already occupied the adjacent 1,900 sq.m. office at 250 Bath Road, which was taken as a pre-let, and the new letting represented a significant expansion for the company. The new 10-year lease on the premises is at £226.04 per sq.m., rising to £271.10 per sq.m.

Forming part of a landscaped courtyard development, the scheme has been recognised with an award by the British Council for Offices.

Stephen Bailey, Regional Director, Slough Trading Estate, commented:

"We are delighted to be able to support LG Electronics' expansion in the UK, which underlines the attractiveness of Slough as a location for international business and the flexibility for growth within the Trading Estate. Our focus is entirely on being adaptable and moving quickly to meet customers' requirements. Our flexible leasing policy and simplified planning zone status are hugely beneficial."

Business Review: Continental Europe

"We have doubled our Continental European operations over the past 12 months. At the end of 2005, we had 1.1 million sq.m. under management."

Walter Hens
Managing Director, Europe

Strategy

Slough Estates' approach in Continental Europe is to expand in strategic locations, with a focus on business centres in the logistics, suburban office and light industrial sectors. This expansion is achieved by leveraging and growing close customer relationships on a pan-European level, and calling upon the experience of a management team made up of local nationals who understand their individual markets.

Over the course of 2005, the Continental European operation doubled in terms of geographical coverage, assets under management, land bank and personnel. Operations expanded in Germany and France and new operations were acquired in the target markets of the Netherlands, Poland, Hungary and the Czech Republic. In Germany, strategy has been adapted to change from a niche trader to a long-term investor.

2005 Performance

At the end of 2005, 1.1 million sq.m. of space was under management, an increase of 127 per cent from 499,000 sq.m. at the end of 2004. Ongoing asset management of the portfolio remains a core business area and, over the past year, a proactive management approach has been adopted to some challenging areas in the traditional portfolio.

Development

206 ha are now held across seven European countries. This land bank provides a significant development pipeline in target suburban markets across Europe. High-profile developments in core markets include: Pegasus Park next to Brussels International Airport; the 17 ha De Hoek scheme opposite Schiphol Airport, Amsterdam; the Portes de France suburban office scheme next to the Stade de France in St Denis; the Alzenau logistics park near Frankfurt, Germany; and Tulipan Park next to Prague Airport in the Czech Republic. These international projects are supported by a tier of domestic projects, which complement the existing investment portfolio, such as; the Carré des Aviateurs scheme and the Alstom project, both to the north of Paris, and the Zellik and Zaventem projects on the outskirts of Brussels, Belgium.

La Courneuve, Paris

The headquarters of Alstom Power in La Courneuve were acquired in a sale and leaseback transaction for £16.7 million net of acquisition costs.

The 11 ha property provides 53,000 sq.m. of office and light industrial accommodation, which Alstom have leased back for an annual rent of £1 million.

Laurent Horbette, General Manager, France, commented: "This site provides a prime location for development. The entire area is characterised by regeneration as heavy industry gives way to light industrial facilities. With planned improvements to public transport and parking, as well as excellent road links, we see many opportunities for flexible business space investment."

Since the start of 2006, German operations have expanded from a concentration of business park developments in the suburban areas of Düsseldorf and Frankfurt, to holding investment assets and development sites in most of the large business centres across the country. This improvement was achieved largely through the acquisition of the KarstadtQuelle AG portfolio.

In Central Europe, the development pipeline in Poland mainly comprises three projects, the largest of which is a 61 ha logistics/ business park adjacent to the new motorway at Strykow in central Poland. In the Czech Republic a six ha scheme is located next to Prague Airport and there is a nine ha scheme in Budapest, Hungary.

Markets

The Continental European markets were mixed throughout 2005, with only France providing a strong occupational market. Elsewhere there was positive activity in the suburban business park markets in Germany, where most demand came from an active domestic market. In Belgium and the Netherlands, where occupiers remain cautious, the take up over the year has not generated any net absorption, and the markets remain flat.

In contrast to the occupational markets, the investment market has seen strong yield compression across all regions and sectors. The markets are being driven by increased money inflows to the existing institutional investors and the continued arrival of new market entrants.

> "In 2006 we aim to consolidate the individual country operations under an enhanced European brand."

Slough Estates International Continental European Portfolio

France
1 Le Blanc Mesnil
2 La Courneuve
3 Gonesse
4 St Denis
5 Cergy Pontoise
6 Nanterre
7 Colombes
8 Marly La Ville
9 Aulnay
10 Evry
11 Bures

Belgium
12 Pegasus Park
13 Woluwe St Stevens
14 Horizon
15 Zaventem III
16 Kortenberg
17 Zaventem E40
18 Nivelles
19 Zellik I & II
20 Diegem
21 Bornem
22 Rumst
23 Kontich

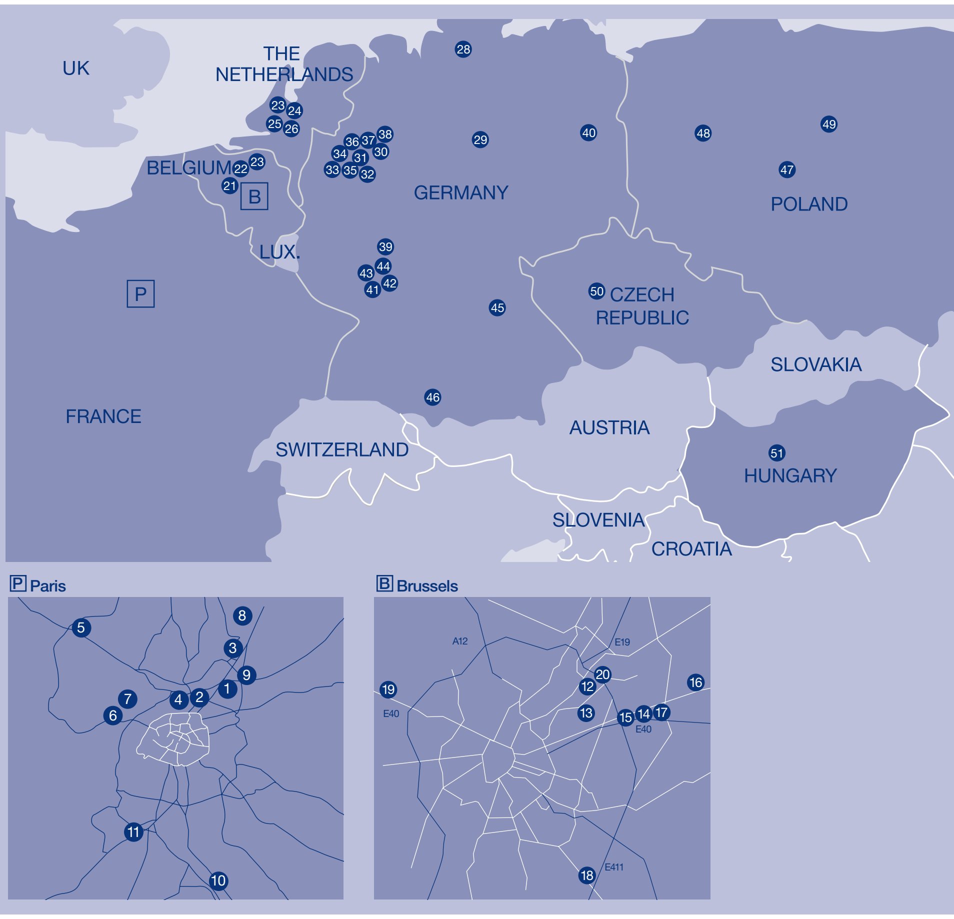
The Netherlands
24 Mainbuilding
25 Formaeren
26 De Hoek
27 Lutkemeer

Germany
28 Hamburg
29 Braunschweig
30 Dortmund-Kley
31 Düsseldorf
32 Essen
33 Holzwickede
34 Mönchengladbach
35 Neuss
36 Ratingen
37 Kapellen
38 Krefeld
39 Alzenau
40 Berlin
41 Darmstadt
42 Floersheim
43 Frankfurt 1
44 Frankfurt 2
45 Neumarkt
46 Bad Waldsee

Poland
47 Strykow
48 Poznan
49 Warsaw

Czech Republic
50 Prague

Hungary
51 Budapest



"The sale of the 3,300 sq.m. prime office redevelopment on Avenue Kléber, Paris to Fonciéres des Regions realised a profit of £4.5 million."

France – New developments
The start of 2005 saw the sale of the 3,300 sq.m. prime office redevelopment on Avenue Kléber, Paris to Fonciéres des Regions for £20.9 million. The transaction realised a profit of £4.5 million and marked the strategic refocusing back to a core business model of providing flexible business space in suburban markets.

The second phase of the Carré des Aviateurs light industrial estate in Le Blanc Mesnil was completed in 2005. Following the demolition of redundant buildings, the estate now provides 21,000 sq.m. of high quality light industrial accommodation with a further 16,000 sq.m. for delivery in two phases.

In an expansion of the suburban Parisian future portfolio, a mixture of income-generating properties with development potential were acquired as were sites for immediate development, which complement the existing pipeline.

Most notably, Slough Estates entered into a 50/50 joint venture agreement with Capital & Continental to develop the 27,000 sq.m. Portes de France suburban office scheme in St Denis, overlooking the Stade de France. The property is located either side of the A86 motorway (the second Paris ring road) and will provide two interconnected office buildings. The project will be delivered in late 2007.

The headquarters of Alstom Power in La Courneuve were acquired in a sale and leaseback transaction for £16.7 million net of acquisition costs. The 11 ha property provides 53,000 sq.m. of office and light industrial accommodation, which Alstom have leased back for a nine-year fixed term at an annual rent of £1 million. Included in the sale is a 4.4 ha prime light industrial site with substantial frontage onto the A86 motorway. This site will be developed over the next few years.

An agreement is being progressed to acquire and develop a 13 ha site at Gonesse to the north of Paris in between Charles de Gaulle airport and Le Bourget airport. Subject to receiving the necessary authorisations, a 47,000 sq.m. light industrial scheme is proposed, partly suitable for the owner occupier market.

Le Blanc Mesnil, France
The second phase of the Carré des Aviateurs light industrial estate in Le Blanc Mesnil, north of Paris, was completed in 2005. The seven ha site offers excellent transport links thanks to its proximity to Le Bourget Airport and easy access to the A1 motorway.

The estate is currently being developed to provide 37,000 sq.m. of grade A light industrial accommodation. At the end of 2005 the high fashion retailer, Paul & Joe, signed a lease on a 1,700 sq.m. distribution centre.

Laurent Horbette, General Manager, France, said:
"With prime business links and potential for future development, the Carré des Aviateurs estate is at the heart of an area that is currently undergoing much change and improvement. This development, combined with our property management expertise, offers the space, facilities and flexibility that modern, growing businesses need."

Germany – From trader to investor

Over the past decade, as an active trading developer, Slough Estates has produced over 90,000 sq.m. of flexible business accommodation for the institutional investor market.

This successful strategy is now being redefined to expand the Company's presence in Germany, by becoming a long-term investor as well as a trading developer. This new strategic direction takes advantage of existing market expertise and builds an investment portfolio to complement existing operations.

In line with this investment strategy, part of the occupational portfolio of KarstadtQuelle AG was acquired in a sale and leaseback transaction for £106.8 million. KarstadtQuelle AG are one of the largest retailers in Germany with gross sales of £9.2 billion in 2004. Their portfolio included 296,000 sq.m. of accommodation and 38.5 ha of development land located throughout Germany. The majority of the accommodation is let on long-term leases and produces an annual rent of £8.2 million. The portfolio comprises mainly long-term investments, although there is some short-term trading potential and a substantial development pipeline.

To align the trading portfolio with the new investor strategy, a light industrial property in Hamburg was sold to the real estate investment and asset management company, Halverton, for a gross disposal price of £8.4 million. The property was developed by Slough Estates and provides a total of 12,000 sq.m. of light industrial accommodation, let to 19 tenants.

"We acquired the occupational portfolio of KarstadtQuelle AG in a sale and leaseback transaction for £106.8 million."

Frankfurt, Germany

The Alzenau development property close to Frankfurt, was acquired in 2005, as part of a sale and leaseback transaction for £106.8 million with KarstadtQuelle AG.

The transaction involved the acquisition of a substantial logistics and ancillary office portfolio, providing a total of 296,000 sq.m. of leased-back accommodation and 38.5 ha of undeveloped land.

The main development properties are prime strategic sites at locations in Berlin, Hamburg, Hanover, Dusseldorf/Essen and Alzenau, all with good potential for the provision of business park or logistic facilities.

Dr. Udo Titz, General Manager, Germany, commented: "At Alzenau, close to Frankfurt, we now have 25,000 sq.m. let to KarstadtQuelle AG's e-commerce subsidiary, Neckermann, and a further 10 ha of development land. This development is a prime example of the assets acquired in the KarstadtQuelle portfolio."

Belgium – Consolidation of the portfolio

The latest building on Pegasus Park, Titan, was delivered in the second half of 2005. The property provides 6,100 sq.m. of highly-specified office accommodation and is being marketed following completion, while the lower level has been let to World Class International, a fitness centre. A further phase could provide an extra 3,000 sq.m. of accommodation.

At the Rumst Logistics Park the first phase of 9,700 sq.m. (and an extension of 5,000 sq.m.) was let to Cummins Diesel in early 2006. Negotiations with a tenant for the second phase are at an advanced stage.

Through a joint venture with KBC Vastgoed, two light industrial properties were acquired for a gross purchase price of £3.6 million, reflecting a net initial yield of 8.4 per cent. The two properties, located in close proximity to existing holdings at Pegasus Park and at Relegem, provide a total of 5,600 sq.m. of office and light industrial accommodation. Let to nine tenants, they currently produce £302,000 pa. The properties represent good medium and long-term refurbishment or redevelopment potential.

Elsewhere in the portfolio, progress has been made on the zoning plan for the extension of the Kortenberg development.

The Netherlands – Focus on the Schiphol Airport market

Schiphol airport, the second largest airport in Europe, is the heart of the international occupier market in De Randstad, in the Netherlands. In 2005, Slough Estates entered the market through the acquisition of a 60 per cent stake in an experienced local developer, Mainland BV, to create Slough Estates Mainland. Mainland is a well-respected niche developer in the Schiphol market and has worked with international occupiers such as Microsoft, Pfizer, Unisys, KLM and Nikon. This acquisition not only provides a strong platform to enter the Dutch market through the experienced personnel and profile of Mainland BV, but also provides access to an existing development pipeline and a strong land bank. Of this pipeline, a 1,500 sq.m. office building was delivered in early 2006 to an owner occupier, Corendon, a Turkish travel/hotel agency. Discussions are underway with occupiers on other sites.

Brussels, Belgium
Pegasus Park is a modern development, designed to meet the ever-changing needs of today's businesses.

Next to Zaventem International Airport, Brussels, this 16 ha business park currently provides 115,000 sq.m. of office accommodation in a landscaped environment. With enviable motorway and rail links, the park also offers a 234-room four star hotel operated by NH Hotels, providing comfortable, stylish accommodation for business travellers.

Noël Coessens, General Manager, Belgium, commented: "Pegasus Park is one of the premier business parks in Belgium and Europe. It is a development that we are proud of, as are the businesses that have based themselves there. These companies include: Johnson Controls, DHL, Regus, Siemens, Cisco Systems, Volkswagen Bank, Emerson, Sungard, NH Hotels, and McDonald's."

Top and bottom right: The Titan Building, phase 2, Pegasus Park. Architect: Jaspers & Eyers.

Bottom left: Building 6, Pegasus Park. Architect, Altiplan C.V.

Following the Mainland acquisition, the prime De Hoek site opposite the airport was purchased through a 51 per cent joint venture. In an agreement with the local authority, this high-profile 17 ha site will be promoted to provide 108,000 sq.m. of flexible business space in a security park concept. Work is expected to commence in 2008.

Central Europe – Expansion into three new countries: Poland, Hungary and the Czech Republic

In December 2005, the Central European property development operations of Grontmij, a leading European engineering firm, were acquired by Slough Estates. The purchase provides an immediate presence in Poland, the Czech Republic and Hungary with development teams already in place and sites ready to develop. Several of these sites form part of an existing network of logistics parks which have been partially developed. These developments will be integrated into the European logistics network and will receive additional investment.

Slough Estates now owns 80 ha and controls a further 17 ha under short-term options in Central Europe. The logistics sites include; 61 ha at Strykow near Lodz on the new motorway connecting Warsaw to Berlin, two ha in Poznan, six ha adjacent to Prague Airport, and nine ha on the M1 motorway running west out of Budapest. Also included is a site for a 16,000 sq.m. suburban office development, close to the airport, in the Mokotov district of Warsaw. Negotiations with various occupiers are ongoing across the portfolio.

Moreover, Slough Estates has the right of first refusal on two further sites in Italy and Hungary totalling 50 ha.

The new Central European team of 16 people is coordinated from a head office in Maastricht, The Netherlands, with satellite offices in the relevant countries.

Since the acquisition of the portfolio, in 2006 a pre-let for a new 43,000 sq.m. distribution and manufacturing facility was agreed with a major US company.

Outlook

In 2006 Slough Estates aims to bring together the individual country operations under a single, enhanced European presence based in Paris and fully integrate recent corporate acquisitions into the existing European network. In uniting these assets, the existing portfolio and land bank not only provide synergies for cross-border logistics solutions, but equally a prime development pipeline, especially in Belgium, France and the Netherlands, is suitable for the international occupier. Increasingly the Company builds on this advantage to leverage and grow customer relationships on a pan-European basis.

Over the next 12 months, it is expected that the investment market will become more competitive. Slough Estates' exceptional position as both an investor and developer can provide a significant competitive advantage when sellers want to sell both types of assets to one purchaser. This advantage was apparent in the acquisition of the KarstadtQuelle portfolio in Germany.

Lodz, Poland.

In December 2005, Slough Estates' acquired GREI (Grontmij Real Estate International), the Central European property development operations of Grontmij, a leading European engineering firm.

Part of this portfolio is the Strykow Logistics Park in Lodz, Poland, a 61 ha site zoned for 270,000 sq.m. of development.

In an encouraging start to business in Central Europe, Slough Estates has agreed to develop a new 43,000 sq.m. warehouse and production facility for a major US manufacturer, with delivery expected in September 2006. This pre-let is Slough Estates' largest ever in Europe and one of the biggest in the Polish market. It is a firm indication of the company's intent in Europe.

Simon Hollins, General Manager, Central Europe, commented:

"The Strykow Logistics Park shows clear progress in our strategy of expansion in the core sectors of logistics, light industrial and suburban office in Continental Europe. Ease of access to the new motorway connecting Warsaw to Berlin makes this park a major hub for logistics and industrial occupiers."

Business Review: North America

"Our valuation surplus for the year was 15.8 per cent or £127.5 million and total fixed assets at year-end valuation increased by £353 million (65 per cent) from the previous year to £959 million."

Marshall Lees
President & CEO, Slough Estates USA Inc

Strategy
Slough Estates' North American business is positioned to exploit the growing demand for space from the life sciences industry, with a strategy to address the prudent management of risk.

This strategy is based on the following major criteria:

- Investment in major clusters of life sciences activity
- Construction of "generic" industry facilities which are flexible, durable and adaptable
- Development of critical mass through multi-building estate configurations, which can benefit from the expansion of client businesses

Since the adoption of the life sciences strategy in 1994, over 465,000 sq.m. of life sciences space has been developed and acquired in California, with a pipeline of projects in planning or under construction that totals 20,000 sq.m.

Slough Estates acquires premium sites and assets suitable for development, redevelopment or conversion to life sciences uses. The current real estate portfolio includes approximately 372,000 sq.m. of life sciences product valued at £714.3 million, and services the two largest biotech companies in the world (Genentech and Amgen).

Close relationships with clients are a key contributer to business expansion. The Company enjoys excellent client relationships and has a strong brand profile in the life sciences industry. These factors will reflect positively on future business prospects.

Hacienda
In the second half of the year Slough Estates sold a 71,000 sq.m. portfolio of office properties at Pleasanton, California, for £105.6 million, a net £61.6 million, to Triple Net Properties, LLC.

Slough Estates received gross proceeds of £105.6 million for Phases I to VIII of the Pleasanton development in the Hacienda Business Park – a premium of 38 per cent against the half-year valuation prior to sale of £76.5 million.

After allowing for distributions to its partner, the National Electrical Benefit Fund, Slough Estates USA realised net cash proceeds of £75.8 million. This figure represents a 50.7 per cent increase over the book value and a £33.2 million gain over the project cost of £42.6 million (77.9 per cent).

The sale of Pleasanton – at a significant premium to its most recent valuation – represented a further major step in the focusing of Slough Estates' US portfolio on the development of properties for biotech companies around San Francisco and San Diego.

Hacienda Business Park, Pleasanton.

2005 Performance

Against the backdrop of a robust and resilient US economy, Slough Estates continued to expand in the life sciences sector and exit from non-core assets. The valuation surplus for the year was 15.8 per cent or £127.5 million and total fixed assets at year-end valuation increased by £353 million (65 per cent) over the previous year to £959 million. Net absorption for the year was 22,000 sq.m. and the vacancy rate at year end was just under 20 per cent – a significant increase on last year mainly due to the acquisition of the new properties at Shoreline and Seaport.

Economic Overview

Buoyed by healthy consumer spending, sustained productivity gains and low inflation, the US economy continued to perform strongly throughout 2005, despite adverse weather events, rising energy costs and a deteriorating current account. Commercial real estate continued its gradual recovery in occupancy and rental rates in response to the general business expansion.

Slough Estates International
US Property Portfolio California

North California
1 South San Francisco
2 Point Eden, Hayward
3 Seaport, Redwood City
4 Shoreline, Mountain View

South California
5 Bressi Business Park, Carlsbad
6 Poway Business Park, Poway
7 Torrey Pines, La Jolla

"With ready access to major research institutions and a growing demand for healthcare products, we believe that the life sciences sector will continue to flourish in these two major metropolitan areas. We now have a strong property development pipeline in place to serve them."

Acquisitions and Disposals

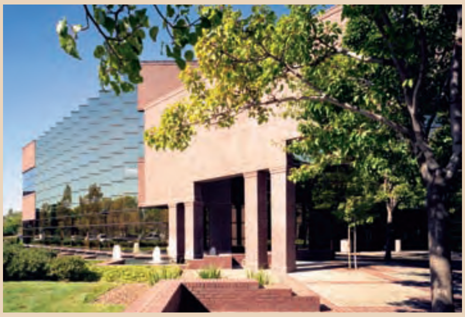
The sale of activities in the US outside the health sciences core has seen successes in hitting markets at the right time. During 2005, the leisure and residential complex in Florida, known as Quail West, as well as the holding in the Tipperary Oil and Gas company were both sold, producing substantial profit over book value.

As part of the programme of selling non-core real estate assets, an exit from the project in Elgin, Illinois, was completed by selling two buildings and 12.2 ha of vacant land for £8 million to PanCor Construction & Development LLC for a net loss of £0.2 million over its last valuation. The net proceeds reflect a gain over cost of approximately £1.1 million (17 per cent).

In late 2005, the 10-building, 71,000 sq.m. estate in the Hacienda Business Park was marketed for sale. The investment was widely marketed and subsequently sold to Triple Net Properties LLC for £105.6 million. After allowing for proceeds to its partner (National Electrical Benefit Fund), Slough Estates realised net cash proceeds of £75.8 million. This figure represents a 50.7 per cent increase over the book value and a £33.2 million gain over the project cost of £42.6 million (77.9 per cent).

Several acquisitions were completed during the year to consolidate dominant competitive positions in the life sciences clusters in the Bay Area and San Diego County. Following the acquisition and assembly of 32.5 ha of vacant land in four separate adjacent transactions in the South Poway Business Park for £24.1 million during 2004, two major parcels were acquired in the Bressi Business Park, Carlsbad, California in mid 2005, adding another 16.5 ha of land costing £19.9 million.

These purchases enabled the creation of two of the last major development sites in Central and Northern San Diego County and will support approximately 204,000 sq.m. of office/R&D space, placing Slough Estates in a prime position for the anticipated growth of demand over the balance of the decade. The Carlsbad market features approximately 45 life sciences companies and active marketing of these sites is underway to accommodate the expected growth of this cluster.



Shoreline and Seaport

In June 2005 Slough Estates announced its purchase of two business parks in the San Francisco Peninsula for £168.1 million. These purchases are a continuation of the stated strategy to recycle assets in California so that Slough Estates USA continues to be self-financing.

The 67,000 sq.m. Shoreline Technology Center and the 58,000 sq.m. Seaport Center from Equity Office Properties. Major customers include life science companies; Boston Scientific, Perlegen Sciences, Abbott Laboratories, Radiant Medical and LuMend and technology company Actel. These two strategically-located estates added almost 125,000 sq.m. of space that is suitable for conversion to life sciences uses and will enable the Company to provide for the future growth of the industry in these locations. The year-end valuation produced a 12.6 per cent gain over the purchase price of the two business parks.

Marshall Lees, President and CEO, Slough Estates USA, commented:
"The acquisition of the Shoreline and Seaport business parks strengthens our portfolio in California in the short term. There are significant opportunities for us to add value to these projects through our established reputation and proven expertise in life science property which will attract life science customers to these well-located parks."

Top left: Shoreline, Mountain View.

Top right: Seaport, Redwood City.

Bottom left: A view of San Francisco Airport from one of Slough Estates' sites in south San Francisco.

In February 2005, a 12,000 sq.m. vacant building adjacent to the Poway site was acquired for £1.1 million. This site is marketed together with two office/R&D buildings totalling 14,000 sq.m. that were completed in mid 2005.

In the Bay Area, two major business parks were acquired in the San Francisco Peninsula – in Redwood City and Mountain View – to exploit the growth of local life sciences clusters in the respective local markets. The Shoreline Technology Park and Seaport Center were acquired from Equity Office Properties in June for £168.1 million. These two strategically-located estates added almost 125,000 sq.m. of space that is suitable for conversion to life sciences uses, providing for the future growth of the industry in these locations. The year-end valuation produced a 12.6 per cent gain over the purchase price of the two business parks.

Development

In December 2004, a master lease was completed with Genentech to develop a £191.3 million, eight-building life sciences campus on the 11.3 ha Britannia East Grand site in South San Francisco. In 2005 construction started on Phase I, a four-building, 42,000 sq.m. project, which is on target for completion during 2006. Phase II, consisting of four buildings totalling 31,000 sq.m., will commence construction during 2006. Upon its completion and occupancy in 2008, this project is contracted to deliver an initial, annualised rental income of approximately £19.8 million.

In mid 2005, Phase I of a unique modular laboratory facility was completed in South San Francisco. This pioneering 6,000 sq.m. life sciences facility, featuring flexible 460 and 930 sq.m. laboratory units, was the product of two years planning and design and is targeted at emerging biotech companies requiring small laboratories on flexible lease terms. The modular laboratory concept was developed in order to cater to these life sciences companies requiring sophisticated laboratory facilities for relatively short periods of time. It is anticipated that this investment will also provide access to life sciences companies at the smaller end of the scale, to develop relationships and to capture opportunities for future expansion. A Phase II project of 5,800 sq.m. – adjacent to the initial facility and featuring four 1,400 sq.m. units – commenced construction during the year and is scheduled for completion in mid 2006.

In October 2005, Amgen exercised an option to commence construction of the final building at Britannia Oyster Point, South San Francisco. The 8,600 sq.m. office/laboratory facility is now under construction and is scheduled for completion and occupancy in mid 2007.

Britannia East Grand

In December 2004, a master lease was executed with Genentech to develop a £191.3 million, eight-building life sciences campus on the site in South San Francisco, California.

In 2005 construction started on the four-building, 42,000 sq.m., Phase I component in 2005 and is on target for completion during 2006. Phase II, consisting of four buildings totalling 31,000 sq.m., will commence construction during 2006.

Upon its completion and occupancy in 2008, this project should deliver an initial, annualised rental income of approximately £19.8 million.

Development pipeline

The level of enquiries for life sciences facilities in the Bay Area and San Diego County is encouraging and Slough Estates is confident that additional development and acquisition transactions will take place during 2006 and beyond. In order to accommodate the anticipated growth of demand in the Bay Area, the Company is under contract to acquire a 9.3 ha site in Brisbane, California, that will support a five-building, 50,000 sq.m. life sciences campus. This project is subject to planning consent.

Redevelopment of the original core of the Point Grand life sciences campus in South San Francisco is currently under evaluation. The project would convert the existing, four-building, 16,000 sq.m. mass into a four-building, 45,000 sq.m. campus, and is subject to planning consent.

Planned redevelopment of a warehouse building site in South San Francisco would result in the demolition of a 15,000 sq.m. building, to be replaced with approximately 29,000 sq.m. of office/laboratory space. This project is also subject to planning consent from the City.

Consent has been granted to redevelop another warehouse site adjacent to the Britannia Oyster Point project in South San Francisco. The 18,000 sq.m. industrial building has been demolished and planning consent was received in March 2005 for a three-building, 29,000 sq.m. life sciences campus. The expected expansion of the life sciences industry in the local area should provide opportunities to lease these planned developments.

Poway Business Park and Bressi Business Park

Slough Estates completed several acquisitions during the year to consolidate its dominant competitive positions in the life sciences clusters in the Bay Area and San Diego County.

Following the acquisition and assembly of 32.5 ha of contiguous vacant land in four separate transactions in the South Poway Business Park for £23.9 million during 2004, two major parcels were acquired in the Bressi Business Park, Carlsbad, California in mid-2005, adding another 16.5 ha of land costing £20.9 million (which will support about 65,000 sq.m. of office/R&D development).

The assembly of two of the last major development sites in Central and Northern San Diego County will support approximately 195,000 sq.m. of office/R&D space and position Slough Estates for the anticipated growth of demand over the balance of the decade. The Carlsbad market features approximately 45 life sciences companies and Slough Estates is marketing its sites to accommodate the expected growth of this cluster.

Poway Business Park, Poway.

Lettings

The components of the 19.5 per cent vacancy rate (81,000 sq.m. at the end of 2005) are as follows:

	Area – sq.m.	% Portfolio
Total Vacancy	81,034	19.5
Completed Development	20,522	4.9
Acquisitions in 2005	28,828	6.9
Core Vacancy	31,752	7.7

There were major successes on the leasing front during the year. Following Pfizer's £36.4 million lease buy out of its obligation on the 21,000 sq.m. Sugen campus in South San Francisco in January 2005, Slough Estates assumed control of the space and signed leases with Exelixis and Rinat in the first half of the year for the remaining 14,000 sq.m.

Following the acquisition of the Shoreline and Seaport developments, leases were negotiated with FoxHollow Technologies (12,000 sq.m. in Shoreline) and Rubicor (2,300 sq.m. in Seaport). These transactions vindicated the decision to acquire the projects and to reposition them for progressive conversion to life sciences uses.

During the year at the Point Eden estate in Hayward, California, the build-out of space for the biotech company, Accologix, was completed (1,600 sq.m.) and a lease was secured for the expansion of Novo Nordisk (4,500 sq.m.). The lease on Building E (8,700 sq.m.) with Amgen will complete the build-out of the Britannia Oyster Point I campus.

Outlook

Over the past three years, substantial value has been created for shareholders through the pursuit of development opportunities in the US life sciences market.

Building on a productive and rewarding year in 2005, more initiatives are in the pipeline, which will generate attractive development and investment opportunities during 2006 and beyond.

The vacancy in the existing portfolio (core vacancy) will be further reduced through leasing and the development of pre-leased product. Through aggressive marketing and leasing strategies, it is also expected that the non-core elements of vacancy (completed developments and acquisitions) will be reduced during 2006.

Slough Estates aims to further enhance its leading position as the preeminent developer and owner of life sciences facilities in the Bay Area and San Diego County.

FoxHollow

Following the acquisition of the Shoreline and Seaport developments, Slough Estates negotiated leases with FoxHollow Technologies (12,000 sq.m. in Shoreline) and Rubicor (2,300 sq.m. in Seaport).

These transactions vindicated the decision to acquire the projects and to reposition them for progressive conversion to life sciences uses.

Shoreline, Mountain View.

UK property portfolio

As at 31 December 2005 Location	Land area ha	Land for development ha	Industrial/ warehousing sq.m.	Office sq.m.	Retail sq.m.	Total sq.m.	Number of tenants	Rent roll £000
UK								
Slough	197	1	555,925	82,612	33,737	672,274	391	70,520
Heathrow and West London	86	7	332,667	10,138	4,370	347,175	226	27,962
Thames Valley and West of England	98	12	259,438	32,203	–	291,641	176	25,987
South London and South of England	123	41	238,197	11,558	–	249,755	116	14,437
North London and East of England	160	18	410,935	29,780	199	440,914	174	23,905
Midlands	137	19	392,391	15,287	17,040	424,718	201	20,349
HelioSlough (50%)	78	78	–	–	–	–	–	–
Retail (50%)	18	–	–	393	44,967	45,360	69	9,479
Total	897	176	2,189,553	181,971	100,313	2,471,837	1,353	192,639
Percentage by use			89	7	4			
Slough	197	1	555,925	82,612	33,737	672,274	391	70,520
Total	197	1	555,925	82,612	33,737	672,274	391	70,520
Heathrow and West London								
London, NW10	6	–	31,223	–	–	31,223	37	2,622
London, W3	4	–	19,512	–	–	19,512	15	1,829
Feltham	26	–	90,138	8,668	–	98,806	36	8,743
Hounslow	4	–	17,346	–	–	17,346	10	703
Isleworth	6	–	24,154	713	–	24,867	22	1,612
Greenford	6	–	24,955	–	–	24,955	14	1,924
Hayes	6	–	22,161	–	–	22,161	34	1,640
Colnbrook	5	–	29,819	–	–	29,819	26	1,602
Uxbridge	7	7	8,277	757	–	9,034	9	1,082
West Drayton	7	–	29,512	–	–	29,512	12	2,479
South Ruislip	3	–	6,357	–	4,370	10,727	3	1,650
Heston	6	–	29,213	–	–	29,213	8	2,076
Total	86	7	332,667	10,138	4,370	347,175	226	27,962
Thames Valley and West of England								
Ascot	11	–	–	9,350	–	9,350	1	2,624
High Wycombe	9	–	31,564	2,169	–	33,733	27	2,796
Bristol	7	–	21,892	–	–	21,892	17	1,545
Yate	9	–	31,568	–	–	31,568	26	1,630
Weston-super-Mare	8	1	27,328	–	–	27,328	42	1,334
Winnersh	33	–	111,143	20,684	–	131,827	37	13,857
Swindon	3	–	11,180	–	–	11,180	5	709
Bracknell	2	–	4,867	–	–	4,867	10	420
Gloucester	11	11	–	–	–	–	–	–
Wokingham	2	–	7,465	–	–	7,465	7	547
Oxford	3	–	12,431	–	–	12,431	4	525
Total	98	12	259,438	32,203	–	291,641	176	25,987

Location	Land area ha	Land for development ha	Industrial/ warehousing sq.m.	Business/ office sq.m.	Retail sq.m.	Total sq.m.	Number of tenants	Rent roll £000
South London and South of England								
Farnborough	52	25	865	11,558	–	12,423	5	1,550
Crawley	9	2	33,809	–	–	33,809	1	1,100
Portsmouth	34	14	62,096	–	–	62,096	46	4,365
Southampton	3	–	13,035	–	–	13,035	5	675
Basingstoke	4	–	15,944	–	–	15,944	15	1,396
Camberley	2	–	13,789	–	–	13,789	2	50
Epsom	1	–	6,843	–	–	6,843	3	323
Coulsdon	2	–	9,448	–	–	9,448	4	349
Croydon	5	–	19,990	–	–	19,990	7	1,156
Fareham	3	–	12,169	–	–	12,169	–	–
Frimley	3	–	21,863	–	–	21,863	20	1,691
London, SW19	2	–	9,973	–	–	9,973	1	801
Guildford	2	–	11,925	–	–	11,925	6	641
Swanley	1	–	6,448	–	–	6,448	1	340
Total	123	41	238,197	11,558	–	249,755	116	14,437
North London and East of England								
Cambridge	45	10	–	19,197	–	19,197	8	2,048
Welwyn Garden City	2	–	9,541	–	–	9,541	23	825
Elstree	22	5	10,798	6,270	–	17,068	10	1,316
Edmonton	2	–	16,836	–	–	16,836	1	435
Chelmsford	4	–	15,691	–	–	15,691	10	874
Radlett	12	–	44,540	–	–	44,540	12	1,458
Luton	9	–	32,830	–	–	32,830	27	1,740
Barking	3	–	13,338	–	–	13,338	4	749
Hatfield	6	–	31,580	–	–	31,580	1	2,500
Huntingdon	2	–	8,509	–	–	8,509	13	526
West Thurrock	6	–	30,050	–	–	30,050	19	1,458
Basildon	10	–	55,553	4,313	–	59,866	16	3,055
Dunstable	37	3	141669		199	141,868	30	6,921
Total	160	18	410,935	29,780	199	440,914	174	23,905
Midlands								
Birmingham	27	5	69,365	5,205	–	74,570	87	4,350
Oldbury	2	–	4,315	1,575	–	5,890	6	489
Huddersfield	8	–	15,315	–	9,023	24,338	18	1,374
Chester	3	–	–	–	7,711	7,711	4	1,638
Runcorn	4	–	13,697	–	–	13,697	4	636
Northampton	5	–	20,565	–	–	20,565	2	1,089
Warrington	5	–	20,671	–	–	20,671	27	840
Derby	4	–	13,631	4,034	–	17,665	11	1,168
Manchester	79	14	234,832	4,473	306	239,611	42	8,765
Total	137	19	392,391	15,287	17,040	424,718	201	20,349
HelioSlough (50/50 joint venture)								
Nimbus Thorne, Doncaster (50 %)	24	24	–	–	–	–	–	–
Wynyard 2 (50 %)	49	49	–	–	–	–	–	–
Chorley (50 %)	5	5	–	–	–	–	–	–
Total	78	78	–	–	–	–	–	–
Retail								
Surrey Quays, Rotherhithe (50 %)	9	–	–	393	25,655	26,048	59	5,330
Clifton Moor, York (50 %)	9	–	–	–	19,312	19,312	10	4,149
Total	18	–	–	393	44,967	45,360	69	9,479

International property portfolio

As at 31 December 2005 Location	Land area ha	Land for development ha	Industrial/ warehousing sq.m.	Business/ office sq.m.	Retail sq.m.	Total sq.m.	Number of tenants	Rent roll £000
Belgium	71	44	101,964	79,623	2,797	184,384	95	13,952
France	67	7	301,511	8,035	17,812	327,358	22	10,964
Germany	144	66	621,517	–	846	622,363	100	12,453
Central Europe	79	77	–	–	–	–	–	–
The Netherlands	27	27	–	–	–	–	–	–
US	171	64	381,823	14,617	18,526	414,966	69	58,011
Total	559	285	1,406,815	102,275	39,981	1,549,071	286	95,380
Percentage by use	–	–	90	7	3	–	–	–
Belgium								
Woluwe St Stevens	4	–	20,532	–	–	20,532	18	878
Zaventem E40	1	–	5,106	–	2,337	7,443	9	304
Horizon	2	1	6,536	–	–	6,536	7	505
Sirius	1	1	–	–	–	–	–	–
Kortenberg (50%)	5	4	–	–	460	460	1	28
Relegem	4	–	19,334	–	–	19,334	24	1,459
Pegasus – Diegem	15	11	–	79,623	–	79,623	23	8,926
Pegasus – Diegem (50%)	1	1	–	–	–	–	1	150
Nivelles (50%)	6	4	8,424	–	–	8,424	2	284
Diegem 2 (50%)	3	3	–	–	–	–	–	–
Diegem (UPS) (50%)	3	1	10,131	–	–	10,131	1	514
UPS Extension (50%)	1	–	3,376	–	–	3,376	4	150
Zellik (50%)	2	2	–	–	–	–	–	–
Zaventem 3 (50%)	6	6	–	–	–	–	–	–
Bornem (50%)	11	7	16,517	–	–	16,517	1	598
Rumst (50%)	5	3	9,746	–	–	9,746	–	–
Zellik II (50%)	1	–	2,262	–	–	2,262	4	156
	71	44	101,964	79,623	2,797	184,384	95	13,952
France								
Colombes	3	–	–	–	17,812	17,812	1	1,174
Bures Orsay	4	–	19,264	–	–	19,264	3	499
Aulnay sous Bois	2	–	11,155	–	–	11,155	1	474
Nanterre (66%)	–	–	–	5,803	–	5,803	–	–
Evry	5	–	26,087	–	–	26,087	2	1,073
Marly La Ville	25	–	108,382	–	–	108,382	6	4,081
Cergy Pontoise	10	–	51,645	–	–	51,645	2	1,967
La Courneuve	11	4	66,043	–	–	66,043	1	959
Blanc Mesnil	7	3	18,935	2,232	–	21,167	6	737
	67	7	301,511	8,035	17,812	327,358	22	10,964
Germany								
Neuss	9	2	35,676	–	–	35,676	15	1,196
Mönchengladbach	7	5	27,225	–	–	27,225	12	542
Frankfurt	4	–	10,875	–	–	10,875	8	340
Kapellen	5	2	12,186	–	–	12,186	–	–
Ratingen	3	–	17,325	–	–	17,325	24	924
Dormagen	1	–	6,327	–	–	6,327	1	336
Krefeld	2	–	7,596	–	–	7,596	2	163
Braunschweig	5	5	15,318	–	–	15,318	1	135
Flensburg	1	1	3,330	–	–	3,330	–	–
Göttingen	2	2	11,219	–	–	11,219	3	81
Hamburg	5	–	32,612	–	–	32,612	1	572
Kiel	6	6	19,725	–	–	19,725	1	3
Lübeck	2	2	11,087	–	–	11,087	2	141
Rendsburg	1	1	6,364	–	–	6,364	–	–
Dortmund–Kley	2	2	8,904	–	–	8,904	–	–
Düsseldorf	2	–	19,637	–	–	19,637	2	164
Essen	3	2	31,556	–	–	31,556	3	218
Holzwickede	7	–	33,599	–	–	33,599	1	385
Berlin	7	3	83,873	–	–	83,873	6	1,458
Dresden	1	1	805	–	846	1,651	1	33

Note: Totals on pages 44 and 45 include the full rent roll from joint ventures in which the Company has a share, as indicated in brackets.

Location	Land area ha	Land for development ha	Industrial/ warehousing sq.m.	Business/ office sq.m.	Retail sq.m.	Total sq.m.	Number of tenants	Rent roll £000
Germany continued								
Hoyerswerda	1	1	472	–	–	472	1	4
Alzenau	17	10	25,172	–	–	25,172	1	672
Butzbach	3	–	10,298	–	–	10,298	1	357
Darmstadt	3	3	12,011	–	–	12,011	1	101
Floersheim	11	11	41,404	–	–	41,404	4	193
Gießen	2	2	7,552	–	–	7,552	–	–
Saarbrücken	2	2	12,534	–	–	12,534	–	–
Aulendorf	1	–	2,002	–	–	2,002	1	43
Bad Waldsee	8	1	49,355	–	–	49,355	2	1,947
Fraunaurach	7	–	18,472	–	–	18,472	1	727
Fürth	5	–	23,340	–	–	23,340	1	738
Marklustenau	1	–	1,065	–	–	1,065	1	20
Neumarkt	6	2	12,838	–	–	12,838	1	609
Schlierbach	1	–	7,582	–	–	7,582	1	258
Sennfeld	1	–	2,181	–	–	2,181	1	93
	144	66	621,517	–	846	622,363	100	12,453
Central Europe								
Czech Republic								
Hostivice	6	6	–	–	–	–	–	–
Hungary								
Vendel Park	9	8	–	–	–	–	–	–
Poland								
Poznan	2	2	–	–	–	–	–	–
Strykow	61	60	–	–	–	–	–	–
Warsaw	1	1	–	–	–	–	–	–
	79	77	–	–	–	–	–	
The Netherlands								
Mainbuilding (60%)	–	–	–	–	–	–	–	–
Formaeren (20%)	2	2	–	–	–	–	–	–
De Hoek (51%)	17	17	–	–	–	–	–	–
Lutkemeer (60%)	8	8	–	–	–	–	–	–
	27	27	–	–	–	–	–	
US								
Peoria: Illinois								
Cherrytree (25%)	7	–	–	–	18,526	18,526	15	488
California								
San Diego								
Torrey Pines 1 (32.5%)	2	–	7,837	–	–	7,837	1	1,820
Torrey Pines 2 (50%)	1	–	4,297	–	–	4,297	1	928
Torrey Pines Science Center	3	–	15,462	–	–	15,462	2	3,767
Torreyana	3	–	7,898	–	–	7,898	1	456
Torrey Pines Science Park	7	–	27,110	–	–	27,110	6	2,916
Carlsbad	16	16	–	–	–	–	–	–
Poway	36	29	26,105	–	–	26,105	–	–
San Francisco								
Point Eden, Hayward	16	–	49,346	–	–	49,346	8	3,851
Oyster Point	13	4	45,070	–	–	45,070	3	17,239
East Grand	11	11	–	–	–	–	–	–
Gateway (55%)	3	–	13,690	–	–	13,690	1	2,469
Gateway	2	–	9,854	–	–	9,854	1	2,426
Seaport	12	–	43,056	14,617	–	57,673	12	4,592
Shoreline	21	–	67,493	–	–	67,493	12	7,081
Forbes	3	3	–	–	–	–	–	–
Modular Labs I	1	–	6,029	–	–	6,029	–	–
Modular Labs II	1	1	–	–	–	–	–	–
Point Grand	13	–	58,576	–	–	58,576	6	9,978
	171	64	381,823	14,617	18,526	414,966	69	58,011
UK	897	176	2,189,553	181,971	100,313	2,471,837	1,353	192,639
International	559	285	1,406,815	102,275	39,981	1,549,071	286	95,380
Total	1,456	461	3,596,368	284,246	140,294	4,020,908	1,639	288,019

Development programme

Completed construction in 2005

Location	Type	2005 sq.m.	2005 sq.m. Let or Sold
UK			
Edinburgh Avenue, Slough	Industrial	2,394	
Camberley Business Centre	Industrial	2,484	2,484
Radlett Road, Radlett	Industrial	9,676	2,384
Stone Close, West Drayton	Car Showroom	2,926	2,926
Stockley Close, West Drayton	Industrial	876	876
Buckingham Avenue, Slough	Industrial	2,440	511
Buckingham Avenue, Slough	Industrial	4,706	
Gazelle Road, Weston Super Mare	Industrial	1,757	1,757
Pulborough Way, Hounslow	Industrial	2,527	
Motor Park, Portsmouth	Car Showroom	3,074	3,074
Railway Triangle, Portsmouth	Industrial	1,934	
Handley Page Way, Radlett	Industrial	6,968	6,968
HelioSlough, various locations	Logistics	11,148	11,148
UK total		52,910	32,128
Belgium			
Pegasus building 5 extension	Offices	6,694	688
France			
Le Blanc Mesnil	Industrial	10,147	3,709
Germany			
Kapellen	Logistics Centre	12,186	
Krefeld	Business Park	7,596	3,507
Neuss VI	Logistics Centre	21,170	18,327
Dormagen	Industrial	6,327	6,327
Neuss V	Business Park	5,804	392
US			
Britannia Modular Labs I (Allerton), South San Francisco	Biotech/Office	6,029	
Poway A&B	Biotech/Office	14,492	
International total		90,445	32,950
Group total		143,355	65,078
% Let or Sold			45.4%

Under construction at 31 December 2005

Location	Type	Sq.m.	Sq.m. Let or Sold
UK			
Ajax Avenue, Slough	Office	5,914	5,914
Fowler Avenue, Farnborough	Office	3,796	
Fowler Avenue, Farnborough	Office	3,233	
O'Gorman Avenue, Farnborough	Office	4,544	
Riverside Way, Uxbridge	Office	1,978	
Riverside Way, Uxbridge	Industrial	2,899	
Riverside Way, Uxbridge	Industrial	2,093	
Stockley Close, West Drayton	Industrial	5,100	
Bilton Court, Luton	Industrial	6,266	
UK total		35,823	5,914
US			
East Grand, South San Francisco	R&D	72,836	72,836
Britannia Modular Labs II, South San Francisco	R&D	5,739	
Oyster Point, South San Francisco	R&D	8,658	8,658
International total		87,233	81,494
Group total		123,056	87,408
% Let or Sold			71%

Anticipated development in 2006

Location	Type	Sq.m.
UK		
Whitby Road, Slough	Industrial	2,590
Farnham Road, Slough	Retail	5,824
Buckingham Avenue, Slough	Industrial	7,000
Farnham Road, Slough	Leisure	3,351
Ajax Avenue, Slough	Industrial	5,685
Bedford Avenue, Slough	Industrial	1,430
Oxford Avenue, Slough	Industrial	3,964
Bath Road, Slough	Office	11,000
Voyager Park, Portsmouth	Industrial	16,063
Lovelace Road, Bracknell	Industrial	1,488
Heywood, Manchester	Industrial	6,747
Argyle Street, Birmingham	Industrial	20,900
Stanhope Road, Camberley	Industrial	10,046
London Road, Crawley	Office	42,310
Faggs Road, Feltham	Industrial	8,900
Javelin Park, Haresfield	Industrial	9,058
Agilent Site, Winnersh	Office	1,858
Frogmore Business Centre, West Thurrock	Industrial	4,294
Nimbus Thorne, Doncaster (HelioSlough)	Industrial	69,677
Chorley (HelioSlough)	Industrial	27,871
UK total		**260,056**
Belgium		
Rumst	Logistics	43,000
Sirius	Hotel	21,000
Zellik	Industrial	10,100
Kortenberg	Industrial	6,500
Pegasus	Office	5,250
Belgium total		**85,850**
France		
Saint Denis	Offices	26,500
Le Blanc Mesnil	Industrial	5,000
France total		**31,500**
Germany		
Kapellen, Phase II	Industrial	7,860
Mönchengladbach	Industrial	22,731
Frankfurt	Industrial	12,780
Braunschweig	Industrial	15,316
Damstadt	Industrial	12,000
Essen	Industrial	12,000
Berlin	Industrial	8,000
Germany total		**90,687**
Central Europe		
Poland	Industrial	46,000
Czech Republic	Industrial	20,000
Hungary	Industrial	12,000
Central Europe total		**78,000**
US		
Poway	R&D	17,837
Torrey Pines Science Park 5, San Diego	R&D	4,181
US total		**22,018**
International total		**308,055**
Group total		**568,111**

Corporate responsibility

Our Third Corporate Responsibility Report (which is a summary report this year) has fuller details of Slough Estates corporate responsibility activities in 2005 and can be downloaded from our website on www.sloughestates.com/cr. Alternatively, copies are available from the Company Secretary. This is a resume of the report.

Key highlights

Slough Estates set a total of 40 CR targets at the beginning of 2005. 75 per cent of these have been fully achieved and a further five per cent have been substantially progressed. Just three targets remain un-progressed at year end. Particular achievements to be highlighted are listed below, alongside their associated business benefits.

- The adaptation of the UK Environmental Management System (EMS) for Belgium, and a commitment to roll this out to a further two European countries in 2006. Having been adapted to reflect national differences in the regulatory framework, the EMS will help to ensure greater consistency in the environmental standards that are achieved across Slough Estates' operations.
- The establishment of an online property management database, which includes fields on energy, water and waste performance data. This new intranet-based system should enable Slough Estates to monitor environmental performance more effectively and improve management practices accordingly. In 2006 we shall be investigating the feasibility for extending this system to our international operations.
- The extension of the Slough Trading Estate CCTV surveillance system to a further three sites via a remote monitoring system. The scheme has proved to be highly cost-effective, as the crime figures on the Trading Estate have dropped dramatically since its installation, and it forms a significant aspect of our marketing campaigns to prospective customers.
- Initial stages of research to investigate market demand for "green" buildings amongst our customer base. This has led to the development of a questionnaire focusing on a range of building-related environmental characteristics and enquiring about the extent of demand for these, both now and in the future. Responses to this survey will help Slough Estates to refine the design specifications of new developments and major refurbishments.

Table 1: Progress against Targets 2005

	No. of Targets	0%	25%	50%	75%	100%
Total by number	40	3	3	2	2	30
% ot total	100	7.5	7.5	5	5	75

Table 2: Key Performance Indicators

	Detailed KPI	2005	2004
Economic			
	Property investment income	£257.6m	£232.5m
	Profit before tax and exceptional items	£120.4m	£133.3m
	Adjusted basic earnings per share	24.0p	24.7p
Social			
Employees	Total UK employee turnover (excluding retirees)	6.28%	New in 2005
	% of UK staff that are female	32.6%	New in 2005
Customers	Overall customer Satisfaction (proportion of customers rating good or excellent)	64%	57%[1]
Health & Safety	Accident Incident Rate	2,515	2,128[2]
Community	Total donation in cash and in kind to community and civil society	£627,914	£525,000[3]
Crime, prevention & security	Total crime figures on the Slough Trading Estate (incidents of crime per person on the Slough Trading Estate)	0.008	0.014
Environmental			
Carbon emissions associated with energy use	Kg CO_2/m^2 floor space	206	207
Water use	Total m^3 of water used/employee	24	26
Waste	Waste (tonnes) own-office occupation	53.78	47
Renewable energy	Renewable Energy Generation Gwh (Slough Heat & Power)	247	184
Pollution	Number and value of notifiable spillages or pollution incidents resulting from the actions of our customers or contractors	0	New in 2005
Land use	Area of "green space" created as a proportion of new developments	11%	15%
Nuisance	Number of environmental nuisance complaints received	0	New in 2005

[1] Overall customer satisfaction figures are weighted according to the number of interviews conducted per property. Please note, that the figure reported in the 2004 CR report referred to a direct average of the properties studied.
[2] The methodology used to calculate the Accident Incident Rate was revised in 2005 to correspond to HSE methodology; the figure reported here is therefore different from that stated in the 2004 CR report, which should now be discounted. The figure reported relates to the number of accidents during the period divided by the average number of employees multiplied by 100,000.
[3] 2004 CR report mistakenly reported this figure as cash only donations, whereas it in fact also included 'in kind' donations.

Report Scope

All of the data in the summary report covers Slough Estates' activities in the UK. Some data (including energy and water use) also includes Slough Estates' activities in continental Europe and US. All the information relates to the calendar year ending on 31 December 2005.

Headline performance indicators

Our commitment to CR recognises the need for continual improvement to ensure that our business processes, procedures and reporting reflect current best practice. We have identified a number of performance indicators across all stakeholder groups that we feel provide a useful reflection of our progress year on year. We are pleased to report that the majority of our KPIs demonstrate an improvement in performance since 2004. In those areas where our performance has not improved, we seek to establish the reasons for the trend, and ensure that they receive greater attention in future.

Economic Performance and Corporate Governance

Slough Estates' economic impacts include the company's financial interactions with key stakeholders. The financial highlights on page 2 of the attached accounts illustrate our performance with regard to our shareholders and investors.

We have recently become a member of the Institute of Business Ethics and will be taking steps this year to monitor our Code of Business Conduct. Our Code is available to all employees via our intranet as well as our Whistleblowing Policy.

Social Performance

Employees

During 2005 we focused on diversity, exploring how this differs from equal opportunities and identifying the benefits a diverse way of thinking can bring to our business. We created a bespoke in-house Diversity Programme, with all our UK Head Office employees attending a half-day workshop. Our managers attended a full day programme which then linked to a second full-day of training on selection skills for recruiting and attracting new people to join our business. The programmes have all been successful with post-course evaluation indicating that 85 per cent of the workforce found the diversity programme provided valuable experience.

Customers

The regional restructuring undertaken during 2005 was designed to improve the quality of service to our customers. By organising our activities by region rather than business activities, there is clear responsibility for understanding customer needs and service delivery.

As in previous years, Slough Estates commissioned a customer survey during 2005. For those properties that have been in the portfolio since 2004, there has been an improvement in customer satisfaction over the past year.

Crime Prevention & Security

The installation of CCTV cameras across the Slough Trading Estate has had phenomenal success, with overall crime figures on the Estate falling by nearly 50 per cent since 2003. Findings from our annual customer satisfaction survey demonstrate that customers are recognising the improvements in security at the Slough Trading Estate, with the proportion of occupiers rating security provision "strongly" rising from 50 per cent in 2003 to 75 per cent in the most recent survey.

The introduction of 24 hour CCTV surveillance at Slough Trading Estate has been so successful that we have begun introducing remote surveillance systems at our other estates including Southampton and Winnersh Triangle.

Accessibility

During 2005, Slough Estates continued to implement the high priority recommendations from disability access audits undertaken at all properties in the portfolio during 2003 and 2004. Some of these are paid for by Slough Estates directly, and others are included within service charges.

Health & Safety

Health & Safety (H&S) remains a top priority across Slough Estates' activities, and we are pleased to report that, in 2005, no major injuries or fatalities occurred on any of our sites. We shall be focusing upon ensuring consistency in our approach to H&S across the Group – both in the UK and internationally. In September 2005 we also achieved a Gold Standard in the Construction Skills Certification Scheme for our construction division, due to the registration of at least 75 per cent of our employees under the Construction Skills Certification Scheme.

Community

We continue to recognise our responsibilities towards the local community, and believe in the mutual benefits of improving quality of life in communities where we invest. Due to our strong presence in the Slough area, we are particularly keen to contribute to projects in this area. Our ongoing efforts to support young people in Slough continued with major contributions to the Princes Trust and the Outward Bound Trust and we also helped a local school, Westgate achieve specialist status with a donation of £10,000.

Suppliers

Slough Estates works with a large number of suppliers ranging from property managers to building contractors, and architects. All our dealings with contractors are governed by a code of conduct which requires that we uphold certain minimum standards in our business relationships.

In 2005, we continued to engage with our major contractors on waste management, providing them with site waste management plans, and inviting them to Environmental Workshops held throughout the year. These were generally positively received and provided mutual benefits.

Environmental performance

In 2005, Slough Estates undertook a comprehensive review of the most significant environmental impacts associated with its core business activities, and the way in which these are measured using key performance indicators (KPIs). Full details are available in our summary CR report.

Priorities for 2005 include

Target 1: To trial our Personal Development Review Programme in our Paris office with a view to roll it out to other European operations during 2006.
Target 2: To demonstrate improvement in performance as measured by beginning and year-end customer satisfaction surveys.
Target 3: To set up a framework for an auditable UK Health and Safety management system in line with OHSIS 18001.
Target 4: To implement a Group responsible Procurement policy.
Target 5: To review and update the EMS manual and to promote its use with key personnel.

A more comprehensive list of our targets is listed in our summary CR report.

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 below, complied with the provisions of the Code throughout the year ended 31 December 2005.

The Company did not comply with the following three Code provisions for all or part of the year ended 31 December 2005.

A.2.2. The Code provides that the Chairman should on appointment meet the independence criteria. Mr P D Orchard-Lisle has served on the Board for more than ten years and his length of service exceeds the guidelines and he is therefore not deemed independent. He was appointed Chairman on 19 August 2005 as a result of Sir Nigel Mobbs' unexpected ill-health and subsequent death on 21 October 2005. He continues to provide excellent and penetrating advice on a range of property issues. The Board considers that he has brought an independence of judgement and considerable benefit to the Board's deliberations. The Board believe that he should remain as Chairman until a successor is appointed. A Group Selection Committee has also been formed as a sub-committee of the Nomination Committee in order to appoint a new Chairman. Lord Blackwell is its Chairman. Outside consultants are advising this Committee.

A.3.2. The Code provides that at least half of the Board, excluding the Chairman, should comprise non-executive directors determined by the Board to be independent. The current composition of the Board is set out on pages 54 and 55. During last year, Mr D Kramer who was not deemed independent retired on 17 May 2005 at the Annual General Meeting. Mr T H W Wernink who is deemed independent was appointed to the Board on 23 May 2005. Lord MacGregor who is not deemed independent, due to his length of service will be retiring at this year's Annual General Meeting. Mr P D Orchard-Lisle was non-executive Deputy Chairman until his appointment as Chairman on 19 August 2005. Mr P D Orchard-Lisle who joined the Board in 1980 is by definition not deemed independent. Steps are being taken this year to meet this criterion.

Table of attendance

	Board (11 meetings)	Audit Committee (3 meetings)	Remuneration Committee (3 meetings)	Nomination Committee (1 meeting)
Lord Blackwell	9	3	2	1
I D Coull	11	–	–	1
J A N Heawood	11	–	–	–
S L Howard	10	3	3	1
R D Kingston	11	–	–	–
D Kramer[5]	1	–	–	–
M D Lees[3]	4	–	–	–
Rt Hon Lord MacGregor	10	3	–	–
Sir Nigel Mobbs[1]	7	–	–	–
P D Orchard-Lisle	10	–	–	1
A W Palmer	11	3	–	1
C A Peacock	10	–	2	1
D J R Sleath[4]	–	–	–	–
T H W Wernink[2]	5	1	–	–

[1] Sir Nigel Mobbs died on 21 October 2005
[2] Mr T H W Wernink was appointed to the Group Board on 23 May 2005 and appointed to the Audit Committee on 20 July 2005
[3] Mr M D Lees is resident in the US and therefore does not travel over for every Group Board meeting
[4] Mr D J R Sleath was appointed to the Group Board on 1 January 2006
[5] Mr D Kramer retired from the Group Board on 17 May 2005

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

C.3.1. The Code provides that the Audit Committee should comprise of all independent non-executive directors. Lord MacGregor joined the Board in 1995 and is therefore not deemed independent. He is currently Chairman of the Audit Committee. The Board believe that it was important to ensure continuity of direction of this Committee particularly with the adoption of International Financial Reporting Standards which has now been completed. The Board is entirely satisfied that Lord MacGregor is independent in character and judgement, and that there are no relationships or circumstances that are likely to affect, or could appear to affect, his judgement. Further, Lord MacGregor has wide experience and makes important contributions to strategic issues and corporate governance. Lord MacGregor will be retiring at this year's forthcoming Annual General Meeting.

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 acquisitions and disposals of assets and development approvals.

The Board delegates authority to the Executive Committee in respect of certain transactions within defined, limited parameters.

Managing corporate responsibility opportunities and risks are fully considered by the Board and overseen by a separate Executive Committee.

There are the following Board Committees:

- Audit
- Remuneration
- Nomination

Membership of these committees is set out on pages 54 and 55.

Overleaf is a table of the attendance:

Chairman and Chief Executive

Sir Nigel Mobbs was taken ill in July 2005 and died in October 2005.

Mr P D Orchard-Lisle took over the role of Chairman on 19 August 2005.

Mr I D Coull is Chief Executive.

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

In addition to the non-executive Chairman, there are four Executive Directors, a Senior Independent non-executive (Lord Blackwell) 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
- Mr S L Howard
- Mr A W Palmer
- Mr C A Peacock
- Mr T H W Wernink

Sir Nigel Mobbs (former Chairman) and Mr P D Orchard-Lisle (Chairman) both held meetings during the year with the non-executive directors without the Executive Directors being present.

Appointments to the Board

The Nomination Committee comprises, Mr P D Orchard-Lisle, who chairs this committee, Mr I D Coull, Lord Blackwell, Mr S L Howard, A W Palmer and Mr 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 eleven 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. Directors have the right to consult with the Company's professional advisers and to seek independent professional advice at the Company's reasonable expense.

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. The Chairman's performance is evaluated by the non-executive directors led by the Senior Independent Director. The Chairman has confirmed that the non-executive directors standing for re-election at this year's Annual General Meeting continue to perform effectively and demonstrate commitment to their roles.

The results of the evaluation are discussed by the Board and while no major issues were identified in the 2005 review, some minor adjustments have been made to the operation of the Board.

Re-election

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

After two terms of three years, each non-executive director is subject to rigorous assessment prior to their being proposed for re-election for any further period thereafter.

The level and make-up of Remuneration

The pay and benefits for executive directors and the Chairman are determined by the Remuneration Committee. The Remuneration Committee comprises, Mr S L Howard (Chairman), Lord Blackwell and Mr C A Peacock. Advice has been sought during the year from Ernst & Young LLP on various aspects of remuneration.

For non-executive directors, their fees and remuneration is determined by the Board on the advice of the 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 67.

Accountability and Audit

There is an Audit Committee comprising Lord MacGregor (Chairman), Lord Blackwell, Mr S L Howard, Mr A W Palmer and Mr T H W Wernink. Lord MacGregor, who is not deemed independent, has been on the Board since 1995 but as previously stated is not standing for re-election at this year's Annual General Meeting.

The Terms of Reference of the Audit Committee are:

(a) considering the appointment of the external auditor and ensuring that key partners are rotated at appropriate intervals;

(b) assessing the independence of the external auditor;

(c) recommendation of the audit fee to the Board and pre-approve any fees in respect of non-audit services provided by the external auditor in excess of a fee of £25,000 per assignment and to ensure that the provision of non-audit services does not impair the external auditors' independence or objectives. For the avoidance of doubt, the provision of normal taxation advice is to be regarded as being included within normal audit services;

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

(e) overseeing the process for selecting the external auditor and making appropriate recommendations through the Board to the shareholders to consider at the Annual General Meeting;

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

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

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

(i) reviewing from time to time the Company's procedures for handling allegations from "whistleblowers";

(j) 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;

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

(l) 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;

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

(n) reviewing the internal audit programme if an internal audit function is appointed;

(o) ensuring that such internal audit function is adequately resourced and has appropriate standing with the Company;

(p) approving the appointment or dismissal of the head of internal audit (if such a function exists); and

(q) considering such other topics, as defined by the Board.

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. It must be recognised that such a system is 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.

The Board has applied principle C.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks faced by the Group. The Board regularly reviews the process, which has been in place throughout the year ending 31 December 2005 and up to the date of approval of this report and which is in accordance with the guidance on internal control published in September 1999 (the Turnbull Guidance).

The Board regularly reviews the effectiveness of the Group's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Board has also performed a specific assessment for the purposes of this annual report. This assessment covers all significant aspects of internal control arising during the period covered by the report. The Audit Committee assists the Board in discharging its review responsibilities.

The key features of the system of internal control include:

- 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 and effective operation;
- the provision of a code of conduct for employees and the monitoring of the quality of personnel through an annual performance appraisal process;
- a formal bi-annual risk and control assessment undertaken at both Group and subsidiary levels which includes the identification and evaluation of the likelihood of key risks materialising and assessment of the control processes in place to manage such risks.

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 financial control during the financial year and up to the date of approval of this report.

The Group does not have an internal audit function because the Board has not considered it necessary given the nature of the Group's business and the central control and approval structure in place across the Group and the relatively high concentration of assets within the UK. However, following introduction of a regional management structure in the UK, the increased activity in Continental Europe and the active leasing and development programme in the US, the Board has decided to introduce an internal audit function in the current year.

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 non-executive director will also make himself available to investors. The Board will be fully informed as to the information imparted to shareholders and their reactions.

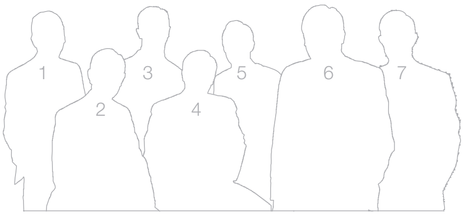
There are regular meetings with institutional shareholders held by the Chief Executive and Finance Director which are reported on to the Board. The Chairman and the senior independent non-executive director have separate meetings with institutional shareholders and these are also reported on to the Board.

Constructive use of the Annual General Meeting

At the Annual General Meeting 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



1 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 businesses**. He was appointed a director of Slough Estates in January 2004. He is aged 52.

2 Lord Blackwell■◆▼
Senior Independent Non-Executive Director
Amongst other business interests, he is **Chairman of Interserve plc, a non-executive director of Standard Life**, The Corporate Services Group plc and Smartstream Technologies Ltd and **a senior adviser to KPMG's Corporate Finance practice**. He also serves as a non-executive Board Member of the Office of Fair Trading. After many years as a partner with McKinsey & Company, 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 became a Life Peer in 1997 and is currently **Chairman of the Centre for Policy Studies**. He was appointed a director of Slough Estates in April 2001. He is aged 53.

3 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 the Charterhouse Group International, Inc. He is a Canadian and is aged 52.

4 Stephen L Howard■◆▼
Non-Executive Director
Chairman of Remuneration Committee
He began his career as **an attorney in his native US** with a focus on **corporate advisory work for multinational companies**. He went on to become Group Chief Executive of Cookson Group plc and then Novar plc. He is on the advisory councils of various private and non-profit organisations and is the **Managing Director of Business in the Community**. He was appointed a director of Slough Estates in May 2001. He is aged 53.

5 David Sleath
Finance Director
A Fellow of the Institute of Chartered Accountants, he joined Slough Estates from **Wagon plc, where he had spent five years as Finance Director**. He trained at **Arthur Andersen, becoming a partner in 1992** and Head of Audit and Assurance for the Midland Region in 1995. He joined Slough Estates as Deputy Finance Director in April 2005 and joined the Board as Group Finance Director on 1 January 2006. He is aged 45.

6 Ian Coull■
Chief Executive
A Fellow of the Royal Institution of Chartered Surveyors, he joined Slough Estates from **J Sainsbury plc where he was director responsible for 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 and Sun Alliance and is currently the **President of the British Property Federation**. He is a non-executive director of House of Fraser Plc. He has been a director of Slough Estates since January 2003. He is aged 55.

7 Paul Orchard-Lisle CBE TD DL■
Chairman
A Fellow of the Royal Institution of Chartered Surveyors, he is **Executive Chairman of the Falcon Property Trust, a director of Standard Life Property Income Trust** and a member of the advisory board of IVG Immobilien AG. He is a member of the Estates Committee of the Wellcome Trust, Chairman of the Royal Artillery Museum and a Trustee of The United Learning Trust Foundation. He is also 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 June 1980. He became Chairman in August 2005, when Sir Nigel Mobbs stood down due to ill health. He is aged 67.

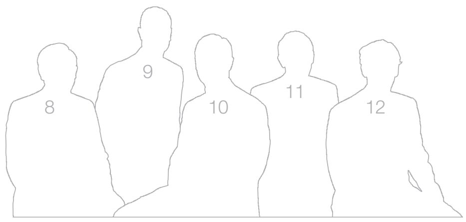
8
The Rt Hon Lord MacGregor of Pulham Market PC, OBE ◆
Non-Executive Director
Chairman of Audit Committee.
Member of Parliament for South Norfolk from 1974 to 2001. He became a Life Peer in 2001. He served **Conservative Governments in several Cabinet appointments**, from l985 to 1995, Chief Secretary 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, Friends Provident plc, and of the European Supervisory Board of DAF Trucks NV, Netherlands. He was appointed a director of Slough Estates in January 1995. He is aged 69.

9 Dick Kingston
Executive Director
Chairman of Slough Estates' Continental European business. Having obtained a Business Studies degree while with British Petroleum, he qualified as **a chartered accountant** with Whinney Murray & Co. (now Ernst & Young) 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, with responsibility for Group Finance, adding responsibility for Continental Europe in 2002. He relinquished his finance responsibilities on 31 December 2005. He is non-executive chairman of Alpha Pyrenees Trust Ltd. He is aged 58.

10 Christopher Peacock ■▼
Non-Executive Director
A Fellow of the Royal Institution of Chartered Surveyors, 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 became 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. He was appointed a director of Slough Estates in January 2004. He is aged 60.

11 John Heawood
Executive Director
Responsible for the UK property portfolio. He holds degrees in **Estate Management and Rural Planning Studies** from Reading University and is a Member of the Royal Institution of Chartered Surveyors. After six years with Fletcher King and 11 years with **DTZ Debenham Thorpe**, dealing with provincial industrial and office property, he joined the Board of Slough Estates in November 1996. He is aged 53.

12 Thom Wernink ◆
Non-Executive Director
A Dutch citizen and a senior figure in the Continental Europe property market. He was until April 2005 **Chairman of the European Public Real Estate Association and was a former Chairman of Corio NV**, a Netherlands-based property company which had retail, office and industrial interests across Europe, the US and Canada. He is a non-executive director on a number of Continental European-based property and investment companies. He was appointed a director of Slough Estates in May 2005. He is aged 60.



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

Shareholder information

February 2006

Payment:	7 1/8 per cent bonds 2010 interest	17 February
	6 3/4 per cent bonds 2024 interest	23 February

March 2006

Payment:	Dividend on 8.25 pence (net) convertible redeemable preference shares	1 March
	7 per cent bonds 2022 interest	14 March

April 2006

Ex-dividend date for final dividend		19 April
On-record date		21 April

May 2006

Annual General Meeting		16 May
Payment:	Dividend	19 May

June 2006

Payment:	5 1/2 per cent bonds 2018 interest	20 June
	5 3/4 per cent bonds 2035 interest	20 June

August 2006

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

September 2006

Ex-dividend date for interim dividend		6 September
On-record date		8 September
Payment:	7 per cent bonds 2022 interest	14 September
	6 1/4 per cent bonds 2015 interest	29 September

October 2006

Payment:	Interim dividend	6 October

December 2006

Payment:	5 5/8 per cent bonds 2020 interest	7 December

Shareholder range analysis

Analysis of shareholders – 31 December 2005

Range	Number of Holders	%	Number of Ordinary Shares	%
1 – 100	347	3.98	15,909	0.00
101 – 500	1,333	15.30	431,741	0.10
501 – 1,000	1,619	18.58	1,277,202	0.30
1,001 – 5,000	3,759	43.15	8,707,438	2.06
5,001 – 10,000	694	7.97	4,925,958	1.16
10,001 – 25,000	373	4.28	5,906,153	1.40
25,001 – 50,000	146	1.68	5,158,195	1.22
50,001 +	441	5.06	396,600,707	93.75
Totals	8,712	100	423,023,303	100

Shareholder category analysis

Category	Number of Holders	%	Number of Ordinary Shares	%
Bank or Nominee	2,043	23.45	388,473,879	91.83
Other Corporate Body	15	0.17	424,701	0.10
Other Company	260	2.98	7,299,135	1.73
Individuals	6,329	72.65	26,078,394	6.16
Insurance Company	35	0.40	188,070	0.04
Investment Trust	22	0.25	119,473	0.03
Pension Trust	8	0.09	439,651	0.10
Totals	8,712	100	423,023,303	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 PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH. Telephone 0870 702 0000. 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 via eTree

Shareholders now have the opportunity to elect to receive shareholder communications electronically e.g. Annual Reports, Corporate Responsibility Reports, Notice of the Annual General Meeting and Proxy Forms. For every shareholder that signs up to electronic communications eTree will donate a sapling to the “Woodland Trust’s Tree for All” campaign.

When you register, there will be a quick verification process and you will need to provide your SRN number (which appears on your share certificate) and once registered, eTree will send you an email confirming your registration. To register, or find out more, please visit www.etreeuk.com.

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.

Individual savings accounts and low cost share dealing service

The Company has selected the Halifax as its preferred ISA provider. Details of this service can be obtained from Halifax Share Dealing Limited on telephone 0845 722 5525.

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	2005	2004	2003	2002	2001
Highest	598.5p	551.25p	442.0p	432.0p	435.5p
Lowest	469.0p	413.5p	273.0p	303.5p	303.5p
31 December	[1]598.5p	[2]550.0p	[3]439.25p	[4]339.0p	[5]331.5p

[1] As at 30/12/2005
[2] As at 31/12/2004
[3] As at 31/12/2003
[4] As at 31/12/2002
[5] As at 28/12/2001

Directors' Report

The directors submit their annual report together with the audited accounts for the year ended 31 December 2005 which were approved by the Board on 21 March 2006.

Business of the Group

The principal activities of the Group continued throughout 2005 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, is set out in the Chairman's statement on pages 4 to 5, the Chief Executive's review on pages 6 to 11 and the Finance Director's review on pages 12 to 17.

Results

The results for the year are set out in the Group income statement on page 72. The Group's pre-tax profits were £582.3 million (as detailed on page 72 of the financial statements). This compares with a profit of £388.0 million for the year ended 31 December 2004. Profit after tax from continuing operations amounted to £388.1 million (2004: £295.8 million). After allowing for minority interests of £3 million and the earnings attributable to ordinary shareholders were £385.1 million (2004: £285.8 million after charging the preference share dividend). The preference share dividend in 2005 is included in finance costs. Basic earnings per ordinary share excluding exceptional items and Deferred Tax amounted to 24 pence (2004: 24.7 pence) and 91.7 pence (2004: 68.5 pence) including exceptional items and Deferred Tax.

Diluted net assets per ordinary share excluding Deferred Tax relating to investment properties increased to 680 pence (2004: 558 pence).

Ordinary dividend

An interim dividend of 6.5 pence per share was paid on 7 October 2005.

Your Board recommends the payment of a final dividend in respect of the year ended 31 December 2005 of 11.0 pence per share, making a total dividend of 17.5 pence per share (2004: 16 pence per share) an increase of 9.4 per cent over the 2004 dividends.

Subject to authorisation at the Annual General Meeting to be held on 16 May 2006, the final ordinary dividend is payable on 19 May 2006 and the record date will be 21 April 2006.

The dividends paid during 2005 absorbed £69.0 million.

Property valuations

The valuation of the Group's investment and development properties which was carried out by external valuers as at 31 December 2005, amounted to £4,876.4 million, an increase of £1,146.9 million over last year's £3,729.5 million. After taking into account expenditure on investment and development properties of £727.8 million, the book value of property disposals of £122.3 million, exchange profits of £70.3 million and a transfer from trading property of £13.6 million the surplus transferred to revaluation reserve amounted to £457.5 million.

Further details concerning the valuation are set out on pages 86 to 87.

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

Directors

The present directors who held office throughout the year are named on pages 54 and 55.

In addition, Mr T H W Wernink was appointed as a non-executive director on 23 May 2005 and Mr D J R Sleath was appointed a director on 1 January 2006.

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 67.

In accordance with the Articles of Association, Mr I D Coull, Mr J A N Heawood and Lord Blackwell will retire from the Board by rotation and, being eligible, offer themselves for re-election. Since Mr D J R Sleath and Mr T H W Wernink were appointed directors after the last Annual General Meeting, they will retire from the Board, and being eligible offer themselves for re-election. Mr T H W Wernink does not have a service agreement with the Company. Mr D J R Sleath has a service agreement which is terminable on one year's notice from the Company. Lord Macgregor has decided to retire at this year's Annual General Meeting after 11 years' service.

In compliance with the Combined Code Mr P D Orchard-Lisle who has been on the Board for a period exceeding 10 years will also retire and offer himself 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 16 days at 31 December 2005 (2004:15 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 and policies which shape our culture and way of working.

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. We welcome a diverse workforce where people feel valued and where their talents are being fully utilised.

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 Group, 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 Group 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 Group acts within the provisions of the current UK law when carrying out its normal business activities.

The charitable amounts given by the Company in 2005 were as follows:

	£
Charitable Donations	627,914

The main donations made were as follows:

Slough Social Fund	344,564
Corporate Health (benefit in kind)	165,000
Land Aid Charitable Trust	31,000

Donations are made to a variety of community and social charities and in particular to charities connected to localities in which the Group is represented.

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 2005 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 66, 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 2005 in respect of which particulars are required to be stated in the accounts under the provisions of Schedule 6 to the Companies Act 1985.

Risk management

The financial risk management objectives and policies of the Company are set out in the Financial Review and in note 30 of the attached accounts.

Substantial shareholdings

At 21 March 2006 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 15,795,889 ordinary shares of 25 pence each representing 3.73 per cent.

Stichting Pensioenfonds ABP hold in aggregate on a discretionary basis 23,076,823 ordinary shares of 25 pence each, representing 5.46 per cent.

Barclays plc and its subsidiaries hold in aggregate 27,039,530 ordinary shares of 25 pence each, representing 6.39 per cent.

The AXA Group and its subsidiaries hold in aggregate 34,012,998 ordinary shares of 25 pence each, representing 8.04 per cent.

By order of the Board

J R Probert
Secretary
21 March 2006

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 in the tables on pages 64 to 67 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 information". The rest of the report is the "unaudited information" and appears on pages 60 to 64.

Unaudited information

The Remuneration Committee (the "Committee")

The Committee only comprises non-executive directors and is chaired by Mr S L Howard. The other members of the Committee during the year were Lord Blackwell and Mr C A Peacock. Their biographical details appear on pages 54 and 55. All the non-executive directors 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 also provided reward advice to the Director of Human Resources. Ernst & Young LLP are the auditors' of Slough Estates Canada Limited, a wholly owned subsidiary which is being wound down. Tax and accounting compliance services are also provided by Ernst & Young LLP to the Company's Polish subsidiaries. The Company's legal adviser, Lovells has also provided advice to the Committee on employees' 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 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 Executive Directors and Company Secretary 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 three times. The objective of the Group's remuneration policy is to provide remuneration which will attract, motivate and retain 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 where applicable.

During 2005 the Committee conducted a review of UK Executive pension policy in preparedness for the Government's tax simplification changes, which come into effect on 6 April 2006. The Committee has concluded, as a principle, that it would not be appropriate for the Company to provide additional compensation to executives who are adversely affected. The Committee will also ensure that costs to the Company will be, at most, cost neutral in the event of any changes to pension provision for affected executives.

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 international operations where it operates. This policy extends to all employees.

Executive Directors and other senior executives are encouraged to acquire and retain ordinary shares in the Company to the value of 50 per cent of their annual salary within a five year period.

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, well communicated and relevant to long-term performance

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:

- Base salary
- Annual Incentive Plan
- Long-term share incentives
- Pension contributions
- Other benefits (eg. health and life insurance)
- Company cars

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 oversees the long-term incentive arrangements for relevant senior personnel.

An appropriate balance is maintained between fixed and performance-related remuneration and between elements linked to short-term financial performance and those linked to longer term shareholder creation (see illustrative graphs below). Actual figures have been taken for base salary and on target figures for the variable elements.

Chief Executive

	%
Base salary	48
Short-term incentive	23
Long-term incentive	29

Other Executive Directors

	%
Base salary	55
Short-term incentive	21
Long-term incentive	24

Base 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 reviewed annually. Details of directors' emoluments are given on page 64.

Annual incentive plan (the "Plan")

The Plan extends to all Executive Directors, Executive Committee members, senior management and employees based at Head Office. It consists of a cash bonus payable reflecting the performance of the Company, their operating area and their own individual performance during the year.

The Plan is underpinned by improved performance management processes, 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 of 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 typically include customer and employee 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 Committee. This is also applicable to the Chief Executive who has the opportunity to earn a bonus of up to 80 per cent of salary in cash. In keeping with US market practice, the US Director has the opportunity of earning a bonus in cash of up to 100 per cent of salary.

The key performance criteria are reviewed annually and are based on the achievement of profit, net asset value earnings per share and operational targets. Any payments made under the Plan, will be 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	£150,696	33.12%
J A N Heawood	£49,400	18.30%
R D Kingston	£59,502	18.89%
M D Lees	£309,970*	100%

*The exchange rate used as at 15 March 2006 when the bonus was calculated was $1.74.

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 FTSE350 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.

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

No significant changes to the Company's remuneration policy were introduced during the year and no significant changes are expected. There are no plans to make grants under the Executive share option plans in the future, unless required for recruitment purposes or to fulfil existing contractual commitments. Long-Term incentive is delivered entirely through the Long-Term Incentive Scheme for all Executive Directors and senior managers. The Committee will keep the Group's remuneration policy, as detailed in this report, under review during 2006 and will in subsequent years ensure that the Group's reward programmes remain competitive and provide appropriate incentive for performance. The Committee will take account of shareholder's guidelines in relation to the operation of the performance conditions and the proportion of shares that vest.

The Committee takes account of the institutional investor guidelines on dilution. The number of shares over which annual grants have been made to Executive Directors and employees under its employee share schemes is well below the recommended one per cent per annum. Awards over a maximum of 1,553,580 shares were granted in 2005 which represents 0.3 per cent of the issued share capital.

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 deferred tax relating to investment properties ("adjusted diluted EPS") and diluted net assets per share excluding deferred tax relating to investment properties ("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 market place 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.

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, and having regard to current shareholder guidelines will determine in their absolute discretion whether or not awards will vest and if so, over how many shares awards will vest. A recommendation would be made to the Trustees of the Slough Estates plc Employees' Benefit Trust that they measure performance to the date of the relevant event and that the number of shares under award which may be released to a participant be pro-rated.

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 of the date on which the awards were granted if the performance targets described opposite have been achieved. Executive Directors will be encouraged as part of the Company's shareholding guidelines to hold their scheme shares for a three year period after vesting.

The levels of awards is based on an annual assessment of individual and corporate performance. The usual grant levels for the Chief Executive and Executive Directors are as follows:

	Target Grant Level
Chief Executive Officer	0-140%
Executive Directors	0-100%

The maximum value of an award which may be granted to the Chief Executive in any year is 140 per cent of salary and the maximum value of an award granted to any Executive Director is 100 per cent of salary. In exceptional circumstances and at the discretion of the Committee the maximum value of awards may be increased to 175 per cent and 140 per cent respectively.

The Committee believes that this plan provides a clear incentive to participants to improve the performance of the business through the focus on two of the key measures of long-term success – earnings growth and net asset values.

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 to adjusted diluted EPS is explained on page 84. 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 the 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 credited to operating profit in 2005 was (£51,498) (2004: (£346,320*)).

*The figure for 2004 has been restated from £158,327 to (£346,320) due to IFRS.

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

Details of awards granted to the Executive Directors under the Scheme are set out in the table on page 65.

Executive Share Option Plans

The Executive Directors and designated senior executives of the Group in the past have participated in the Executive Share Option Plans. As reported last year, the Committee suspended the granting of Executive share options to Executive Directors and the Executive Committee in 2005. However, existing options will become exercisable if the performance criteria are 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 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 Executive Directors under the 2002 Plans. The 2003 grant under the 2002 Plans will also be tested to confirm if the performance criteria have been met.

The Executive Directors, Company Secretary 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 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 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 2006 as permitted under the 1994 Schemes.

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

Details of options granted to the Executive Directors under the 2002 Plans and the 1994 Schemes are set out in the table on page 66.

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

The Company has operated an HM Revenue & Customs 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 2005 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 HM Revenue & Customs 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 66.

Profit Sharing Scheme and Share Incentive Plan

The last appropriation under the Profit Sharing Scheme was made on 5 June 2002. During the year all the shares were released to eligible employees and the Scheme was closed down. The Company introduced in June 2003 a new HM Revenue & Customs approved all-employee share scheme, the Share Incentive Plan.

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 base salary per annum (for 2005 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 they may be released to a participant. The Trustees of the Share Incentive Plan are Mr R D Kingston, Mr J A N Heawood and Mr J R Probert.

Details of the Executive Directors' holdings under the Share Incentive Plan are included in the table showing director's interests in shares on page 65.

Policy on outside appointments

An appointment of 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. During the year both Mr I D Coull and Mr R D Kingston were non-executive directors of external companies and the details of their remuneration are shown on page 64 of this report.

Policy on service contracts

Executive Directors

Service agreements for the Executive Directors are on a rolling basis. For Executive Directors the service agreements provide for retirement at the normal retirement age of 62. The service agreement for Mr M D Lees and Mr J A N Heawood may be terminated by either party on giving one year's notice. Mr I D Coull, Mr R D Kingston and Mr D J R Sleath are required to give 6 months' notice to the Company. There are no further provisions for compensation payable on termination of service contracts of directors. There has been no compensation paid to departing directors during the year.

The appointment and contract commencement/renewel dates for the Executive Directors are as follows:

Name	Date of Appointment	Date of Contract Commencement/Renewal
I D Coull	1 January 2003	1 January 2003
R D Kingston	1 January 1996	1 January 2005
J A N Heawood	4 November 1996	4 November 1996
M D Lees	25 March 1998	25 March 1998

Any proposals for the early termination of the service contracts of 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 employees' share schemes nor do they receive any other benefits or pension rights under the pension scheme. While the non-executive directors do not have service contracts they have signed letters of engagement that inter alia prescribe their duties and obligations. The Chairman has a contract for services which is terminable on or after 30 June 2006 by one month's notice. 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.

The appointment agreement and service commencement/renewal dates for the non-executive directors are as follows:

Name	Date of Appointment	Date of Service Agreement Commencement/Renewal
P D Orchard-Lisle (as Chairman)	25 June 1980	19 August 2005
Sir Nigel Mobbs (former Chairman)	4 September 1963	14 April 2004
S L Howard	16 May 2001	29 January 2004
Lord Blackwell	1 April 2001	29 January 2004
Lord MacGregor	6 January 1995	29 January 2004
A W Palmer	28 January 2004	28 January 2004
C A Peacock	28 January 2004	28 January 2004
T H W Wernink	23 May 2005	27 May 2005

Audited information

Directors' Emoluments

	Salaries and fees £000	Benefits £000	Annual Incentive Plan £000	Total 2005 £000	Total 2004 £000
P D Orchard-Lisle Chairman (appointed Chairman 19 August 2005)	109	–	–	109	51
Sir Nigel Mobbs (former Chairman)	217	20	–	237	284
Executive directors					
I D Coull Chief Executive	449	46	151	646	660
J A N Heawood	350	30	49	429	407
R D Kingston	311	26	60	397	391
M D Lees†	308	27	310	645	531
Non-executive directors – Fees					
Lord Blackwell Senior Independent Director	41	–	–	41	38
S L Howard Chairman of the Remuneration Committee	41	–	–	41	35
D Kramer (retired 13 May 2005)	59	–	–	59	93
The Rt Hon Lord MacGregor of Pulham Market Chairman of the Audit Committee	41	–	–	41	39
A W Palmer	35	–	–	35	32
C A Peacock	35	–	–	35	32
T H W Wernink (appointed 23 May 2005)	21	–	–	21	–

† Mr M D Lees, Chief Executive of Slough Estates USA Inc., is resident and remunerated in the US. The exchange rate used as at 15.03.06 when the bonus was calculated was $1.74.

All the Executive Directors receive benefits comprising the provision of health insurance, life insurance and a company car.

Mr 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 2005. He was also paid £1,300 for his services as a director of London Regional Board of Royal & Sun Alliance to 31 December 2005.

Mr R D Kingston was paid a fee of £48,125 (inclusive of 3 months notice period) for his services as a non-executive director of Mersey Docks and Harbour Company to 22 September 2005 when he retired from this company.

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 2005 and 1 January 2005 were:

	Beneficial interests		Other interests	
	31.12.05	01.01.05	31.12.05	01.01.05
Number of ordinary shares				
Lord Blackwell	2,500	2,500	–	–
I D Coull	23,893	23,327	5,000	5,000
J A N Heawood	40,432	33,815	23,394	19,978
S L Howard	7,500	7,500	–	–
R D Kingston	54,981	54,415	5,366	5,366
M D Lees	53,436	53,436	–	–
Lord MacGregor	3,000	3,000	–	–
P D Orchard-Lisle	37,458	28,580	–	–
A W Palmer	2,500	2,500	–	–
C A Peacock	2,500	2,500	–	–
D J R Sleath (as from date of appointment 1 January 2006)	–	–	–	–
T H W Wernink (as from date of appointment 23 May 2005)	–	–	–	–

	Beneficial interests		Other interests	
	31.12.05	01.01.05	31.12.05	01.01.05
Number of 8.25 pence convertible redeemable preference shares				
P D Orchard-Lisle	6,300	6,300	–	–

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

Between 31 December 2005 and 21 March 2006 there were no changes to the above.

At 31 December 2005, the Executive Directors, together with other senior executives were potential beneficiaries in respect of a total of 1,223,783 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 2005.

	Ordinary shares		Preference shares	
	31.12.05	01.01.05	31.12.05	01.01.05
Number of ordinary shares				
R D Kingston, J A N Heawood and J R Probert (as Trustees of the Share Incentive Plan)	461,515	378,133	–	–

The Trustees of the Share Incentive Plan transferred 3,352 ordinary shares between 31 December 2005 and 21 March 2006.

Directors' other interests

There were no other directors' interests.

Long-Term Share Incentive Scheme

	Number of shares under award 01.01.05	Number of shares lapsed/ number of shares that did not vest	Number of shares over which awards granted	Market value of shares on grant £	Number of shares vested	Market value on date of vesting £	Number of shares under award 31.12.05	End of performance period over which performance conditions have to be met
I D Coull								
07.01.03	179,844			3.40			179,844	31.12.05
14.05.04	55,395			4.28			55,395	31.12.06
04.05.05			123,421	4.80			123,421	31.12.07
J A N Heawood								
04.04.02	21,105	21,105		3.98	0			
20.03.03	30,263			3.06			30,263	31.12.05
14.05.04	23,081			4.28			23,081	31.12.06
04.05.05			53,305	4.80			53,305	31.12.07
R D Kingston								
04.04.02	22,110	22,110		3.98	0			
20.03.03	32,236			3.06			32,236	31.12.05
14.05.04	25,851			4.28			25,851	31.12.06
04.05.05			61,505	4.80			61,505	31.12.07
M D Lees								
04.04.02	27,798	27,798		3.98	0			
20.03.03	33,099			3.06			33,099	31.12.05
14.05.04	23,726			4.28			23,726	31.12.06
04.05.05			53,390	4.80			53,390	31.12.07
Sir Nigel Mobbs								
04.04.02	25,125	25,125		3.98	0			
20.03.03	41,118			3.06			41,118	31.12.05
14.05.04	30,005			4.28			30,005	31.12.06

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

There was no vesting of shares from the Long-Term Share Incentive Scheme allocation made on 4 April 2002.

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. More detailed criteria for the Long-Term Share Incentive Scheme can be found on page 62.

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%pa	4.0%pa
High Hurdle	100%	11.0%pa	8.0%pa

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:

	Plan/ Scheme	Number of shares under option at 01.01.05	Number of shares over which options lapsed	Number of shares under which options exercised	Exercise Price p	Mid Market value on day of exercise p	Number of shares under option at 31.12.05	Period in which options can be exercised
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
Total		206,520					206,520	
J A N Heawood	1	18,785			356.50		18,785	28.03.04-27.03.08
	2	51,323	51,323		409.16		Nil	
	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		7,926 *	246.00		Nil	
	4	3,028			304.60		3,028	01.10.06-31.03.07
Total		213,819					154,570	
R D Kingston	1	22,936			356.50		22,936	28.03.04-27.03.08
	2	53,767	53,767		409.16		Nil	
	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
Total		228,566					174,799	
M D Lees	1	28,662			356.50		28,662	28.03.04-27.03.08
	2	65,284	65,284		409.16		Nil	
	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*	$4.25	$7.39	Nil	26.08.00-**
Total		260,628					170,344	
Sir Nigel Mobbs (former Chairman)	2	48,879	48,879		409.16		Nil	
	2	86,206			290.0		86,206	20.03.06-19.03.13
	2	55,585			467.75		55,585	14.04.070-13.04.14
Total		190,670					141,791	

[1] 1994 Unapproved Scheme
[2] 2002 No. 2 Plan
[3] 2002 Plan
[4] 1981 Savings-Related Share Option Scheme
[5] Tipperary Corporation

* There was no aggregate gain on the exercise of the SAYE options by Mr J A N Heawood as he has retained these shares. The aggregate gain on exercise of the Tipperary Corporation options by Mr M D Lees was $78,500.
**The Tipperary options are normally exercisable 2 years after leaving the Tipperary Corporation Board but on sale of this company these options vested immediately. There was no performance criteria for the Tipperary Corporation options.

The options granted under the 2002 and the 2002 No. 2 Plan on 10 June 2002 have lapsed because the performance criteria were not met.

No options were granted in 2005.

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

There have been no changes to the terms and conditions of the 1994 Schemes, 2002 Plans and the SAYE Scheme during the year. The performance criteria for the 1994 Unapproved Scheme is EPS-RPI + 6% over 3 years. The performance criteria for the 2002 No. 2 Plan and the 2002 Plan is EPS-RPI + 3% per annum. More detailed criteria for the 1994 Schemes and the 2002 Plans can be found on page 63.

The market price of the shares as at 31 December 2005 was 598.50 pence. The highest and lowest market prices of ordinary shares during the financial year were 598.50 pence and 469 pence.

Pension and retirement benefits

The current pension policy for Executive Directors is to provide, through membership of the Slough Estates (1957) Pension Scheme (the "Scheme") upon retirement at the age of 62, (which the Committee considers to be appropriate subject to completion of a minimum of twenty years service or pro-rata), a pension of two-thirds of final salary (less any retained benefit from prior employment), where they are not capped by the Finance Act 1989. No other amounts or bonuses are pensionable.

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

Set out below are details of the pension benefits to which 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.

	Additional accrued pension earned in the year (£000 p.a.)	Accrued pension at 31.12.05 (£000 p.a.)	Transfer value at 31.12.04 (£000)*	Transfer value at 31.12.05 (£000)*	Increase (decrease) in transfer value less directors' contributions (£000)
I D Coull**	23	62	510	877	352
J A N Heawood	4	32	345	441	83
R D Kingston	23	176	2,489	3,172	668
M D Lees**	30	130	634	913	279
Sir Nigel Mobbs	9	Nil	3,570	Nil	(3,570)

* Transfer values have been calculated in accordance with Actuarial Guidance Note GN11. They do not represent sums payable to individual directors.
** The start-year figures for Mr I D Coull and Mr M D Lees have been restated to reflect updated retained benefit information.

The Group has provided Mr M D Lees, a resident of the US, a pension entitlement broadly equivalent to the benefit that he would receive had he continued to be a member of the Scheme.

The accrued pension entitlement is the amount that the Executive Directors would receive if they retired at the year end.

Set out below are details of the pension benefits for each of the Executive Directors in respect of the disclosure required under Rule 9.8.8 (12) of the Listing Rules which are not shown above. 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	22	273
J A N Heawood	4	32
R D Kingston	20	305
M D Lees	28	181
Sir Nigel Mobbs	Nil	(3,579)

Sir Nigel Mobbs (former Chairman) was a pensioner member of the Scheme until his death in October 2005. His pension in payment was £239,849 per annum on its cessation at the date of his death.

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 Scheme and the funded unapproved scheme (which is a money purchase scheme) which has been charged to the income statement. The cost of the FURBS in 2005 was £119,030 (2004: £88,924).

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 Scheme, of which he is a member.

His entitlement to a pension from the Company will consist of a scheme pension from the 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 HM Revenue & Customs 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 Scheme.

Former directors

Ex-gratia payments to former directors and their dependants were £83,810 (2004: £81,018).

Approval

At the Annual General Meeting of the Company to be held on 16 May 2006 an ordinary resolution approving this report will be proposed. This report was approved by the Board of Directors on 21 March 2006 and signed on its behalf by order of the Board.

S L Howard
Chairman of the Committee
21 March 2006

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

Accounts contents

Five year financial results

	2005 IFRS £m	2004 IFRS £m	2003 UK GAAP* £m	2002 UK GAAP* £m	2001 UK GAAP* £m
Group income statement					
Net rental income	**221.2**	225.0	223.1	216.9	212.3
Property trading – operating profit	**9.7**	6.8	7.1	2.8	8.7
Utilities – operating profit/(loss)	**1.2**	(4.1)	(4.2)	(4.5)	(7.1)
Gas – operating loss	**(2.1)**	(3.3)	(3.5)	(1.2)	(3.3)
Administration expenses	**(20.7)**	(14.7)	(14.0)	(14.9)	(13.2)
Share of operating profit from investment property joint ventures and associate less valuation gains	**5.7**	13.5	15.1	14.8	13.9
Share of operating profit/(loss) from trading property joint ventures	**0.5**	(0.8)	0.2	–	–
Other income and non-property joint ventures	**5.5**	6.1	4.8	6.1	3.9
Net finance cost including notional preference share interest less debt repayment and close out costs	**(100.6)**	(108.4)	(88.5)	(76.5)	(77.9)
Adjusted profit before tax and exceptional items	**120.4**	120.1	140.1	143.5	137.3
Exceptional lease surrender premium	**36.4**	7.5	–	–	–
Sale of Quail West	**16.1**	–	–	–	–
Property trading – exceptional provision Quail West	**–**	–	(37.9)	–	–
Profit on sale of Tipperary interests	**99.7**	4.4	–	–	–
Profit on sale of joint ventures net of close out costs	**5.9**	8.3	–	–	–
Gain on sale of investment and development properties	**14.4**	56.4	1.6	(0.1)	(9.8)
Net valuation gains and losses including joint ventures and associate	**419.6**	182.1	–	–	–
Utilities – exceptional write down	**–**	–	–	–	(60.2)
Notional interest on preference shares	**–**	13.2	–	–	–
Net loss on derivatives	**(1.0)**	–	–	–	–
Exceptional cost of debt repayment	**(126.0)**	–	–	–	–
Joint ventures taxation	**(3.2)**	(4.0)	–	–	–
Profit before tax	**582.3**	**388.0**	**103.8**	**143.4**	**67.3**
Group balance sheet					
Investment and development properties	**4,876.4**	3,729.5	3,563.9	3,632.6	3,514.2
Plant and equipment	**45.0**	118.0	–	–	–
Joint ventures and associate	**100.1**	84.1	209.3	188.7	174.7
Trading properties	**123.6**	125.3	121.6	144.9	134.0
Other assets	**238.9**	166.5	205.9	168.7	166.6
Cash and deposits	**172.6**	397.4	159.3	93.9	175.9
Total assets	**5,556.6**	4,620.8	4,260.0	4,228.8	4,165.4
Borrowings	**(2,264.9)**	(1,722.7)	(1,667.1)	(1,583.5)	(1,541.1)
Other liabilities and minority interests	**(851.3)**	(733.0)	(416.8)	(404.5)	(387.7)
Shareholders' funds	**2,440.4**	2,165.1	2,176.1	2,240.8	2,236.6
Total return					
Profit attributable to ordinary shareholders	**385.1**	285.8	81.8	86.8	42.9
Items taken directly to equity	**(6.2)**	(63.1)	(88.3)	(22.4)	(22.9)
	378.9	222.7	(6.5)	64.4	20.0
Data per ordinary share:					
Earnings per share:					
Basic earnings per share	**91.7p**	68.5p	19.6p	20.9p	10.4p
Adjusted basic earnings per share	**24.0p**	24.7p	27.6p	28.8p	27.6p
Net assets per share basic:					
Basic net assets per share	**579p**	486p	490p	506p	506p
Adjusted basic net assets per share	**733p**	595p	536p	551p	542p
Net assets per share diluted:					
Basic diluted net assets per share	**542p**	461p	464p	480p	479p
Adjusted diluted net assets per share	**680p**	558p	505p	519p	512p

*See note 55 for the type of IFRS adjustments that would be required.

Independent Auditors' Report to the members of Slough Estates plc

We have audited the Group and parent company financial statements (the "financial statements") of Slough Estates plc for the year ended 31 December 2005 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Recognised Income and Expenses and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does 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.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Financial highlights, Directors' report, the unaudited part of the Remuneration report, the Chairman's statement, Chief Executive's review, Financial Directors' review, the Corporate governance statement, Five year financial results and the other information set out on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 part of the Remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 part of the Remuneration report to be audited 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 and the part of the Remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2005 and cash flows for the year then ended; and

- the financial statements and the part of the Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading
21 March 2006

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 or loss of the Group 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 that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and 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 Company and 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

J R Probert
Secretary
21 March 2006

Group income statement
For the year ended 31 December 2005

	Note	2005 £m	2004 £m
Revenue	5	**405.2**	342.7
Gross rental income from investment properties		**301.8**	270.8
Interest received on finance lease assets		**0.9**	0.9
Property operating expenses	6	**(45.1)**	(39.2)
Net rental income	4	**257.6**	232.5
Proceeds on sale of trading properties		**57.3**	31.4
Carrying value of trading properties sold		**(34.2)**	(27.7)
Trading property rental income		**3.3**	4.2
Property outgoings relating to trading properties		**(0.6)**	(1.1)
Net income from trading properties	4	**25.8**	6.8
Income from sale of utilities and gas		**41.9**	35.4
Cost of sales		**(42.8)**	(42.8)
Gain from sale of gas interests		**99.7**	4.4
Net income/(loss) from utilities and gas	4	**98.8**	(3.0)
Other investment income	7	**5.5**	6.1
Administration expenses	8	**(20.7)**	(14.7)
Gain on disposal of property assets	9	**14.4**	56.4
Gain on disposal of joint ventures	9	**7.8**	8.3
Net valuation gains	10	**409.1**	166.7
Operating income		**798.3**	459.1
Finance costs	12	**(124.9)**	(101.9)
Exceptional cost of refinancing	12	**(126.0)**	–
		(250.9)	(101.9)
Finance income	13	**21.4**	6.7
Share of profit from joint ventures and associate after tax	11	**13.5**	24.1
Profit before tax		**582.3**	388.0
Taxation			
– current	14	**(44.4)**	(49.4)
– deferred	14	**(149.8)**	(42.8)
		(194.2)	(92.2)
Profit after tax from continuing operations		**388.1**	295.8
Preference dividends	15	**–**	(11.2)
Profit for the period		**388.1**	284.6
Attributable to equity shareholders		**385.1**	285.8
Attributable to minority interests		**3.0**	(1.2)
		388.1	284.6
Basic earnings per ordinary share	16	**91.7p**	68.5p
Diluted earnings per ordinary share	16	**85.0p**	63.4p

Statement of recognised income and expenses (SORIE)
For the year ended 31 December 2005

		Group		Company	
	Note	**2005 £m**	2004 £m	**2005 £m**	2004 £m
Revaluation gains on properties in the course of development	10	**48.4**	24.1	**–**	–
Exchange differences arising on translation of overseas operations		**25.4**	(13.5)	**–**	–
Actuarial losses on defined benefit pension schemes		**(4.0)**	(10.6)	**(3.7)**	(10.3)
Increase in value of available-for-sale investments		**10.8**	–	**–**	–
Tax on items taken directly to equity		**(25.4)**	(3.3)	**(3.8)**	3.3
Net gain/(loss) recognised directly in equity		**55.2**	(3.3)	**(7.5)**	(7.0)
Transfer to income statement on sale of available-for-sale investments		**(1.1)**	–	**–**	–
Profit for the period		**388.1**	284.6	**(103.8)**	209.1
Total recognised income and expenses for the period		**442.2**	281.3	**(111.3)**	202.1
Adoption of IAS 39		**(103.9)**	–	**(106.6)**	–
Total recognised income and expenses for the period after restatement		**338.3**	281.3	**(217.9)**	202.1
Attributable to – equity shareholders		**334.8**	283.6	**(217.9)**	202.1
– minority interests		**3.5**	(2.3)	**–**	–
		338.3	281.3	**(217.9)**	202.1

Balance sheets
As at 31 December 2005

	Note	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Non-current assets					
Goodwill	17	**0.7**	–	**–**	–
Investment properties	18	**4,440.1**	3,452.7	**–**	–
Development and owner occupied properties	19	**436.3**	276.8	**–**	–
Plant and equipment	20	**45.0**	118.0	**–**	–
Finance lease receivables	21	**10.9**	10.9	**–**	–
Available-for-sale investments	23	**54.7**	38.4	**–**	–
Investments in subsidiaries	24	**–**	–	**3,218.0**	2,903.4
Investments in joint ventures and associate	24	**100.1**	84.1	**18.6**	6.2
Deferred tax asset	32	**–**	0.2	**12.4**	10.8
Total non-current assets		**5,087.8**	3,981.1	**3,249.0**	2,920.4
Current assets					
Inventories	25	**1.6**	1.9	**–**	–
Trading properties	26	**123.6**	125.3	**–**	–
Finance lease receivables	21	**0.1**	0.1	**–**	–
Tax recoverable		**8.1**	1.0	**2.9**	–
Trade and other receivables	27	**162.8**	114.0	**1.9**	2.7
Cash and cash equivalents	28	**172.6**	397.4	**–**	41.2
Total current assets		**468.8**	639.7	**4.8**	43.9
Total assets		**5,556.6**	4,620.8	**3,253.8**	2,964.3
Non-current liabilities					
Borrowings	29	**2,250.2**	1,683.5	**1,782.1**	1,197.4
Obligations under finance leases	31	**0.5**	0.5	**–**	–
Deferred tax provision	32	**635.9**	448.4	**–**	–
Provisions for liabilities and charges	33	**29.6**	59.8	**27.8**	40.2
Other payables	35	**7.1**	15.8	**194.4**	170.5
Total non-current liabilities		**2,923.3**	2,208.0	**2,004.3**	1,408.1
Current liabilities					
Borrowings	29	**14.7**	39.2	**1.5**	27.6
Tax liabilities		**7.2**	47.4	**–**	2.3
Trade and other payables	35	**162.4**	141.7	**31.0**	31.9
Total current liabilities		**184.3**	228.3	**32.5**	61.8
Total liabilities		**3,107.6**	2,436.3	**2,036.8**	1,469.9
Net assets		**2,449.0**	2,184.5	**1,217.0**	1,494.4
Equity					
Share capital	36	**137.5**	138.8	**137.5**	138.8
Share premium account	38	**256.8**	339.1	**256.8**	339.1
Own shares held	43	**(6.9)**	(5.2)	**(6.9)**	(5.2)
Other reserves	39-42	**1,471.6**	1,127.2	**50.3**	47.7
Revenue reserves	44	**581.4**	565.2	**779.3**	974.0
Total shareholders' equity	37	**2,440.4**	2,165.1	**1,217.0**	1,494.4
Minority interests		**8.6**	19.4	**–**	–
Total equity		**2,449.0**	2,184.5	**1,217.0**	1,494.4
Net assets per ordinary share					
– basic	16	**579p**	486p		
– diluted	16	**542p**	461p		

The financial statements on pages 72 to 135 were approved by the Board of directors and authorised for issue on 21 March 2006 and signed on its behalf by:

I D Coull

D J R Sleath

Directors

Cash flow statements
For the year ended 31 December 2005

	Note	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Cash inflow/(outflow) generated from operations	49	237.3	202.4	(13.2)	(6.4)
Interest received on deposits		10.3	7.4	91.6	74.3
Dividends received from subsidiaries		–	–	1.5	1.6
Dividends received from joint ventures and associate		2.8	8.4	1.7	–
Dividends received from available-for-sale investments		1.5	3.1	–	–
Interest paid (including penalty on bond repayment)		(156.7)	(115.0)	(127.4)	(84.9)
Dividend paid to preference shareholders		(10.8)	(11.3)	(10.8)	(11.3)
Minority dividends paid		(4.2)	(0.9)	–	–
Tax (paid)/recovered		(91.8)	(15.3)	0.3	3.8
Funding pension scheme deficit		(16.2)	–	(16.2)	–
Net cash (outflow)/inflow from operating activities		(27.8)	78.8	(72.5)	(22.9)
Cash flows from investing activities					
Purchase of subsidiary undertakings	51	(9.3)	–	–	–
Purchase and development of investment properties		(587.4)	(68.1)	–	–
Sales of investment properties		118.6	237.1	–	–
Amount received from property swap		0.8	3.4	–	–
Legal costs paid in relation to property swap		(0.6)	(2.2)	–	–
Purchase and development of property plant and equipment		(142.4)	(35.8)	–	–
Sale of property plant and equipment		7.6	0.9	–	–
Purchase of available-for-sale investments		(11.9)	(16.2)	–	–
Proceeds from disposal of available-for-sale investments		16.4	20.5	–	–
Proceeds from the disposal of gas interests	49	110.5	–	–	–
Repayment of loans by purchaser of gas interests		12.3	–	–	–
Loans to subsidiaries		–	–	(227.2)	18.0
Proceeds from reduction in holding of a subsidiary		–	3.3	–	–
Investment and loans to joint ventures and associate		(16.5)	(3.8)	(12.4)	(0.7)
Investment in term deposits		185.6	(184.5)	0.1	0.2
Proceeds from the disposal of an investment in joint venture		20.8	–	–	–
Acquisition of minority interests		–	(4.0)	–	(1.8)
Contribution from minorities		–	4.6	–	–
Net cash used in investing activities		(295.5)	(44.8)	(239.5)	15.7
Cash flows from financing activities					
Dividend paid to ordinary shareholders		(69.0)	(64.1)	(69.0)	(64.1)
Net increase in borrowings		340.0	88.2	338.0	75.6
Proceeds from the issue of ordinary shares		1.5	3.0	1.5	3.0
Purchase of own shares		(1.0)	(0.8)	(1.0)	(0.8)
Net cash from financing activities		271.5	26.3	269.5	13.7
Net (decrease)/increase in cash and cash equivalents		(51.8)	60.3	(42.5)	6.5
Cash and cash equivalents at the beginning of the year		218.1	158.6	41.0	34.5
Effect of foreign exchange rate changes		0.6	(0.8)	–	–
Cash and cash equivalents at the end of the year		166.9	218.1	(1.5)	41.0
Cash and cash equivalents per balance sheet		172.6	397.4	–	41.2
Less restricted deposits		–	(176.0)	–	–
		172.6	221.4	–	41.2
Bank overdrafts		(5.7)	(3.3)	(1.5)	(0.2)
Cash and cash equivalents per cash flow	28	166.9	218.1	(1.5)	41.0

Notes to the financial statements

1. General
Slough Estates plc (the Group) is a limited company incorporated in England.

These financial statements are presented in millions and in sterling since that is the currency in which the majority of the Group's transactions are denominated.

On 1 January 2005 the Group fully adopted International Financial Reporting Standards as adopted by the European Union (EU) (IFRS). Previously, the financial statements were prepared under UK Generally Accepted Accounting Principles (UK GAAP). The comparative figures have been restated accordingly with the exception of the five year financial results where only the 2004 comparative figures have been restated. The effects of adopting IFRS on the profit for the period and opening reserves are set out in note 54 of the financial statements.

The financial statements have been prepared, in accordance with applicable International Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. These standards are also collectively referred to as "IFRS".

The parent company's financial statements have also been prepared in accordance with IFRS, as applied in accordance with the provisions of the Companies Act 1985.

The Directors have taken advantage of the exemption offered by Section 230 of the Companies Act not to present a separate income statement for the parent company. The financial statements have been prepared under the historical cost convention as modified by the revaluation of properties, available-for-sale investments, financial assets and liabilities held for trading. A summary of the more important Group accounting policies is set out in note 53. Explanations of where changes have been made to previous policies on the adoption of new accounting standards in the year are set out in note 54.

2. Transition to International Financial Reporting Standards (IFRS)
All listed companies in the EU are required to present their consolidated financial statements for accounting periods beginning on or after 1 January 2005 in accordance with IFRS as adopted by the EU. Therefore, the Group's consolidated financial statements for the year ending 31 December 2005 are presented on this basis with IFRS comparatives. Reconciliations have been provided of certain key figures to UK GAAP and these, together with an explanation of the resulting changes in accounting policies, are set out in notes 54 and 55.

The Group's transition date for the adoption of IFRS is 1 January 2004 and its transition date for the implementation of IAS 32 and IAS 39 dealing with financial instruments is 1 January 2005. These transition dates have been selected in accordance with IFRS 1, "First-time adoption of International Financial Reporting Standards".

The Group is required to apply its IFRS accounting policies retrospectively to determine its opening IFRS balance sheet at the transition date of 1 January 2004 and the comparative information for the year ending 31 December 2005 with the exception of financial instruments where the comparative information has not been restated as permitted by IFRS1. Business combinations prior to 1 January 2004 have not been restated to comply with IFRS 3, "Business Combinations". The Group has applied IFRS 2, "Share-based payment", retrospectively only to awards made after 7 November 2002 that had not vested at 1 January 2005. These exceptions are permitted by IFRS 1.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

3. Accounting policy changes
A summary of the significant changes in accounting policies as a result of adopting IFRS are set out in note 53.

4. Segmental analysis

For management purposes the Group's primary reporting format is the geographic location of its properties as set out below. The secondary reporting format is by business sector.

Geographical segments

	UK 2005 £m	UK 2004 £m	Europe 2005 £m	Europe 2004 £m	US* 2005 £m	US* 2004 £m	Group 2005 £m	Group 2004 £m
Segment Revenue	**222.8**	211.7	**55.3**	50.9	**127.1**	80.1	**405.2**	342.7
Gross rental income from investment properties	**182.7**	177.5	**21.9**	21.6	**97.2**	71.7	**301.8**	270.8
Interest received on finance lease assets	**0.9**	0.9	**–**	–	**–**	–	**0.9**	0.9
Property operating expenses	**(28.9)**	(25.1)	**(1.8)**	(1.3)	**(14.4)**	(12.8)	**(45.1)**	(39.2)
Net rental income	**154.7**	153.3	**20.1**	20.3	**82.8**	58.9	**257.6**	232.5
Proceeds on sale of trading properties	**1.1**	2.6	**30.1**	25.1	**26.1**	3.7	**57.3**	31.4
Carrying value of trading properties sold	**(0.5)**	(2.4)	**(23.7)**	(21.9)	**(10.0)**	(3.4)	**(34.2)**	(27.7)
Trading property rental income	**–**	–	**3.3**	4.2	**–**	–	**3.3**	4.2
Property outgoings relating to trading properties	**–**	–	**(0.6)**	(1.1)	**–**	–	**(0.6)**	(1.1)
Net income from trading properties	**0.6**	0.2	**9.1**	6.3	**16.1**	0.3	**25.8**	6.8
Income from sale of utilities and gas	**38.1**	30.7	**–**	–	**3.8**	4.7	**41.9**	35.4
Cost of sales	**(36.9)**	(34.8)	**–**	–	**(5.9)**	(8.0)	**(42.8)**	(42.8)
Gain from sale of gas interests	**–**		**–**	–	**99.7**	4.4	**99.7**	4.4
Net income/(loss) from utilities and gas	**1.2**	(4.1)	**–**	–	**97.6**	1.1	**98.8**	(3.0)
Other investment income	**4.0**	3.1	**–**	–	**1.5**	3.0	**5.5**	6.1
Administration expenses	**(15.0)**	(11.0)	**(2.7)**	(1.1)	**(3.0)**	(2.6)	**(20.7)**	(14.7)
(Loss)/gain on disposal of property assets	**(2.8)**	(1.6)	**–**	–	**17.2**	58.0	**14.4**	56.4
Gain on disposal of joint ventures	**–**	8.3	**–**	–	**7.8**	–	**7.8**	8.3
Net valuation gains	**314.9**	128.3	**8.1**	7.0	**86.1**	31.4	**409.1**	166.7
Operating income	**457.6**	276.5	**34.6**	32.5	**306.1**	150.1	**798.3**	459.1
Finance costs	**(99.2)**	(69.4)	**(6.6)**	(6.9)	**(19.1)**	(25.6)	**(124.9)**	(101.9)
Exceptional cost of refinancing	**(126.0)**	–	**–**	–	**–**	–	**(126.0)**	–
Finance income	**18.1**	5.7	**0.4**	0.3	**2.9**	0.7	**21.4**	6.7
Share of profit/(loss) from joint ventures and associate after tax	**8.3**	18.4	**(0.2)**	(0.1)	**5.4**	5.8	**13.5**	24.1
Profit before tax	**258.8**	231.2	**28.2**	25.8	**295.3**	131.0	**582.3**	388.0
Taxation	**(80.5)**	(33.8)	**(10.3)**	(7.8)	**(103.4)**	(50.6)	**(194.2)**	(92.2)
Net profit after tax	**178.3**	197.4	**17.9**	18.0	**191.9**	80.4	**388.1**	295.8
Segment assets	**3,788.5**	3,093.8	**532.8**	427.8	**1,062.7**	701.8	**5,384.0**	4,223.4
Segment liabilities	**(559.9)**	(484.1)	**(85.1)**	(74.0)	**(197.7)**	(155.5)	**(842.7)**	(713.6)
Net segment assets	**3,228.6**	2,609.7	**447.7**	353.8	**865.0**	546.3	**4,541.3**	3,509.8
Net external borrowings	**(1,629.2)**	(1,025.4)	**(203.3)**	(180.0)	**(259.8)**	(119.9)	**(2,092.3)**	(1,325.3)
Net inter-segment borrowings	**123.0**	142.2	**(56.1)**	–	**(66.9)**	(142.2)	**–**	–
Net assets	**1,722.4**	1,726.5	**188.3**	173.8	**538.3**	284.2	**2,449.0**	2,184.5
Depreciation by segment	**3.9**	3.4	**0.1**	0.1	**1.1**	1.2	**5.1**	4.7
Capital expenditure in the period	**406.9**	385.2	**136.9**	22.7	**258.1**	65.0	**801.9**	472.9

* Includes the results of Canada and gas interests in Australia.

Information relating to the disposal of gas interests is shown in note 49 (7).

4. Segmental analysis (continued)

Business segments

	Property investment 2005 £m	Property investment 2004 £m	Trading property 2005 £m	Trading property 2004 £m	Utilities 2005 £m	Utilities 2004 £m	Other activities 2005 £m	Other activities 2004 £m	Group 2005 £m	Group 2004 £m
Rental income	288.2	258.2	3.3	4.2	–	–	–	–	291.5	262.4
Recharges to tenants	13.6	12.6	–	–	–	–	–	–	13.6	12.6
Sales	–	–	57.3	31.4	38.1	30.7	3.8	4.7	99.2	66.8
Interest received on finance lease assets	0.9	0.9	–	–	–	–	–	–	0.9	0.9
Total revenue	302.7	271.7	60.6	35.6	38.1	30.7	3.8	4.7	405.2	342.7
Depreciation	(0.7)	(0.7)	–	–	(2.4)	(2.1)	(1.1)	(1.1)	(4.2)	(3.9)
Property outgoings	(44.4)	(38.5)	(0.6)	(1.1)	–	–	–	–	(45.0)	(39.6)
Cost of sales	–	–	(34.2)	(27.7)	(34.5)	(32.7)	(4.8)	(6.9)	(73.5)	(67.3)
Gain on sale of gas interests	–	–	–	–	–	–	99.7	4.4	99.7	4.4
Segment net income	257.6	232.5	25.8	6.8	1.2	(4.1)	97.6	1.1	382.2	236.3
Share of profits/(loss) from joint ventures and associate after tax	13.0	24.9	0.5	(0.8)	–	–	–	–	13.5	24.1
Other activities	–	–	–	–	–	–	5.5	6.1	5.5	6.1
Unallocated administration expenses	–	–	–	–	–	–	(20.7)	(14.7)	(20.7)	(14.7)
Profit on disposal of property assets	14.4	56.4	–	–	–	–	–	–	14.4	56.4
Profit on disposal of joint ventures	7.8	8.3	–	–	–	–	–	–	7.8	8.3
Net valuation gains	409.1	166.7	–	–	–	–	–	–	409.1	166.7
Finance costs	–	–	–	–	–	–	(124.9)	(101.9)	(124.9)	(101.9)
Exceptional cost of refinancing	–	–	–	–	–	–	(126.0)	–	(126.0)	–
Finance income	–	–	–	–	–	–	21.4	6.7	21.4	6.7
Profit/(loss) before tax	701.9	488.8	26.3	6.0	1.2	(4.1)	(147.1)	(102.7)	582.3	388.0
Taxation							(194.2)	(92.2)	(194.2)	(92.2)
Net (loss)/profit after tax							(341.3)	(194.9)	388.1	295.8
Segment assets	5,060.3	3,876.5	185.2	163.0	52.8	51.2	85.7	132.7	5,384.0	4,223.4
Segment liabilities	(757.8)	(562.6)	(10.2)	(15.2)	(11.4)	(11.3)	(63.3)	(124.5)	(842.7)	(713.6)
Net segment assets	4,302.5	3,313.9	175.0	147.8	41.4	39.9	22.4	8.2	4,541.3	3,509.8
Net borrowings							(2,092.3)	(1,325.3)	(2,092.3)	(1,325.3)
Net assets/(liabilities)	4,302.5	3,313.9	175.0	147.8	41.4	39.9	(2,069.9)	(1,317.1)	2,449.0	2,184.5
Capital expenditure in the period	714.0	426.6	76.0	31.0	3.4	1.2	8.5	14.1	801.9	472.9

There are no significant inter-segment trading activities.

5. Revenue

	2005 £m	2004 £m
Rental income from investment properties	**245.5**	246.5
Interest received on finance lease assets	**0.9**	0.9
Service charge income	**13.6**	12.6
Surrender premiums	**42.7**	11.7
Total property investment income	**302.7**	271.7
Proceeds on sale of trading properties	**57.3**	31.4
Trading property rental income	**3.3**	4.2
Sale of electricity, water and steam	**38.1**	30.7
Sale of gas	**3.8**	4.7
Total revenue	**405.2**	342.7

6. Property operating expenses (investment and development)

	2005 £m	2004 £m
Amortisation of leasing expenses	**2.0**	2.2
Depreciation of property plant and equipment	**0.7**	0.7
Other property outgoings	**42.4**	36.3
	45.1	39.2

7. Other investment income

	2005 £m	2004 £m
Net profit on available-for-sale investments	**2.9**	5.7
Transfer of fair value surplus realised on the sale of available-for-sale investments	**1.1**	–
Dividends from available-for-sale investments	**1.5**	0.2
Other	**–**	0.2
	5.5	6.1

8. Administration expenses

	2005 £m	2004 £m
Directors' remuneration	**2.7**	2.5
Depreciation	**0.9**	0.8
Auditors' remuneration	**0.9**	0.7
Auditors' remuneration – IFRS transition work	**0.2**	–
Paid to company's auditors for non-audit work	**0.9**	0.7
Other administration costs	**15.1**	10.0
	20.7	14.7

The total depreciation charge for the year including amounts charged under other headings amount to £5.1 million (2004 £4.7 million) and relates to assets owned by the Group.

Fees paid to the auditors in the United Kingdom and overseas during the period in respect of the annual audit and non-audit appointments were as follows:

	UK 2005 £m	UK 2004 £m	Overseas 2005 £m	Overseas 2004 £m	Total 2005 £m	Total 2004 £m
Audit services:						
Statutory audit (parent company £60,000 (2004 £55,000))	**0.5**	0.4	**0.4**	0.3	**0.9**	0.7
Audit related regulatory reporting – IFRS transition work	**0.2**	–	**–**	–	**0.2**	–
Taxation:						
Compliance services	**–**	–	**0.2**	0.4	**0.2**	0.4
Advisory services	**0.1**	0.1	**0.2**	–	**0.3**	0.1
Other services:						
Bond refinancing	**0.1**	–	–	–	**0.1**	–
Advice relating to development projects and acquisitions	**0.3**	0.2	–	–	**0.3**	0.2
Total	**1.2**	0.7	**0.8**	0.7	**2.0**	1.4

The Group's auditors acted as auditors to the Slough Estates (1957) Pension scheme. The appointment as auditors to the pension scheme and the fees paid in respect of this audit are agreed by the trustees of the scheme, who act independently from the management of the Group. The fees paid to the Group's auditors for audit services to the pension scheme during the year were £17, 290 (2004 £15,850).

Employees' staff costs were:

		Property management £m	Utilities £m	Gas £m	General and admin £m	Total 2005 £m	Total 2004 £m
Wages and salaries		12.7	6.6	1.7	7.3	**28.3**	25.3
Social security costs		1.1	0.6	0.1	0.8	**2.6**	2.4
Pension costs – defined benefits		1.5	0.8	–	0.4	**2.7**	3.8
– defined contributions		0.1	0.1	–	0.2	**0.4**	0.4
Share scheme costs		0.7	0.4	–	0.5	**1.6**	0.1
Total 2005		16.1	8.5	1.8	9.2	**35.6**	32.0
Total 2004		14.2	7.6	1.4	8.8	**32.0**	
The average number of employees of the Group	**2005**	**169**	**147**	**31**	**100**	**447**	
	2004	280	155	58	92	585	

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 on pages 60 to 67 in the Remuneration report and form part of these financial statements.

9. Gain on disposal of property assets

	Proceeds 2005 £m	Book value 2005 £m	Gain 2005 £m	Proceeds 2004 £m	Book value 2004 £m	Gain 2004 £m
Gain on disposal of investment properties	130.9	115.1	15.8	410.7	354.3	56.4
Gain on disposal of development properties	7.6	7.2	0.4	1.8	1.8	–
Other costs	–	2.4	(2.4)	–	–	–
Exchange	1.6	1.0	0.6	–	–	–
Total	140.1	125.7	14.4	412.5	356.1	56.4
Gain on disposal of joint ventures	20.2	12.6	7.6	148.7	140.4	8.3
Exchange	0.6	0.4	0.2	–	–	–
	20.8	13.0	7.8	148.7	140.4	8.3

10. Net valuation gains

The total net valuation gains for the period are shown in the financial statements as follows:

	2005 £m	2004 £m
Income statement	409.1	166.7
Statement of recognised income and expenses	48.4	24.1
Total valuation gains reported	457.5	190.8
and arise on the following properties:		
Investment properties	423.3	175.8
Development and owned occupied properties	34.2	15.0
	457.5	190.8

The net valuation gains of joint ventures and associate amounting to £10.5 million (2004: £15.4 million) are included within their results shown on the face of the income statement and are excluded from the above figures.

11. Share of profits from joint ventures and associate

	Property investment		Trading property		Total	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Revenue	9.5	18.7	7.6	1.6	17.1	20.3
Net rental income	8.3	15.9	0.3	0.4	8.6	16.3
Profit/(loss) on sale of trading properties	–	–	0.8	(0.9)	0.8	(0.9)
Finance cost	(2.7)	(2.5)	(0.5)	(0.2)	(3.2)	(2.7)
	5.6	13.4	0.6	(0.7)	6.2	12.7
Valuation surplus	10.5	15.4	–	–	10.5	15.4
Profit/(loss) before tax	16.1	28.8	0.6	(0.7)	16.7	28.1
Current tax	(0.9)	(1.0)	–	(0.1)	(0.9)	(1.1)
Deferred tax	(2.2)	(2.9)	(0.1)	–	(2.3)	(2.9)
Group share of profit/(loss) after tax	13.0	24.9	0.5	(0.8)	13.5	24.1

12. Finance costs

		2005 £m	2004 £m
Interest on overdrafts and loans		116.9	115.7
Interest on convertible redeemable preference shares		13.2	–
Unwinding of discount on the pensions liability less return on assets		0.5	0.9
Unwinding of discount on other provisions		0.2	0.5
Total borrowing costs		130.8	117.1
Less amount charged to	: the development of trading properties	(0.7)	(0.8)
	: the development of investment and development properties	(17.9)	(14.0)
	: the development of other assets	(0.5)	(1.2)
Net borrowing costs		111.7	101.1
Fair value losses on interest rate swaps and other derivatives		0.2	–
Swaption close out cost		2.3	–
Borrowing close out cost relating to property disposals		1.9	0.7
Exchange differences		8.8	0.1
Total finance costs before exceptional expense		124.9	101.9
Exceptional cost of refinancing (see explanation below)		126.0	–
Total finance costs		250.9	101.9

On 10 May 2005 the Group announced a debt exchange programme whereby holders of the following bonds were offered the chance to exchange the bonds, at market value plus an incentive, into new longer dated current coupon bonds:

£50 million 10 per cent Euro Bond 2007
£31.8 million 12.375 per cent Unsecured Loan Stock 2009
£100 million 11.625 per cent Euro Bond 2012
£100 million 10 per cent Euro Bond 2017
£40 million 11.25 per cent 1st Mortgage Debenture 2019

The three shorter dated bonds were exchanged into a new unsecured issue bearing a coupon of 5.5 per cent with a maturity date of 2018. The two longer dated bonds were exchanged into a new unsecured issue bearing a coupon of 5.75 per cent with a maturity date of 2035. Those investors unable to hold the new bonds because of duration mismatches or because of the unsecured nature of the new bonds were offered a cash-out alternative whereby the company bought back the new bonds for redemption.

The proposals were voted on at bondholders' EGMs on 8 June 2005 and as over 75 per cent of all holders of each issue voted in favour of the proposals, they were adopted in full and the old bonds were effectively redeemed on 21 June 2005 and were replaced with the following new debt:

£200 million 5.5 per cent Euro Bond 2018
£100 million 5.75 per cent Euro Bond 2035
£146 million of new bank line drawings at circa 5 per cent – subsequently refinanced through a new 2020 bond at a coupon of 5.625 per cent.

The cost of the exchange reflecting the mark-to-market fair value of the old bonds plus the £4.9 million incentive fee results in a one-off tax deductible finance charge of £126.0 million. However, future cash interest charges should be reduced by circa £10.0 million per annum.

The interest capitalised rates for 2005 were: UK 8 per cent for the six months to 30 June 2005 and 6.5 per cent for the remainder of the year (2004: 8 per cent for the year), US 6.68 per cent (2004: 5.62 per cent), and in Europe at rates ranging from 3.0 per cent to 4.5 per cent (2004: 3.0 to 4.5 per cent). Interest is capitalised gross of tax relief.

The net interest cost of joint ventures and associate amounting to £3.2 million (2004: £2.6 million) were previously included in the above total of interest cost under UK GAAP. This net interest is now shown within the net profit from joint ventures and associate as required by IFRS. Interest on the preference shares was previously classified as preference dividend in the income statement.

13. Finance Income

	2005 £m	2004 £m
Interest received on bank deposits	9.9	6.7
Fair value gains on interest rate swaps and other derivatives	1.5	–
Unwinding of discount on amounts receivable	1.4	–
Exchange differences	8.6	–
	21.4	6.7

The fair value adjustments on derivatives are shown in finance costs (£2.5 million) and finance income (£1.5 million) and amount to a net expense of £1.0 million.

14. Taxation

	2005 £m	2004 £m
Current tax		
Provision for taxation based on profits for the year		
United Kingdom		
Corporation tax charge at 30% (2004: 30%)	–	14.1
Over provision in earlier years	(4.6)	(2.8)
	(4.6)	11.3
Overseas		
Current tax charge	15.4	3.1
(Over)/under provision in earlier years	(2.3)	0.6
Tax charge on sale of Tipperary	34.0	–
Tax charge on sale of investment properties	1.9	34.4
Total current tax	44.4	49.4
Deferred tax		
Origination and reversal of timing differences	19.1	30.1
Charged/(released) in respect of property disposals in the period	11.5	(51.6)
On valuation surplus	130.5	58.2
Total deferred tax in respect of investment properties	161.1	36.7
Released in respect of Quail West	10.6	–
Other deferred tax	(21.9)	6.1
Total deferred tax	149.8	42.8
Total tax on profit on ordinary activities	194.2	92.2

Factors affecting tax charge for period:
The tax charge for the year is higher (2004 lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £m	2004 £m
Profit on ordinary activities before tax	582.3	388.0
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	174.7	116.4
Effects of:		
Capital allowances released due to property sales	–	(25.6)
Permanent timing differences	4.7	2.3
Profit on joint ventures already taxed	(4.1)	(7.2)
Higher tax rates on overseas earnings	23.6	8.5
Prior year adjustments	(4.7)	(2.2)
	194.2	92.2

In addition to the amount charged to the income statement, deferred tax of £25.4 million (2004: £3.3 million) has been recognised directly in equity. This includes deferred tax relating to the revaluation of the Group's land and buildings other than investment property amounting to £18.4 million (2004: £5.8 million).

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.

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.

15. Dividends

	2005 £m	2004 £m
Ordinary dividends paid		
Final dividend for the year ended 31 December 2003 @ 9.2 pence per share	–	38.4
Interim dividend for the year ended 31 December 2004 @ 6.15 pence per share	–	25.7
Final dividend for the year ended 31 December 2004 @ 9.85 pence per share	41.6	–
Interim dividend for the year ended 31 December 2005 @ 6.5 pence per share	27.4	–
	69.0	64.1

In respect of the current year, the directors propose that a dividend of 11 pence per ordinary share will be paid to shareholders on 19 May 2006. This dividend is subject to approval by the shareholders at the Annual General Meeting (AGM). As required by IFRS this final dividend is not recognised in the financial statements until paid.

The preference dividend paid during 2005 of £10.8 million is included within finance costs. The preference dividend paid during 2004 of £11.2 million is included in the comparative figures in the income statement as an appropriation of profit.

16. Earnings and net assets per ordinary share

			2005	2004
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	421.8	418.6
Less the weighted average number of shares held by the ESOP		Shares m	(1.7)	(1.4)
Basic weighted average number of shares	a	Shares m	420.1	417.2
Dilution adjustments:				
Preference shares		Shares m	47.1	50.4
Share options and save-as-you-earn schemes		Shares m	1.5	1.3
Diluted weighted average number of shares	b	Shares m	468.7	468.9
Earnings used for the calculation of earnings per share is as follows:				
Attributable profit	c	£m	385.1	285.8
Interest on preference shares		£m	13.2	11.2
	d	£m	398.3	297.0
Revaluation surpluses including joint ventures and associate net of minority		£m	(419.2)	(182.1)
Add back exceptional cost on refinancing		£m	126.0	–
Profits and losses on sale of investment properties and joint ventures net of borrowing close out costs		£m	(20.3)	(64.7)
Add back profit on sale of Quail West		£m	(16.1)	–
Add back fair value of derivatives		£m	1.0	–
Add back profit from the sale of gas interests		£m	(99.7)	(4.4)
Add back exceptional surrender premiums		£m	(36.4)	(7.5)
Tax on above exceptional items		£m	28.6	10.1
Deferred tax relating to investment properties including valuation surpluses		£m	151.9	65.9
Diluted adjusted earnings	e	£m	114.1	114.3
Basic adjusted earnings	f	£m	100.9	103.1
Earnings per ordinary share:				
Basic	c/a	pence	91.7	68.5
Basic – adjusted	f/a	pence	24.0	24.7
Diluted	d/b	pence	85.0	63.4
Diluted – adjusted	e/b	pence	24.3	24.4

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

			2005	2004
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	423.0	419.3
Less shares held by the ESOP		Shares m	(1.7)	(1.4)
Basic number of shares	h	Shares m	421.3	417.9
Dilution adjustments:				
Preference shares		Shares m	47.1	50.4
Share options and save-as-you-earn schemes		Shares m	1.5	1.3
Diluted number of shares	i	Shares m	469.9	469.6
Equity used for the calculation of net assets per ordinary share is as follows:				
Total equity attributable to ordinary shareholders		£m	2,447.3	2,034.3
Less shares held by the ESOP		£m	(6.9)	(5.2)
Restated equity	j	£m	2,440.4	2,029.1
Adjustment to exclude deferred tax on investment properties and latent CGT on revaluation surpluses		£m	649.2	457.3
Adjusted equity attributable to ordinary shareholders	k	£m	3,089.6	2,486.4
Dilution adjustment for preference shares		£m	107.7	136.0
Adjusted diluted equity attributable to ordinary shareholders	m	£m	3,197.3	2,622.4
Diluted equity attributable to ordinary shareholders	n	£m	2,548.1	2,165.1
Net assets per ordinary share				
Basic	j/h	pence	579	486
Basic excluding deferred tax on investment properties	k/h	pence	733	595
Diluted	n/i	pence	542	461
Diluted excluding deferred tax tax on investment properties	m/i	pence	680	558

The Group has also presented an adjusted basic earnings per share figure to exclude the impact of profits and losses on the sale of investment properties (net of taxation, minority interests and borrowing close out costs), profit from the sale of Quail West, cost of refinancing of bonds, revaluation surpluses on investment properties, exceptional surrender premiums, fair value of derivatives and deferred tax attributable to investment and development properties. The directors consider that this adjusted figure gives a more meaningful comparison for the periods shown in the consolidated financial statements. Deferred tax on investment and development properties has been excluded from the adjusted calculation as the Group has no plans to sell a significant proportion of its investment and development properties.

Net assets per share are calculated using the equity shareholders' funds of £2,440.4 million (2004: £2,029.1 million). Adjusted net assets per share have been calculated on the same number of shares but shareholders' funds exclude the deferred tax liability of £649.2 million (2004: £457.3 million) as it is the opinion of the directors that deferred tax on capital allowances and valuation surplus in relation to investment properties is unlikely to crystallise materially in practice.

17. Goodwill

Group	2005 £m	2004 £m
Balance 1 January	–	–
Additions arising on acquisitions in the period	0.7	–
At 31 December	0.7	–

See note 51 for details of acquisitions.

18. Investment properties

Investment properties consist of completed land and buildings and properties in the course of redevelopment. They exclude trading properties, properties occupied by Group companies, land held for development and developments in the course of construction.

Group	UK £m	Europe £m	US £m	Total £m
At 1 January 2004	2,449.9	259.0	534.0	3,242.9
Exchange movement	–	1.9	(32.0)	(30.1)
Acquisitions	334.9	–	–	334.9
Additions	37.7	(0.7)	7.2	44.2
Disposals	(185.0)	–	(169.3)	(354.3)
Transfer from development properties	–	–	39.3	39.3
Revaluation surplus during period	139.3	4.6	31.9	175.8
At 1 January 2005	2,776.8	264.8	411.1	3,452.7
Exchange movement	–	(8.5)	62.2	53.7
Acquisitions	280.0	67.3	168.1	515.4
Additions	47.5	(1.8)	18.1	63.8
Disposals	(74.9)	–	(40.2)	(115.1)
Transfer from development properties	15.6	3.1	15.6	34.3
Transfer from trading property	–	12.0	–	12.0
Revaluation surplus during period	326.8	9.9	86.6	423.3
At 31 December 2005	**3,371.8**	**346.8**	**721.5**	**4,440.1**
Completed properties	3,245.7	346.8	712.2	4,304.7
Properties for or under redevelopment	126.1	–	9.3	135.4
	3,371.8	346.8	721.5	4,440.1

		2005 £m	2004 £m
Properties held at valuation	– cost	**2,710.5**	2,146.4
	– valuation surplus	**1,729.6**	1,306.3
Valuation		**4,440.1**	3,452.7

The above assets include long term leaseholds valued at £105 million (2004 £110 million). All other properties are freehold.

Investment properties have been included at market value after having deducted an amount of £50.6 million (2004 £45.0 million) in respect of lease incentives and letting fees included in trade and other receivables.

Investment property rental income and direct operating expenses for the period are as follows:

	2005 £m	2004 £m
Rental income from rented properties all leased under operating leases	**301.8**	270.8
Operating expenses relating to let properties	**40.6**	35.4
Net rental income from rented properties	**342.4**	306.2
Operating expenses relating to vacant investment properties	**4.1**	3.4

The Group has pledged certain investment properties to secure £87 million (2004: £176 million) of borrowings in France and US.

The Group's properties were externally valued as at 31 December 2005 by CB Richard Ellis, DTZ Debenham Tie Leung or Colliers CRE in the UK, in the US by Walden-Marling Inc., in Belgium by De Crombrugghe and Partners s.a. and in France by CB Richard Ellis. The valuation basis is fair value, conforms to international valuation standards and was arrived at by reference to market evidence of the transaction prices for similar properties. All the valuers listed above are qualified valuers who hold a recognised and relevant professional qualification and have recent experience in the relevant location and category of the properties being valued.

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 5 per cent of their total revenue in any year and have adopted policies for the regular rotation of the responsible valuer.

18. Investment properties (continued)

The external valuation is included on the balance sheet under the following headings:

	2005 £m	2004 £m
Investment property	4,440.1	3,452.7
Development and owner occupied properties	436.3	276.8
	4,876.4	3,729.5
Group's share of investment properties within joint ventures and associate	113.5	115.0

19. Development and owner occupied properties

Group	UK £m	Europe £m	US £m	Total £m
Cost or valuation				
At 1 January 2004	149.5	25.2	83.9	258.6
Exchange	–	0.4	(7.0)	(6.6)
Additions	7.1	4.0	41.0	52.1
Disposals	(1.0)	–	(0.8)	(1.8)
Revaluation (deficit)/surplus during period	(14.9)	2.1	27.8	15.0
Transfer to Investment property	–	–	(39.3)	(39.3)
At 1 January 2005	140.7	31.7	105.6	278.0
Exchange	–	(1.1)	17.7	16.6
Additions	71.6	6.6	70.9	149.1
Disposals	(3.1)	–	(4.1)	(7.2)
Transfer to Investment property	(15.6)	(3.1)	(15.6)	(34.3)
Transfer from trading property	–	1.6	–	1.6
Revaluation (deficit)/surplus during period	(5.4)	(1.4)	41.0	34.2
At 31 December 2005	**188.2**	**34.3**	**215.5**	**438.0**
Depreciation and impairment				
At 1 January 2004	1.0	–	–	1.0
Additions	0.2	–	–	0.2
At 1 January 2005	1.2	–	–	1.2
Additions	0.5	–	–	0.5
At 31 December 2005	1.7	–	–	1.7
Net book value				
At 31 December 2005	**186.5**	**34.3**	**215.5**	**436.3**
At 31 December 2004	139.5	31.7	105.6	276.8
Depreciation method	Straight line	Straight line	Straight line	
The depreciation rates used	3%	n/a	n/a	

Land for or under development and owner occupied buildings are valued on the same basis as investment properties.

The valuers are detailed on the previous page within note 18.

All the above properties are freehold.

20. Plant and equipment

Group	Gas assets £m	Utilities plant £m	Other plant, fixtures and fittings £m	Total £m
Cost				
At 1 January 2004	80.9	30.8	10.4	122.1
Exchange	(5.1)	–	–	(5.1)
Additions	–	14.5	0.5	15.0
Disposals	–	–	(0.2)	(0.2)
At 1 January 2005	75.8	45.3	10.7	131.8
Exchange	4.1	–	–	4.1
Additions	7.1	3.3	2.1	12.5
Disposals	(87.0)	–	(0.1)	(87.1)
At 31 December 2005	–	48.6	12.7	61.3
Depreciation and impairment				
At 1 January 2004	–	3.1	7.0	10.1
Additions	1.1	2.1	0.9	4.1
Disposals	–	–	(0.4)	(0.4)
At 1 January 2005	1.1	5.2	7.5	13.8
Additions	1.0	2.4	1.2	4.6
Disposals	(2.1)	–	–	(2.1)
At 31 December 2005	–	7.6	8.7	16.3
Net book value at 31 December 2005	–	41.0	4.0	45.0
Net book value at 31 December 2004	74.7	40.1	3.2	118.0
Depreciation method	Straight line	Straight line	Straight line	
Measuring basis for carrying value	Cost	Cost	Cost	
The depreciation rates used	20%	2-30%	10-33%	

21. Finance lease receivables

The Group has leased out a number of investment properties under finance leases. These are presented as finance lease receivables rather than investment properties.

A reconciliation between the finance lease receivables at the balance sheet date, and the present value of the minimum lease payments receivable at the balance sheet date is as follows:

	Minimum lease payments 2005 £m	Minimum lease payments 2004 £m	Present value of minimum lease payments 2005 £m	Present value of minimum lease payments 2004 £m
Amounts receivable under finance leases:				
Within one year	**0.9**	0.9	**0.1**	0.1
In the second to fifth years inclusive	**3.5**	3.5	**0.3**	0.3
Later than five years	**28.6**	29.5	**10.6**	10.6
	33.0	33.9	**11.0**	11.0
Less unearned finance income	**(22.0)**	(22.9)	**n/a**	n/a
Present value of minimum lease payments receivable	**11.0**	11.0	**11.0**	11.0

	Minimum lease payments 2005 £m	Minimum lease payments 2004 £m	Present value of minimum lease payments 2005 £m	Present value of minimum lease payments 2004 £m
Analysed as:				
Non current finance lease receivables	**32.1**	33.0	**10.9**	10.9
Current finance lease receivables	**0.9**	0.9	**0.1**	0.1
	33.0	33.9	**11.0**	11.0

The interest rate inherent in the lease is fixed at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at 31 December 2005 was 7.93 per cent (2004: 7.95 per cent).

The fair value of the Group's finance lease receivables at 31 December 2005 is £11.0 million (2004: £11.0 million).

The unguaranteed residual values of assets leased under finance leases at the balance sheet date are estimated at £2.6 million (2004: £2.6 million).

22. Pre-paid operating lease incentives (included within prepayments and accrued income in the balance sheet)

These incentives are given to tenants and are required by IFRS to be amortised over the period of the lease.

Group	2005 £m	2004 £m
Balance I January	**35.1**	32.1
Exchange differences	**3.0**	(1.8)
Disposals during period	**(4.4)**	(4.8)
Additions net of amortisation	**6.7**	9.6
Balance 31 December	**40.4**	35.1

23. Available-for-sale investments

Group	Warrants £m	Venture capital investments £m	Treasury stock and other £m	Total £m
Cost at 1 January 2004	–	40.8	0.1	**40.9**
Exchange movement	–	(1.2)	–	**(1.2)**
Additions	–	16.0	–	**16.0**
Disposals and return of capital	–	(10.3)	–	**(10.3)**
Provision for losses	–	(7.0)	–	**(7.0)**
Cost at 1 January 2005	–	38.3	0.1	**38.4**
Restate for IAS39	1.3	2.8	–	**4.1**
	1.3	41.1	0.1	**42.5**
Exchange movement	0.1	2.9	–	**3.0**
Net additions	–	11.6	0.3	**11.9**
Fair value movement	(0.6)	10.3	–	**9.7**
Disposals and return of capital	–	(11.3)	–	**(11.3)**
Transfer income statement	–	(1.1)	–	**(1.1)**
Valuation at 31 December 2005	**0.8**	**53.5**	**0.4**	**54.7**

1. Warrants were received from tenants in the US.
2. The venture capital investments represent holdings in private equity funds which invest in the UK, Europe and US.

The investments were in the following funds:	Investment balance 2005 £m	Investment balance 2004 £m	Remaining commitment at 31 December 2005 £m
Candover 1997 Fund	**1.7**	0.4	**–**
Candover 2001 Fund	**20.7**	17.1	**3.2**
Charterhouse Equity Partners II L.P.	**0.7**	0.6	**–**
Charterhouse Equity Partners III L.P.	**15.4**	13.3	**–**
Charterhouse Equity Partners IV L.P.	**15.0**	6.9	**7.3**
US warrants	**0.8**	–	**–**
Treasury stock	**0.1**	0.1	**–**
Other investments	**0.3**	–	**–**
	54.7	**38.4**	**10.5**

24. Investments in joint ventures, associate and subsidiaries

Group

The Group's investments in associate and joint ventures and their results are accounted for using the equity method of accounting. A list of the significant joint ventures and associate are given in note 52 of these financial statements.

	Associate 2005 £m	Associate 2004 £m	Joint ventures 2005 £m	Joint ventures 2004 £m	Total 2005 £m	Total 2004 £m
Cost or valuation at 1 January	**3.9**	3.9	**80.2**	199.4	**84.1**	203.3
Exchange movement	**0.5**	(0.3)	**1.7**	(1.5)	**2.2**	(1.8)
Additions	**–**	–	**15.7**	7.3	**15.7**	7.3
Disposals	**–**	–	**(12.6)**	(140.4)	**(12.6)**	(140.4)
Dividends received	**(0.3)**	(0.2)	**(2.5)**	(8.2)	**(2.8)**	(8.4)
Valuation surplus	**0.6**	–	**9.9**	15.4	**10.5**	15.4
Deferred taxation on valuation surplus	**–**	–	**(2.3)**	(2.9)	**(2.3)**	(2.9)
Share of profits net of current taxation	**0.4**	0.5	**4.9**	11.1	**5.3**	11.6
Cost or valuation at 31 December	**5.1**	3.9	**95.0**	80.2	**100.1**	84.1
Analysed as follows:						
Cost	**1.1**	1.0	**39.6**	28.2	**40.7**	29.2
Valuation surplus net of deferred tax	**2.3**	1.5	**48.9**	42.6	**51.2**	44.1
Share of retained profits	**1.7**	1.4	**6.5**	9.4	**8.2**	10.8
	5.1	3.9	**95.0**	80.2	**100.1**	84.1

24. Investments in joint ventures, associate and subsidiaries (continued)

Summarised financial information of Group's share of joint ventures and associate

Group	Associate 2005 £m	2004 £m	Joint ventures 2005 £m	2004 £m	Total 2005 £m	2004 £m
Balance sheet						
Investment properties	**5.5**	4.3	**108.0**	110.7	**113.5**	115.0
Total non-current assets	**5.5**	4.3	**108.0**	110.7	**113.5**	115.0
Trading properties	**–**	–	**24.3**	17.6	**24.3**	17.6
Other receivables	**1.1**	1.1	**13.0**	5.7	**14.1**	6.8
Cash	**0.1**	0.1	**4.3**	3.6	**4.4**	3.7
Total current assets	**1.2**	1.2	**41.6**	26.9	**42.8**	28.1
Total assets	**6.7**	5.5	**149.6**	137.6	**156.3**	143.1
Mortgages and loans	**1.6**	1.6	**32.4**	40.6	**34.0**	42.2
Deferred taxation	**–**	–	**15.6**	12.5	**15.6**	12.5
Other liabilities	**–**	–	**1.7**	0.4	**1.7**	0.4
Total non-current liabilities	**1.6**	1.6	**49.7**	53.5	**51.3**	55.1
Land bonds	**–**	–	**–**	1.1	**–**	1.1
Other liabilities	**–**	–	**4.9**	2.8	**4.9**	2.8
Total current liabilities	**–**	–	**4.9**	3.9	**4.9**	3.9
Total liabilities	**1.6**	1.6	**54.6**	57.4	**56.2**	59.0
Group's share of net assets	**5.1**	3.9	**95.0**	80.2	**100.1**	84.1
Revenue	**0.6**	0.5	**16.5**	19.9	**17.1**	20.4
Group's share of profit for the period	**1.0**	0.5	**12.5**	23.6	**13.5**	24.1

Notes:

The Group has consolidated its interests in an associate and joint ventures using the equity method of accounting as it is unable to control the individual ventures, even of those where its interest is greater than 50% under the terms of the venture agreements.

For one joint venture, Shopping Centres Limited, where the Group has a 50% interest with Tesco plc, the year end is 31 August and the accounts reflect appropriate adjustments between that date and 31 December 2005.

Tax in US owned joint ventures and associate is borne by the investing company under the terms of the venturers' agreements.

The amount of loans advanced by the Group to joint ventures is £25.3 million (2004: £11.2 million).

Investment in subsidiaries

Company	Investments 2005 £m	2004 £m	Loans 2005 £m	2004 £m	Total 2005 £m	2004 £m
Cost at 1 January	**1,462.0**	2,259.6	**1,441.4**	1,144.6	**2,903.4**	3,404.2
Restate for IFRS	**–**	(799.4)	**–**	–	**–**	(799.4)
Restated balance	**1,462.0**	1,460.2	**1,441.4**	1,144.6	**2,903.4**	2,604.8
Additions	**0.1**	1.8	**–**	–	**0.1**	1.8
Net loan movement	**–**	–	**312.1**	260.5	**312.1**	260.5
Provision for loans released	**–**	–	**2.4**	36.3	**2.4**	36.3
Cost 31 December	**1,462.1**	1,462.0	**1,755.9**	1,441.4	**3,218.0**	2,903.4

Investment in joint venture

Company	Investments 2005 £m	2004 £m	Loans 2005 £m	2004 £m	Total 2005 £m	2004 £m
Cost at 1 January	**5.5**	38.8	**0.7**	–	**6.2**	38.8
Restate for IFRS	**–**	(33.3)	**–**	–	**–**	(33.3)
Restated balance	**5.5**	5.5	**0.7**	–	**6.2**	5.5
Net loan movement	**–**	–	**12.4**	0.7	**12.4**	0.7
Cost 31 December	**5.5**	5.5	**13.1**	0.7	**18.6**	6.2

25. Inventories

Group	2005 £m	2004 £m
Utilities stock	1.6	1.9

26. Trading properties

Group	2005 £m	2004 £m
Completed properties	61.4	88.7
Properties under development	62.2	36.6
	123.6	125.3

27. Trade and other receivables

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Current				
Trade receivables	67.8	50.4	0.6	0.7
Other receivables	11.4	9.7	–	–
Prepayments and accrued income	63.7	50.7	–	–
Fair value of derivatives	4.8	–	0.6	–
Amount recoverable under contract	–	2.6	–	–
Amounts due from subsidiaries	–	–	0.7	2.0
	147.7	113.4	1.9	2.7
Non-current				
Other receivables	15.1	0.6	–	–
Total trade and other receivables	162.8	114.0	1.9	2.7

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

The directors consider that the carrying amount of the trade and other receivables approximate their fair value.

28. Cash and cash equivalents

Cash and cash equivalents are cash in hand, deposits on demand, short term, highly liquid investments that are readily convertible to known amounts of cash within three months from the date of acquisition and which are subject to an insignificant risk of changes in value.

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Bank balance	16.3	34.6	–	41.1
Call deposits	156.3	362.8	–	0.1
Cash and cash equivalents per the balance sheet	172.6	397.4	–	41.2
Less restricted deposits	–	(176.0)	–	–
Bank overdrafts	(5.7)	(3.3)	(1.5)	(0.2)
Cash and cash equivalents in the statements of cash flow	166.9	218.1	(1.5)	41.0

29. Borrowings

	Group 2005 £m	2004 £m	Company 2005 £m	2004 £m
Borrowings falling due after one year				
Payable in more than five years:				
Secured:				
11.25% first mortgage debenture 2019	–	40.0	–	40.0
Currency first mortgages on overseas properties:				
US dollars 6.85% to 7.51% 2008 to 2017	30.4	40.4	–	–
Euro mortgages 5.14% to 6.36% 2014 to 2016	42.3	45.6	–	–
Australian dollar project finance loan 2014	–	45.4	–	–
Unsecured:				
7.125% bonds 2010	–	124.4	–	124.4
11.625% bonds 2012	–	100.0	–	100.0
6.25% bonds 2015	148.0	148.3	148.0	148.3
10% bonds 2017	–	98.7	–	98.7
5.5% bonds 2018	197.8	–	197.8	–
5.625% bonds 2020	246.6	–	246.6	–
7% bonds 2022	148.7	148.8	148.7	148.8
6.75% bonds 2024	220.6	221.0	220.6	221.0
5.75% bonds 2035	197.9	–	197.9	–
8.09% US dollar Notes 2015	5.8	5.2	–	–
8.0% US dollar Notes 2012	25.3	22.6	–	–
7.94% US dollar Notes 2010	–	47.6	–	–
9.27% Canadian dollar Notes 2010	–	10.9	–	–
6.57% US dollar Notes 2011	58.0	52.0	–	–
6.97% US dollar Notes 2016	58.0	52.0	–	–
6.417% Euro Notes 2011	34.2	35.5	–	–
Long term loan 2010	–	18.4	–	–
8.25p Convertible redeemable preference shares	107.7	–	107.7	–
Bank loans scheduled for renewal in over five years	156.3	–	156.3	–
	1,677.6	1,256.8	1,423.6	881.2
Exchange difference on currency swaps	–	(2.6)	–	–
Less instalments due in less than five years	(21.1)	(51.7)	–	–
	1,656.5	1,202.5	1,423.6	881.2
Payable by instalments in more than five years	51.6	98.1	–	–
Payable on final maturity date	1,604.9	1,104.4	1,423.6	881.2
	1,656.5	1,202.5	1,423.6	881.2

Notes to the financial statements
continued

29. Borrowings (continued)

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Wholly repayable between three and five years:				
Secured:				
US dollars 6.9% 2007 first mortgage	–	4.1	–	–
Euro mortgage 2009	2.5	–	–	–
Unsecured:				–
7.58% US dollar Notes 2007	–	10.4	–	–
7.84% US dollar Notes 2008	8.7	7.8	–	–
7.94% US dollar Notes 2010	53.1	–	–	–
9.27% Canadian dollar Notes 2010	12.5	–	–	–
10% Bonds 2007	–	50.0	–	50.0
12.375% loan stock 2009	–	31.9	–	31.9
7.125% bonds 2010	124.3	–	124.3	–
Bank loans and overdrafts scheduled for renewal between three and five years	331.5	327.9	234.2	234.3
	532.6	432.1	358.5	316.2
Instalments due on longer dated borrowings	13.3	42.0	–	–
Less instalments due in less than three years	(1.4)	(0.4)	–	–
	544.5	473.7	358.5	316.2
Repayable between one and two years:				
Secured:				
US dollars 6.9% 2007 first mortgage	4.3	–	–	–
Polish mortgage	3.5	–	–	–
Unsecured:				
7.58% US dollar Notes 2007	11.6	–	–	–
Bank loans and overdrafts scheduled for renewal in one to two years	25.5	2.1	–	–
	44.9	2.1	–	–
Instalments due on longer dated borrowings	4.5	5.2	–	–
Less instalments due within one year	(0.2)	–	–	–
	49.2	7.3	–	–
Total repayable in more than one year	2,250.2	1,683.5	1,782.1	1,197.4
Borrowings falling due within one year				
Secured:				
European mortgages	3.6	–	–	–
Unsecured:				
Bank loans and overdrafts	5.9	34.3	1.5	27.6
Preference shares held by subsidiary	0.3	–	–	–
	9.8	34.3	1.5	27.6
Instalments due on longer dated borrowings	4.9	4.9	–	–
Total repayable within one year	14.7	39.2	1.5	27.6

29. Borrowings (continued)

31 December 2005 Group Interest rate profile of Group debt	Fixed rate %	Fixed period Years	Weighted average before swaps Fixed rate £m	Variable rate £m	Total £m
Borrowings					
Sterling	6.19	15.4	1,283.9	0.3	1,284.2
US dollars	7.27	5.7	255.2	282.0	537.2
Canadian dollars	9.27	4.0	12.4	–	12.4
Euros	5.99	6.2	78.6	244.5	323.1
Total borrowings excluding preference shares	6.38	13.3	1,630.1	526.8	2,156.9
Guildhall preference shares			0.3	–	0.3
Convertible redeemable preference shares			107.7	–	107.7
Total borrowings			1,738.1	526.8	2,264.9

31 December 2005 Group Interest rate profile of Group debt	Fixed rate %	Fixed period Years	Weighted average after swaps Fixed rate £m	Variable rate £m	Total £m
Borrowings					
Sterling	6.19	15.4	1,283.9	0.3	1,284.2
US dollars	6.15	4.2	471.2	66.0	537.2
Canadian dollars	9.27	4.0	12.4	–	12.4
Euros	5.93	5.8	95.8	227.3	323.1
Total borrowings excluding preference shares	6.19	12.0	1,863.3	293.6	2,156.9
Guildhall preference shares			0.3	–	0.3
Convertible redeemable preference shares			107.7	–	107.7
Total borrowings			1,971.3	293.6	2,264.9
Cash and deposits					
Sterling				(154.8)	(154.8)
US dollars				(3.7)	(3.7)
Canadian dollars				(4.2)	(4.2)
Euros				(9.9)	(9.9)
Total cash and deposits				(172.6)	(172.6)
Net borrowings			1,971.3	121.0	2,092.3

31 December 2005 Company Interest rate profile of Company debt	Fixed rate %	Fixed period Years	Weighted average before swaps Fixed rate £m	Variable rate £m	Total £m
Borrowings					
Sterling	6.19	15.4	1,283.9	–	1,283.9
US dollars	–	–	–	282.1	282.1
Euros	–	–	–	109.9	109.9
Total borrowings excluding preference shares	6.19	15.4	1,283.9	392.0	1,675.9
Convertible redeemable preference shares			107.7	–	107.7
Total borrowings			1,391.6	392.0	1,783.6

Notes to the financial statements
continued

29. Borrowings (continued)

31 December 2005 Company Interest rate profile of Company debt	Fixed rate %	Fixed period Years	Weighted average after swaps Fixed rate £m	Variable rate £m	Total £m
Borrowings					
Sterling	6.19	15.4	1,283.9	–	1,283.9
US dollars	4.82	2.3	216.1	66.0	282.1
Euros	–	–	–	109.9	109.9
Total borrowings excluding preference shares	6.00	13.5	1,500.0	175.9	1,675.9
Convertible redeemable preference shares			107.7	–	107.7
Total borrowings			1,607.7	175.9	1,783.6

Rates at which interest is charged on borrowings due after more than one year

				Group				Company
	Before swaps 2005 £m	**After swaps 2005 £m**	Before swaps 2004 £m	After swaps 2004 £m	**Before swaps 2005 £m**	**After swaps 2005 £m**	Before swaps 2004 £m	After 2004 £m
Up to 5%	**4.3**	**75.0**	–	78.1	**–**	**70.7**	–	78.1
5% to 7.5%	**1,496.9**	**1,659.4**	862.6	881.1	**1,283.9**	**1,429.3**	642.5	642.5
Over 7.5%	**124.8**	**124.8**	429.9	429.9	**–**	**–**	320.6	320.6
	1,626.0	**1,859.2**	1,292.5	1,389.1	**1,283.9**	**1,500.0**	963.1	1,041.2
8.25p convertible redeemable preference shares	**107.7**	**107.7**	–	–	**107.7**	**107.7**	–	–
Variable rate	**516.5**	**283.3**	391.0	294.4	**390.5**	**174.4**	234.3	156.2
	2,250.2	**2,250.2**	1,683.5	1,683.5	**1,782.1**	**1,782.1**	1,197.4	1,197.4

Derivatives

* US$150 million has been swapped from variable rate funding into fixed at 2.28 per cent to 2006.
* £150 million of Sterling LIBOR exposure is collared in a range of 4.5 per cent to 5.5 per cent to 2006.
* US$250 million has been swapped from variable rate funding into fixed at 4.63 per cent to 2009, this was traded after 31 December 2005 and is effective from the next interest payment date.
* US$121.6 million has been fixed by future rate agreements at rates ranging between 3.92 per cent and 4.82 per cent until 2007.

€25 million amortising at €1 million per annum swapped from variable rate funding into fixed rate funding at 5.68 per cent until 2010.

C$25 million at 9.27 per cent swapped into US$15.9 million to produce funding at 9.23 per cent 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 or F1 short-term credit rating. The average interest rate in respect of deposits held at 31 December 2005 amounted to 4.6 per cent (2004: 3.35%).

* In the name of Slough Estates plc.

29. Borrowings (continued)

31 December 2004 Group Interest rate profile of Group debt	Weighted average before swaps Fixed rate %	Fixed period Years	Fixed rate £m	Variable rate £m	Total £m
Borrowings					
Sterling	7.73	11.9	963.1	1.0	964.1
Australian dollars	–	–	–	47.9	47.9
US dollars	7.32	6.6	250.3	209.5	459.8
Euros	6.11	7.0	83.3	167.6	250.9
Total borrowings	7.55	10.6	1,296.7	426.0	1,722.7

31 December 2004 Group Interest rate profile of Group debt	Weighted average after swaps Fixed rate %	Fixed period Years	Fixed rate £m	Variable rate £m	Total £m
Borrowings					
Sterling	7.47	11.9	963.1	1.0	964.1
Australian dollars	–	–	–	47.9	47.9
US dollars	6.28	5.3	328.4	131.4	459.8
Euros	6.03	6.6	101.8	149.1	250.9
Total borrowings	7.08	10.0	1,393.3	329.4	1,722.7
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			1,393.3	(68.0)	1,325.3

31 December 2004 Company Interest rate profile of Company debt	Weighted average before swaps Fixed rate %	Fixed period Years	Fixed rate £m	Variable rate £m	Total £m
Borrowings					
Sterling	7.73	11.9	963.1	–	963.1
US dollars	–	–	–	204.7	204.7
Euros	–	–	–	57.2	57.2
Total borrowings	7.73	11.9	963.1	261.9	1,225.0

31 December 2004 Company Interest rate profile of Company debt	Weighted average after swaps Fixed rate %	Fixed period Years	Fixed rate £m	Variable rate £m	Total £m
Borrowings					
Sterling	7.47	11.9	963.1	–	963.1
US dollars	2.93	1.0	78.1	126.6	204.7
Euros	–	–	–	57.2	57.2
Total borrowings	7.13	11.1	1,041.2	183.8	1,225.0
Cash and deposits					
Sterling				(41.1)	(41.1)
Euros				(0.1)	(0.1)
Total cash and deposits				(41.2)	(41.2)
Net borrowings				142.6	1,183.8

29. Borrowings (continued)

Derivatives

* US$150 million has been swapped from variable rate funding into fixed at 2.28 per cent to 2006.
* £150 million of Sterling swapped from 6.75 per cent fixed to variable rate at LIBOR plus 1.0 per cent. Bank option to cancel on any rollover between 2005 and expiry in 2013.

The LIBOR exposure is collared in a range of 4.5 per cent to 5.5 per cent to 2006.

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

C$25 million at 9.27 per cent swapped into US$15.9 million to produce funding at 9.23 per cent 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 a A1/P1 short-term credit rating. At 31 December 2004, £21.1 million of total cash was invested in AAA rated liquidity funds.

* In the name of Slough Estates plc.

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Maturity profile of Group debt				
In one year or less	**14.7**	39.2	**1.5**	27.6
In more than one year but less than two	**49.2**	7.3	**–**	–
In more than two years but less than five	**544.5**	473.7	**358.5**	316.2
In more than five years but less than ten	**567.1**	466.6	**412.0**	224.4
In more than ten years	**1,089.4**	735.9	**1,011.6**	656.8
Total Group debt	**2,264.9**	1,722.7	**1,783.6**	1,225.0
Split between secured and unsecured borrowings				
Secured (on land, buildings and other assets)	**86.6**	175.5	**–**	40.0
Unsecured	**2,178.3**	1,547.2	**1,783.6**	1,185.0
	2,264.9	1,722.7	**1,783.6**	1,225.0
Maturity profile of undrawn borrowing facilities				
In one year or less	**44.8**	47.3	**8.5**	2.6
In more than one year but less than two	**18.5**	–	**–**	–
In more than two years	**471.0**	275.9	**374.3**	190.8
Total available undrawn facilities	**534.3**	323.2	**382.8**	193.4

30. Financial instruments and fair values

Group	Book value 2005 £m	Fair value 2005 £m	Book value 2004 £m	Fair value 2004 £m
Fair value of borrowings				
Secured bonds	–	–	40.0	63.0
Secured bank loans	86.6	92.9	138.0	144.7
Unsecured bond issues	1,283.9	1,400.1	923.1	1,080.4
Unsecured loans	267.2	296.1	243.9	278.0
Bank loans and overdrafts	519.2	519.2	380.3	380.3
Guildhall preference shares	0.3	0.3	–	–
Convertible redeemable preference shares	107.7	107.7	–	–
Fair value of debt	2,264.9	2,416.3	1,725.3	1,946.4
Interest rate swaps	1.4	1.4	–	1.7
Cross currency swaps	(4.2)	(4.2)	(2.6)	(3.3)
Future rate agreements	(0.2)	(0.2)	–	–
Caps and Collars	0.2	0.2	–	0.5
Options	–	–	–	3.8
Fair value of derivatives	(2.8)	(2.8)	(2.6)	2.7
Fair value of debt and derivatives (pre-tax)	2,262.1	2,413.5	1,722.7	1,949.1
Tax relief due on early redemption/termination @ 30%		(45.4)		(67.9)
Fair value of debt and derivatives (post-tax)	2,262.1	2,368.1	1,722.7	1,881.2
After tax mark-to-market adjustment		106.0		158.5

Included in the above analysis are Group: £18.6 million (2004: £12.9 million), Company: £17.3 million (2004: £9.6 million) of unamortised borrowing costs.

	Book value 2005 £m	Fair value 2005 £m	Book value 2004 £m	Fair value 2004 £m
Fair value of other financial assets and liabilities				
Cash and deposits	172.6	172.6	397.4	397.4
Available-for-sale investments	54.7	54.7	38.4	43.7
	227.3	227.3	435.8	441.1
Related tax at 30 per cent (2004: 30 per cent)		–		(1.6)
	227.3	227.3	435.8	439.5

30. Financial instruments and fair values (continued)

Company	Book value 2005 £m	Fair value 2005 £m	Book value 2004 £m	Fair value 2004 £m
Fair value of borrowings				
Secured bonds	–	–	40.0	63.0
Unsecured bond issues	1,283.9	1,400.1	923.1	1,080.4
Bank loans and overdrafts	392.0	392.0	261.9	261.9
Convertible redeemable preference shares	107.7	107.7	–	–
Fair value of debt	1,783.6	1,899.8	1,225.0	1,405.3
Interest rate swaps	(0.4)	(0.4)	–	(0.6)
Fixed rate agreements	(0.2)	(0.2)	–	–
Caps and Collars	0.2	0.2	–	0.5
Options	–	–	–	3.8
Fair value of derivatives	(0.4)	(0.4)	–	3.7
Fair value of debt and derivatives (pre-tax)	1,783.2	1,899.4	1,225.0	1,409.0
Tax relief due on early redemption/termination @ 30%		(34.9)		(55.2)
Fair value of debt and derivatives (post-tax)	1,783.2	1,864.5	1,225.0	1,353.8
After tax mark-to-market adjustment		81.3		128.8

The market value of the 8.25p convertible redeemable preference shares at 31 December 2005 was £286.2 million (2004: £282.2 million) and £283.6 million at 21 March 2006. This has already been included in the diluted net assets per ordinary share calculation in note 16.
Fair values have been collated by either:
i) Obtaining the market price of tradeable instruments
ii) Obtaining indicative quotations from banks
iii) Arriving at a net present value by using discounted cashflows

There are no material unrecognised gains or losses on instruments used for hedging.

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business. Derivative financial instruments, currency borrowings and cross currency swaps are used to reduce exposure to fluctuations in foreign exchange rates and interest rates.

Credit Risk

Creditworthiness evaluations are performed on all potential customers looking to enter into lease or pre-lease agreements with the Group. In certain cases the Group will require collateral to support these lease obligations. This might be in the form of a cash rental security deposit, parent company guarantee or a bank rental guarantee.

Investments are permitted in bank deposits or CD's, liquidity funds and corporate commercial paper. The counterparties must have a short term credit rating of at least A1/P1 or AAA in the case of investments in liquidity funds. Transactions involving derivative financial instruments are with counterparties with whom the Group has a signed ISDA agreement as well as having good investment grade credit ratings. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk.

30. Financial instruments and fair values (continued)

Interest rate risk (which relates to interest bearing liabilities and assets).

Hedging

Effective 25 January 2006 the Group Board sanctioned a change to the Group Policy on interest rate exposure management. Up to that point at least 70 per cent of the Group's debt portfolio had to be at a fixed or capped/collared rate of interest. However, due to the increased size of the debt portfolio this minimum level has been increased to at least 85 per cent to reduce the aggregate exposure to movements in variable interest rates. As at 31 December 2005, 87 per cent (2004: 81 per cent) of the Group's debt (including derivatives) attracted a fixed rate of interest at a weighted average rate of 6.19 per cent (2004: 7.09 per cent). Much of this debt was in the form of fixed rate debt issues raised through Sterling Eurobonds or US Dollar Private Placements. Such fixed rate debt issues are held at amortised cost. Interest rate swaps, collars and forward rate agreements are also used to convert variable rate bank debt to fixed rate debt. The 13 per cent of debt attracting a variable rate of interest brought the weighted average interest cost down to 5.81 per cent (2004: 6.41 per cent).

A one percentage point movement in interest rates in the same direction across all currencies in which the Group borrows on average for a complete year would change the Group's pre-tax profit by +/- £2.9 million.

The Group has decided not to elect to hedge account its interest rate derivatives portfolio. Therefore, movements in the fair value of the portfolio are taken to the income statement through the interest line.

Foreign currency risk

Due to its nature of business the Group has no cross border trade transactions therefore foreign exchange transaction exposure is negligible. However, it does have operations located overseas which transact business in the domestic currency of where the businesses are located – mostly in the US Dollar & Euros. The Group's main currency exposure therefore is the translation risk associated with converting net currency assets back into sterling in the Group consolidated accounts at each balance sheet date. The Policy on translation exposure is that between 75 per cent – 100 per cent of currency denominated assets (excluding unrealised valuation surpluses) must be financed by liabilities in the same currency. At year end 2005 net assets exposed excluding unrealised valuation surpluses were £260.7 million. This increases to £460.9 million when unrealised surpluses are included. Therefore a 10 per cent movement in the value of sterling in the same direction across all currencies in which the Group operates would change net assets by +/- £46.0 million or by 1.44 per cent. However, it should be noted that sterling rarely moves in value in the same direction against the US dollar and the Euro.

The Group has no specific policy on hedging profit translation exposure as the effects of currency movements have had minimal effect on recurring investment property income net of currency interest costs.

Hedge of net investment in foreign subsidiaries

US$ 371.6 million & EUR 54.2 million (2004 US$121.6 million & EUR51.2 million) of the Group's UK domiciled foreign currency denominated loans are designated as hedges against part of the Group's investment in its subsidiaries in Europe and US. The carrying amount of the loans at 31 December 2005 was £253.2 million (2004: £99.7 million). A foreign exchange loss of £12.8 million (2004 gain of £4 million) was recognised in equity on translation of the loans to sterling.

31. Obligations under finance leases

Group Finance lease liabilities are payable as follows:	Minimum lease payments **2005** **£m**	 2004 £m	Present value of minimum lease payments **2005** **£m**	 2004 £m
Amounts payable under finance leases:				
In the second to fifth years inclusive	**0.2**	0.2	**–**	–
Later than five years	**2.6**	2.6	**0.5**	0.5
	2.8	2.8	**0.5**	0.5
Less future finance charges	**(2.3)**	(2.3)	**n/a**	n/a
Present value of lease obligations	**0.5**	0.5	**0.5**	0.5
Shown as:				
Non current finance lease payable	**–**	–	**0.5**	0.5

The above finance lease liabilities relate to investment properties with a carrying value of £0.5 million (2004: £0.5 million). The terms of these operating lease agreements are for periods of between 20 and 120 years. There are no restrictions imposed by the lease agreements. No contingent rents are payable.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in event of default.

32. Deferred tax assets and liabilities

Group	Balance 1 January 2005 £m	Exchange £m	Recognised in income £m	Recognised in Equity £m	Balance 31 December 2005 £m
Movement in deferred tax					
Valuation surpluses on properties	256.6	6.6	130.5	18.4	412.1
Capital allowances	127.6	5.8	37.0	–	170.4
Others	73.1	–	(6.4)	–	66.7
Total relating to investment properties	457.3	12.4	161.1	18.4	649.2
Capital allowances on plant and equipment	2.6	–	3.7	–	6.3
Pension deficit	(11.9)	–	–	3.8	(8.1)
Deferred tax assets	(13.1)	(0.8)	(10.9)	–	(24.8)
Others	13.5	0.7	(4.1)	3.2	13.3
Total deferred tax	448.4	12.3	149.8	25.4	635.9

Group	Balance 1 January 2004 £m	Exchange £m	Recognised in income £m	Recognised in Equity £m	Balance 31 December 2004 £m
Movement in deferred tax					
Valuation surpluses on properties	221.7	(2.5)	31.6	5.8	256.6
Capital allowances	129.7	(2.5)	0.4	–	127.6
Others	78.2	(0.3)	(5.6)	0.8	73.1
Total relating to investment properties	429.6	(5.3)	26.4	6.6	457.3
Capital allowances on plant and equipment	0.1	–	2.5	–	2.6
Pension deficit	(8.6)	–	–	(3.3)	(11.9)
Deferred tax assets	(24.5)	–	11.4	–	(13.1)
Others	10.7	0.3	2.5	–	13.5
Total deferred tax	407.3	(5.0)	42.8	3.3	448.4

The brought forward deferred tax asset of £0.2 million relating to Slough Estates Canada has been released to the income statement in 2005.

Company	Balance 1 January 2005 £m	Exchange £m	Recognised in income £m	Recognised in Equity £m	Balance 31 December 2005 £m
Movement in deferred tax					
Deferred tax asset relating to the pension deficit	(11.9)	–	–	3.8	(8.1)
Deferred tax assets relating to the bond loss	–	–	(5.3)	–	(5.3)
Others	1.1	–	(0.1)	–	1.0
Total deferred tax	(10.8)	–	(5.4)	3.8	(12.4)

Company	Balance 1 January 2004 £m	Exchange £m	Recognised in income £m	Recognised in equity £m	Balance 31 December 2004 £m
Movement in deferred tax					
Deferred tax asset relating to the pension deficit	(8.6)	–	–	(3.3)	(11.9)
Others	1.3	–	(0.2)	–	1.1
Total deferred tax	(7.3)	–	(0.2)	(3.3)	(10.8)

At the balance sheet date, the Group has unused revenue tax losses of £75.4 million (2004: £16.8 million) available for offset against future profits. A deferred tax asset has been recognised in respect of all of these losses as it is expected that future profits will be available.

The Group also has capital tax losses of £45.3 million (2004: £48.3 million) which can only be utilised against future profits from the sale of investment properties. In accordance with IAS 12 these losses give rise to a deferred tax asset which is offset against the deferred tax liability.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries and joint ventures for which deferred tax liabilities have not been recognised was £nil (2004: £nil). No liability has been recognised because the Group is in a position to control the distribution of these profits and this is unlikely in the foreseeable future.

A contingent tax asset of £93.6 million (2004: £90.7 million) relating to unused indexation allowances has not been recognised in the financial statements due to restrictions in IFRS (see note 53).

33. Provisions for liabilities and charges

Group	Pension schemes £m	Quail West £m	Other liabilities £m	Total £m
Balance at 1 January 2005	41.5	18.0	0.3	59.8
Exchange movement	0.1	1.0	–	1.1
Charge/(credited) to income statement	2.9	(19.0)	–	(16.1)
Charge to SORIE	4.0	–	–	4.0
Paid	(19.1)	–	(0.1)	(19.2)
Balance at 31 December 2005	29.4	–	0.2	29.6

Company	2005 £m	Pension schemes 2004 £m
Balance at 1 January	**40.2**	29.0
Charge to income statement	**2.9**	4.2
Charge to SORIE	**3.8**	10.3
Paid	**(19.1)**	(3.3)
Balance at 31 December	**27.8**	40.2

The Quail West provision related to an onerous obligation associated with the Group's holding of property at Quail West, Florida. This provision was released during 2005 in connection with disposal of the Quail West property.

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.

34. Retirement benefit schemes

The Group operates a number of pension schemes throughout the world. Total pension costs for the Group charged to the income statement amounted to £3.6 million (2004: £5.1 million) of which £0.3 million (2004: £0.6 million) related to overseas schemes. Pension costs relating to overseas schemes have been determined in accordance with local practice.

Summary

	2005 £m	2004 £m
Balance sheet		
Obligation on defined benefit schemes in UK	**26.7**	39.6
Obligation on unfunded or unapproved schemes (UURBS)	**2.4**	1.6
Obligation on unfunded scheme to former director	**0.3**	0.3
	29.4	41.5
Related deferred tax asset	**8.1**	11.9

	2005 £m	2004 £m
Amounts charged direct to the Income statement		
Defined benefit schemes		
Charged in the UK	**2.8**	4.1
Defined contribution schemes		
Charged in the UK	**0.2**	0.2
Charged overseas	**0.2**	0.2
Unfunded or unapproved schemes		
Charged in the UK	**0.3**	0.2
Charged overseas	**0.1**	0.4
	3.6	5.1
Amounts charged direct to equity on defined benefit schemes	**4.0**	10.6

34. Retirement benefit schemes (continued)

Defined benefit schemes

The Group has two defined benefit 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. The Bilton scheme has been closed to new members since 2003. The Slough scheme was closed to new members in October 2005.

The valuation of the Slough and Bilton schemes has been based on the most recent actuarial valuation at 31 March 2004 for Slough and 5 April 2004 for Bilton and updated by Hewitt's in order to assess the liabilities of the schemes at 31 December 2005. The assets of both schemes are stated at their market value at 31 December 2005.

The projected unit method of valuation was used for both schemes and the financial assumptions, except where indicated to the contrary, used to calculate the schemes' liabilities are as follows:

	2005 %	2004 %
Discount rate	4.7	5.3
Inflation rate	2.9	2.9
Expected weighted return on schemes assets	6.3	6.5
Rate of increase to pensions in payment		
– Pre April 2003 pensions (Slough/Bilton)	4.1/2.8	4.2/2.7
– April 2003 to October 2005 pensions	2.8	2.7
– Post October 2005 pensions	2.1	–
Rate of increase in salaries	4.9	4.9

	2005 £m	2004 £m
Analysis of the amount charged to operating profit		
Current service cost	3.0	3.2
Past service costs	(0.7)	–
	2.3	3.2
Analysis of the amount (credited)/charged to other finance (income)/expense		
Interest on pension liabilities	5.8	5.3
Expected return on schemes assets	(5.3)	(4.4)
	0.5	0.9
Total charged to income	2.8	4.1

Analysis of the amount recognised in the statement of recognised income and expenses

	2005 £m	2004 £m
Actual return less expected return on assets	10.2	1.1
Experienced gains and losses on liabilities	(13.9)	6.2
Changes in financial assumptions underlying the present value of the schemes' liabilities actuarial loss	–	(17.5)
	(3.7)	(10.2)

Cumulative actuarial losses recognised in the SORIE amount to £14.6 million.
The actual return on the schemes' assets was £15.5 million (2004: £5.4 million).

The analysis of the assets in the Slough and Bilton schemes and the expected rates of return at the balance sheet date were as follows:

	Expected rate of return		Fair value of assets	
	2005 %	2004 %	2005 £m	2004 £m
Equities	7.50	7.55	63.2	44.4
Bonds	4.30	4.75	38.0	25.3
Other including property	5.56	6.06	2.4	1.5
Total market value of assets	6.28	6.52	103.6	71.2

34. Retirement benefit schemes (continued)

The expected return on plan assets is a blended average of projected long-term returns for the various asset classes. Asset class returns are based on a forward looking building block approach. Equity returns are developed based on the selection of an equity risk premium above the risk free rate which is measured in accordance with the yields on government bonds. Returns on property are assumed to be 1 per cent p.a. lower than those on equities. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the schemes' holdings of these instruments.

The amount included in the balance sheet arising from the Group's obligations in respect of the Slough and Bilton schemes is as follows:

	2005 £m	2004 £m
Market value of assets	103.6	71.2
Present value of schemes' liabilities	(128.9)	(109.8)
Deficit in the schemes	(25.3)	(38.6)
Less Bilton surplus which cannot be utilised	(1.4)	(1.0)
Pension liability recognised in the balance sheet	(26.7)	(39.6)
Related deferred tax asset	8.1	11.9
	(18.6)	(27.7)
Presented in: non-current liabilities	(18.6)	(27.7)

	2005 £m	2004 £m
Movements in the present value of defined benefit obligation in the current period were as follows:		
At 1 January	109.8	91.9
Current service cost	3.0	3.2
Contributions	0.6	0.5
Past service costs	(0.7)	–
Other finance income	5.8	5.3
Benefits paid	(2.9)	(2.4)
Actuarial losses/(gains) from experience	13.3	(6.2)
Actuarial loss from change in assumptions	–	17.5
At 31 December	128.9	109.8

	2005 £m	2004 £m
Movements in the present value of the schemes' assets in the current period were as follows:		
At 1 January	71.2	64.4
Expected return on schemes' assets	5.3	4.4
Actuarial return less return on schemes' assets	10.2	1.1
Contributions from company	19.2	3.2
Contributions from scheme members	0.6	0.5
Benefits paid	(2.9)	(2.4)
At 31 December	103.6	71.2
Net deficit at 31 December	25.3	38.6

34. Retirement benefit schemes (continued)

Four year history of experience gains and losses

	2005 £m	2004 £m	2003 £m	2002 £m
Present value of defined benefit obligations	**(128.9)**	(109.8)	(91.9)	(81.7)
Fair value of scheme assets	**103.6**	71.2	64.4	54.8
Deficit in the schemes	**(25.3)**	(38.6)	(27.5)	(26.9)
Difference between the expected and the actual return on the schemes' assets				
Amount	**10.2**	1.1	4.9	(14.8)
Percentage of schemes' assets	**9.8%**	1.5%	7.6%	(26.9%)
Experience gains and losses on the schemes' liabilities and irrecoverable Bilton surplus				
Amount	**(13.9)**	6.2	(0.1)	0.3
Percentage of the present value of the schemes' liabilities	**10.8%**	(5.6%)	0.1%	(0.4%)
Effect of changes in assumptions underlying the present value of the schemes' liabilities				
Amount	**–**	(17.5)	(7.1)	(5.6)
Percentage of the present value of the schemes' liabilities	**–**	15.9%	7.7%	6.9%
Total amount recognised in the statement of recognised income and expenses				
Amount	**(3.7)**	(10.2)	(2.3)	(20.1)
Percentage of the present value of the schemes' liabilities	**2.9%**	9.3%	2.5%	24.5%

The estimated amount of contributions expected to be paid to the schemes by the company during 2006 amounts to £4.1 million.

Defined contribution schemes

The Group also has a number of defined contribution schemes in the UK and overseas. The total cost for these schemes for the period, and fully expensed in the income statement, amounted to £0.4 million (2004: £0.4 million).

Supplementary ex-gratia pensions of £0.2 million (2004: £0.2 million) were paid out of profits.

Unfunded or unapproved pension schemes (UURBS)

The Group 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.

The Group has an UURBS through Slough Estates USA Inc. for one employee. This is a USD 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 USD denominated liability.

Movements in the present value of defined benefit obligation for the UURBS in the current period were as follows:

	2005 £m	2004 £m
At 1 January	**1.6**	0.9
Exchange movement	**0.1**	(0.1)
Current service cost	**0.4**	0.3
Past service costs	**(0.1)**	–
Other finance income	**0.1**	0.1
Actuarial gain recognised in SORIE	**0.3**	0.4
At 31 December	**2.4**	1.6
Related deferred tax asset	**(0.7)**	(0.5)

There are no assets supporting the schemes.

34. Retirement benefit schemes (continued)

Three year history of experience gains and losses for UURBS

	2005 £m	2004 £m	2003 £m
Present value of defined benefit obligations	(2.4)	(1.6)	(0.9)
Fair value of scheme assets	–	–	–
Deficit in the scheme	(2.4)	(1.6)	(0.9)
Related deferred tax asset	0.7	0.5	0.3
Experience gains and losses on the schemes' liabilities			
Amount	(0.3)	(0.2)	–
Percentage of the present value of the schemes' liabilities	12.5%	12.5%	–
Effect of changes in assumptions underlying the present value of the schemes' liabilities			
Amount	–	(0.2)	–
Percentage of the present value of the schemes' liabilities	–	12.5%	–
Total amount recognised in the statement of recognised income and expenses			
Amount	(0.3)	(0.4)	–
Percentage of the present value of the schemes' liabilities	12.5%	25%	–

35. Trade and other payables

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Due within one year				
Trade payables	37.7	30.6	2.7	2.1
Rents in advance	46.4	38.8	–	–
Accruals and deferred income	76.3	68.6	28.1	26.1
Preference dividend accrued	–	3.7	–	3.7
Derivative liabilities	2.0	–	0.2	–
	162.4	141.7	31.0	31.9
Due more than one year				
Other payables	7.1	15.8	–	2.8
Loans from subsidiaries	–	–	194.4	167.7
	7.1	15.8	194.4	170.5

36. Share capital

Group and Company	Shares m	Authorised £m	Shares m	Issued and fully paid £m
Ordinary shares of 25p each				
At 1 January 2005	586.4	146.6	419.3	104.8
Shares issued during the year			3.7	0.9
At 31 December 2005	586.4	146.6	423.0	105.7

Group and Company	Shares m	Authorised £m	Shares m	Issued and fully paid £m
Cumulative redeemable convertible preference shares of 25p each				
At 1 January 2005	141.6	35.4	136.0	34.0
Conversions during the year			(9.0)	(2.2)
At 31 December 2005	141.6	35.4	127.0	31.8

Cumulative redeemable convertible preference shares

The preference shares were issued on 6 June 1991 at a price of 100 pence per share. They carry the right to a fixed cumulative preferential dividend of 8.25 pence (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 100 pence per share.

The preference shares will ordinarily be convertible at the option of the holder in each of the years 2006 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 would give rise to the issue of 47,106,676 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 took place during the year:

Share Incentive Plan 131,451 ordinary shares were subscribed in cash at a price of 529.8 pence per share and were issued to the trustees and allocated at that price to eligible employees under the share incentive plan.

Share option schemes 278,890 ordinary shares were subscribed in cash following the exercise of employees' options under the share option schemes. The consideration received by the company was £850,968.

Conversions During the year 3,321,361 ordinary shares were issued, credited as fully paid following the conversion of, and in satisfaction of 8,957,454 8.25 pence cumulative redeemable convertible preference shares.

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

Savings related scheme 72,662 ordinary shares at a subscription price of 394.8 pence per share and 49,281 ordinary shares at a subscription price of 432.4 pence per share.

Executive share option scheme 680,599 ordinary shares at a subscription price of 476.8 pence per share.

Share Incentive Plan

Messrs. Heawood, Kingston and Probert are trustees of the Slough Estates plc Share Incentive Plan which was approved by shareholders on 16 May 2000. At 21 March 2006, the number of shares held under the plan was 458,163 ordinary shares. The interest stated in the 458,163 ordinary shares included in the figure of 461,515 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 Messrs. Heawood, Kingston and Probert 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 21 March 2006, the number of ordinary shares under option was 53,419 at option prices ranging from 352.0 pence to 356.5 pence expiring on 27 March 2011.

36. Share capital (continued)

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 21 March 2006, the number of ordinary shares under option was 330,848 at option prices ranging from 352.0 pence to 381.5 pence 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 21 March 2006, the number of ordinary shares under option was 155,478 at option prices ranging from 290.0 pence to 476.8 pence expiring on 28 April 2015.

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 21 March 2006, the number of ordinary shares under option was 3,271,926 at option prices ranging from 290.0 pence to 476.8 pence expiring on 28 April 2015.

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 21 March 2006, the number of ordinary shares under option was 983,188 at option prices ranging from 218.4 pence to 432.4 pence expiring on various dates up to 1 October 2012.

37. Statement of changes in equity

Group 2005	Balance 1 January 2005 £m	Restate for IAS 39 £m	Exchange £m	Retained profit for the period £m	Other items in SORIE * £m	Shares issued £m	Other £m	Dividend paid £m	Reserve transfers £m	Preference shares conversions £m	Balance 31 December 2005 £m
Revaluation reserve net of deferred tax	1,090.8	–	9.3	–	29.6	–	–	–	289.9	–	1,419.6
Share based payments reserve	0.3	–	–	–	–	–	2.6	–	–	–	2.9
Fair value reserve available-for-sale investments	–	4.1	0.7	–	6.5	–	–	–	(1.1)	–	10.2
Unrealised surplus reserve	47.4	–	–	–	–	–	–	–	–	–	47.4
Translation reserve net of deferred tax	(11.3)	2.0	(0.2)	–	(0.1)	–	–	–	1.1	–	(8.5)
Total other reserves	1,127.2	6.1	9.8	–	36.0	–	2.6	–	289.9	–	1,471.6
Revenue reserve	565.2	(18.7)	15.3	385.1	(7.8)	–	–	(69.0)	(289.9)	1.2	581.4
Ordinary share capital	104.8	–	–	–	–	0.1	–	–	–	0.8	105.7
Preference shares	34.0	–	–	–	–	–	–	–	–	(2.2)	31.8
Share premium	339.1	(91.0)	–	–	–	1.4	–	–	–	7.3	256.8
Own shares held	(5.2)	–	–	–	–	–	(1.7)	–	–	–	(6.9)
Total equity attributable to equity shareholders	2,165.1	(103.6)	25.1	385.1	28.2	1.5	0.9	(69.0)	–	7.1	2,440.4
Minority interests	19.4	(0.3)	0.8	3.0	–	–	(9.9)	(4.4)	–	–	8.6
Total equity	2,184.5	(103.9)	25.9	388.1	28.2	1.5	(9.0)	(73.4)	–	7.1	2,449.0

Group 2004	Balance 1 January 2004 £m	Restate for IAS 39 £m	Exchange £m	Retained profit for the period £m	Other items in SORIE * £m	Shares issued £m	Other £m	Dividend paid £m	Reserve transfers £m	Preference shares conversions £m	Balance 31 December 2004 £m
Revaluation reserve net of deferred tax	1,071.5	–	(2.9)	–	18.3	–	–	–	3.9	–	1,090.8
Share based payments reserve	0.1	–	–	–	–	0.2	–	–	–	–	0.3
Unrealised surplus reserve	47.4	–	–	–	–	–	–	–	–	–	47.4
Translation reserve net of deferred tax	(6.4)	–	0.3	–	(10.7)	–	–	–	5.5	–	(11.3)
Total other reserves	1,112.6	–	(2.6)	–	7.6	0.2	–	–	9.4	–	1,127.2
Revenue reserve	360.1	–	(6.5)	285.8	(0.7)	–	–	(64.1)	(9.4)	–	565.2
Ordinary share capital	104.4	–	–	–	–	0.2	–	–	–	0.2	104.8
Preference shares	34.5	–	–	–	–	–	–	–	–	(0.5)	34.0
Share premium	336.0	–	–	–	–	2.8	–	–	–	0.3	339.1
Own shares held	(5.2)	–	–	–	–	–	–	–	–	–	(5.2)
Total equity attributable to equity shareholders	1,942.4	–	(9.1)	285.8	6.9	3.2	–	(64.1)	–	–	2,165.1
Minority interests	20.5	–	(1.0)	(1.2)	(0.1)	–	2.0	(0.8)	–	–	19.4
Total equity	1,962.9	–	(10.1)	284.6	6.8	3.2	2.0	(64.9)	–	–	2,184.5

* SORIE is the term used for the Statement of Recognised Income and Expenses. Items in the SORIE column are net of tax.

37. Statement of changes in equity (continued)

Company 2005	Balance 1 January 2005 £m	Restate for IAS 39 £m	Exchange £m	Retained profit for the period £m	Other items in SORIE * £m	Shares issued £m	Other £m	Dividend paid £m	Reserve transfers £m	Preference shares conversions £m	Balance 31 December 2005 £m
Share based payments reserve	0.3	–	–	–	–	–	2.6	–	–	–	2.9
Unrealised surplus reserve	47.4	–	–	–	–	–	–	–	–	–	47.4
Total other reserves	47.7	–	–	–	–	–	2.6	–	–	–	50.3
Revenue reserve	974.0	(15.6)	–	(103.8)	(7.5)	–	–	(69.0)	–	1.2	779.3
Ordinary share capital	104.8	–	–	–	–	0.1	–	–	–	0.8	105.7
Preference shares	34.0	–	–	–	–	–	–	–	–	(2.2)	31.8
Share premium	339.1	(91.0)	–	–	–	1.4	–	–	–	7.3	256.8
Own shares held	(5.2)	–	–	–	–	–	(1.7)	–	–	–	(6.9)
Total equity attributable to equity shareholders	1,494.4	(106.6)	–	(103.8)	(7.5)	1.5	0.9	(69.0)	–	7.1	1,217.0

Company 2004	Balance 1 January 2004 £m	Restate for IAS 39 £m	Exchange £m	Retained profit for the period £m	Other items in SORIE * £m	Shares issued £m	Other £m	Dividend paid £m	Reserve transfers £m	Preference shares conversions £m	Balance 31 December 2004 £m
Share based payments reserve	0.1	–	–	–	–	0.2	–	–	–	–	0.3
Unrealised surplus reserve	47.4	–	–	–	–	–	–	–	–	–	47.4
Total other reserves	47.5	–	–	–	–	0.2	–	–	–	–	47.7
Revenue reserve	836.0	–	–	209.1	(7.0)	–	–	(64.1)	–	–	974.0
Ordinary share capital	104.4	–	–	–	–	0.2	–	–	–	0.2	104.8
Preference shares	34.5	–	–	–	–	–	–	–	–	(0.5)	34.0
Share premium	336.0	–	–	–	–	2.8	–	–	–	0.3	339.1
Own shares held	(5.2)	–	–	–	–	–	–	–	–	–	(5.2)
Total equity attributable to equity shareholders	1,353.2	–	–	209.1	(7.0)	3.2	–	(64.1)	–	–	1,494.4

* SORIE is the term used for the Statement of Recognised Income and Expenses. Items in the SORIE column are net of tax.

38. Share premium account

Group and Company	2005 £m	2004 £m
Balance at 1 January	339.1	336.0
Restate for IAS 39	(91.0)	–
	248.1	336.0
Premium arising on the issue of shares	8.7	3.1
Balance at 31 December	256.8	339.1

39. Revaluation reserve

Group	Property revaluation reserve £m	Related deferred tax £m	Total £m
Balance at 1 January 2004	1,297.3	(225.8)	1,071.5
Exchange	(5.5)	2.6	(2.9)
Surplus on development properties – SORIE	24.1	(5.8)	18.3
Valuation surplus on investment properties transferred from revenue reserve	166.7	(57.6)	109.1
Valuation surplus on joint ventures transferred from revenue reserve	15.0	(2.9)	12.1
Surplus realised on disposal	(147.2)	26.0	(121.2)
Category transfer to revenue reserve on assets transferred from development property to trading property	4.5	–	4.5
Minority interest	(0.6)	–	(0.6)
Balance at 1 January 2005	1,354.3	(263.5)	1,090.8
Exchange	16.0	(6.7)	9.3
Surplus on development properties – SORIE	48.4	(18.4)	30.0
Minority interest in surplus on development properties – SORIE	–	(0.4)	(0.4)
Valuation surplus on investment property transferred from revenue reserve	409.1	(130.1)	279.0
Valuation surplus on joint ventures transferred from revenue reserve	10.5	(2.3)	8.2
Minority interest on investment property valuation surplus	(0.5)	0.2	(0.3)
Deficit realised on disposal	3.4	(0.4)	3.0
Balance at 31 December 2005	1,841.2	(421.6)	1,419.6

The revaluation reserve represents the revaluation surpluses and deficits on the revaluation of investment properties and properties included within development properties. As this reserve is made up of unrealised profits and losses, it is not available for distribution to shareholders until realised through sale.

The deferred tax relates to the unrealised valuation surpluses and deficits included in this reserve.

40. Other reserves

Group	Other Reserve £m	Realised Translation reserve £m	Unrealised Translation reserve £m	Total £m
Balance at 1 January 2004	47.4	–	(6.4)	41.0
Exchange	–	–	0.3	0.3
Exchange arising on translation of overseas operations	–	–	(10.7)	(10.7)
Transfer between reserves	–	–	5.6	5.6
Minority interest	–	–	(0.1)	(0.1)
Balance at 1 January 2005	47.4	–	(11.3)	36.1
Restate for IAS 39	–	4.2	(2.2)	2.0
	47.4	4.2	(13.5)	38.1
Exchange arising on translation of overseas operations	–	(10.5)	10.2	(0.3)
Transfer between reserves	–	(0.9)	2.0	1.1
Balance at 31 December 2005	47.4	(7.2)	(1.3)	38.9

The translation reserves are for the exchange differences arising on the re-translation of the net investments in overseas operations and are not available for distribution unless realised.

41. Equity reserve – fair value of share based payments

Group and Company	2005 £m	2004 £m
Balance at 1 January	**0.3**	0.1
Movement in the fair value of share based payments	**2.6**	0.2
Balance at 31 December	**2.9**	**0.3**

This reserve represents the fair value of the share options granted for the share based payments.

42. Fair value reserve – surplus and deficits on available-for-sale investments

Group	Fair value reserve £m	Related deferred tax £m	Total £m
Balance at 1 January 2005	–	–	–
Restate for IAS 39	4.1	–	4.1
Restated balance	4.1	–	4.1
Exchange	0.7	–	0.7
Movement in fair value – SORIE	10.8	(3.2)	7.6
Transfer	–	(1.1)	(1.1)
Transfer to income statement on realisation	(1.1)	–	(1.1)
Balance at 31 December 2005	**14.5**	**(4.3)**	**10.2**

The fair value reserve represent unrealised surpluses and deficits from the revaluation of available-for-sale investments. When these investments are realised the amounts are transferred to income for the period.

43. Own shares held

Group and Company	2005 £m	2004 £m
Balance at 1 January	**5.2**	5.2
Shares issued	**0.7**	0.8
Shares purchased	**1.9**	–
Disposed of on exercise of options	**(0.9)**	(0.8)
Balance at 31 December	**6.9**	**5.2**

Own shares held represent the cost of shares in Slough Estates plc purchased in the open market and held by Towers Perrin Share Plan Services (Guernsey) Limited to satisfy options under the various Group share option and incentive schemes.

44. Revenue reserve

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Balance at 1 January	565.2	360.1	974.0	836.0
Restate for IAS 39	(18.7)	–	(15.6)	–
	546.5	360.1	958.4	836.0
Dividend paid	(69.0)	(64.1)	(69.0)	(64.1)
Net profit/(loss) for the year	385.1	285.8	(103.8)	209.1
Actuarial losses on defined benefit pension schemes	(4.0)	(10.6)	(3.7)	(10.3)
Tax on items taken directly to equity	(3.8)	3.3	(3.8)	3.3
Transfer valuation surplus to revaluation reserve	(409.1)	(166.7)	–	–
Transfer deferred tax relating to valuation surplus to revaluation reserve	130.1	31.6	–	–
Transfer valuation surplus of joint ventures and associate to revaluation reserve net of deferred tax	(8.2)	(12.1)	–	–
Prior year valuation (deficits)/surpluses realised on disposal net of deferred tax	(3.0)	147.2	–	–
Other reserve transfers	1.5	(9.2)	1.2	–
Exchange movements	15.3	(0.1)	–	–
Balance at 31 December	581.4	565.2	779.3	974.0
Distributable	581.4	565.2	779.3	974.0
Non distributable	–	–	–	–
Total	581.4	565.2	779.3	974.0

Group	2005 £m	2004 £m
Retained profit/(deficit) for the year arises in:		
Parent company	(103.8)	209.1
Subsidiaries	478.2	60.9
Associate and joint ventures	10.7	15.8
	385.1	285.8

45. Commitments

Contractual obligations to purchase, construct, develop, repair, maintain or enhance:

Group	UK 2005 £m	UK 2004 £m	Overseas 2005 £m	Overseas 2004 £m	Total 2005 £m	Total 2004 £m
Properties	120.9	36.6	188.1	147.5	309.0	184.1
Available-for-sale investments	3.2	6.3	7.3	11.0	10.5	17.3
Utilities plant	0.6	0.6	–	–	0.6	0.6
Other plant and equipment	0.1	–	–	–	0.1	–
Total capital commitments	124.8	43.5	195.4	158.5	320.2	202.0

The Group's share of capital commitments of joint ventures and associate is as follows:

	UK 2005 £m	UK 2004 £m	Overseas 2005 £m	Overseas 2004 £m	Total 2005 £m	Total 2004 £m
Properties	7.4	2.7	8.4	–	15.8	2.7

There are no significant commitments relating to repairs, maintenance or enhancements relating to investment properties at 31 December 2005 and 2004.

46. Share-based payment

During the period ended 31 December 2005, the Group had five share-based payment arrangements, which are described below:
In each case the expected volatility was determined by calculating the historical volatility of the Group's share price over multiple time periods.

Senior Management share option plan

The options in the senior management share option plan are exercisable after three years but before ten years subject to performance criteria. The employee would normally have to remain with the Group for the three year period. If the performance conditions have not been met by the third anniversary of the date of the grant the options lapse. The performance criteria are based on an increase in adjusted diluted earnings per share by the Retail price index (RPI) plus 3 per cent per annum over the three year period.

	Number of options	2005 Weighted Average exercise price	Number of options	2004 Weighted Average exercise price
At 1 January	**4,652,981**	**374.9p**	3,915,385	342.3p
Options granted	**680,599**		1,280,863	
Options exercised	**(131,254)**	**353.3p**	(508,933)	359.2p
Options expired/lapsed	**(1,390,655)**		(34,334)	
At 31 December	**3,811,671**	**386.0p**	4,652,981	374.9p

The options outstanding at 31 December 2005 were exercisable between 290.0p and 476.8p per share. The grants made since 7 November 2002 have been fair valued using the Black-Scholes model. The main assumptions are as follows:

Grant date	6-Jan-03	20-Mar-03	14-May-04	2-Sep-04	29-Apr-05
Exercise price/market price	344.0p	290.0p	467.7p	459.8p	476.8p
Risk-free interest rate	5.1%	5.1%	5.1%	5.1%	4.8%
Dividend yield	3.9%	4.8%	3.2%	3.3%	4.0%
Volatility	20.3%	21.3%	22.6%	22.7%	21.0%
Term of option	4 years	4 years	4 years	4 years	4 years
Fair Value per share	53p	42p	87p	85p	73p

Save-as-you-earn option scheme

The save-as-you-earn options are exercisable after three,five and seven years and are not subject to any performance criteria except the employees must remain with the Group for the term of the option.

	Number of options	2005 Weighted Average exercise price	Number of options	2004 Weighted Average exercise price
At 1 January	**1,069,157**	**257.8p**	1,129,502	247.4p
Options granted	**121,943**		127,841	
Options exercised	**(148,038)**	**262.2p**	(169,473)	272.3p
Options expired/lapsed	**(53,844)**		(18,713)	
At 31 December	**989,218**	**274.4p**	1,069,157	257.8p

The options outstanding at 31 December 2005 were exercisable between 218.4p and 432.4p per share. The grants made since 7 November 2002 have been fair valued using the Black-Scholes model. The assumptions are as follows:

Grant date	19-Mar-03	28-Aug-03	17-Mar-04	26-Aug-04	23-Mar-05	22-Sep-05
Market price	290.0p	380.8p	465.5p	465.0p	493.5p	540.5p
Exercise price	218.4p	304.6p	372.4p	372p	394.8p	432.4p
Risk-free interest rate	5.1%	5.1%	5.1%	5.1%	4.8%	4.8%
Dividend yield	4.8%	3.8%	4.8%	4.1%	3.8%	3.5%
Volatility	21.2%	22.4%	22.6%	22.7%	21.0%	21.2%
Term of option	3-5-7 years	3-5-7 years	3-5-7 years	3-5-7 years	3-5-7 years	3-5-7 years
Fair value per share 3 years	74p	96p	123p	122p	118p	134p
Fair value per share 5 years	74p	103p	135p	134p	126p	144p
Fair value per share 7 years	73p	106p	142p	140p	129p	150p

46. Share-based payment (continued)

Details of share options exercisable at 31 December 2005

Date of grant	Scheme	Price per share pence	Ordinary shares number	Exercisable between
3 September 1998	Save-as-you-earn option scheme 1981	246.0	3,899	2001 and 2005
20 September 1999	Senior Management share option plan 1994	381.5	2,367	2002 and 2009
22 March 2000	Save-as-you-earn option scheme 1981	249.6	32,237	2003 and 2007
27 March 2000	Senior Management share option plan 1994	352.0	28,936	2003 and 2010
27 March 2000	Senior Management share option plan 1994	352.0	11,344	2003 and 2010
31 March 2000	Save-as-you-earn option scheme 1981	313.6	2,538	2004 and 2007
21 March 2001	Save-as-you-earn option scheme 1981	296.4	43,883	2001 and 2008
28 March 2001	Senior Management share option plan 1994	356.5	42,075	2004 and 2011
28 March 2001	Senior Management share option plan 1994	356.5	299,545	2004 and 2011
30 August 2001	Save-as-you-earn option scheme 1981	284.8	20,758	2004 and 2008
29 August 2002	Save-as-you-earn option scheme 1981	276.4	38,570	2005 and 2009
6 January 2003	Senior Management share option plan 2002	344.0	8,720	2007 and 2013
6 January 2003	Senior Management share option plan 2002	344.0	107,559	2007 and 2013
19 March 2003	Save-as-you-earn option scheme 1981	218.4	532,287	2006 and 2010
20 March 2003	Senior Management share option plan 2002	290.0	50,962	2006 and 2013
20 March 2003	Senior Management share option plan 2002	290.0	1,412,744	2006 and 2013
28 August 2003	Save-as-you-earn option scheme 1981	304.6	87,806	2006 and 2010
17 March 2004	Save-as-you-earn option scheme 1981	372.4	53,080	2007 and 2011
14 April 2004	Senior Management share option plan 2002	467.7	38,478	2007 and 2014
14 April 2004	Senior Management share option plan 2002	467.7	1,074,890	2007 and 2014
26 August 2004	Save-as-you-earn option scheme 1981	372.0	55,766	2007 and 2011
2 September 2004	Senior Management share option plan 2002	459.8	19,572	2007 and 2014
2 September 2004	Senior Management share option plan 2002	459.8	33,880	2007 and 2014
23 March 2005	Save-as-you-earn option scheme 1981	394.8	69,113	2008 and 2012
29 April 2005	Senior Management share option plan 2002	476.8	37,746	2008 and 2015
29 April 2005	Senior Management share option plan 2002	476.8	642,853	2008 and 2015
22 September 2005	Save-as-you-earn option scheme 1981	432.4	49,281	2008 and 2012
Total			4,800,889	

Executive share incentive plan

Awards under the Executive share incentive plan are granted at the discretion of the trustees of the scheme on the recommendation of the remuneration committee. Employees are granted the right to shares which will vest at the end of a three year period subject to meeting certain performance criteria. The Company does not issue shares. The share are purchased on the open market and placed with the trustees for the three year period. Dividends are waived.

Executive share incentive plan	2005 number	2005 Weighted average exercise price pence	2004 number	2004 Weighted average exercise price pence
At 1 January	**835,477**	**355.0p**	851,120	354.3p
Shares granted	**388,306**	**–**	9,761	–
Shares vested	**–**	**–**	(24,368)	371.5p
Shares sold	**–**	**–**	(1,036)	371.5p
At 31 December	**1,223,783**	**398.2p**	835,477	355.0p

Of the shares outstanding at 31 December 2005, 1,186,775 (2004 – 770,258) were exercisable. The Black-Scholes model has been used to fair value the shares granted since 7 November 2002. The assumptions used are as follow:

Grant date	7-Jan-03	20-Mar-03	1-Apr-04	2-Sept-04	4-May-05
Exercise price/market price	344p	306p	433.2p	461p	491.2p
Risk-free interest rate	5.0%	5.0%	5.0%	5.0%	4.8%
Dividend yield	4.6%	4.6%	3.5%	3.3%	3.9%
Volatility	20.0%	21.3%	20.0%	20.0%	21.0%
Term of option	3 years	3 years	3 years	3 years	3 years
Fair Value per share	299p	267p	390p	417.8p	437p

46. Share-based payment (continued)

General share incentive plan

The general share incentive plan started in May 2003. An employee is entitled to a percentage of their salary in shares which is capped. The shares are held in trust for five years and then released to the employee. There are no performance conditions except that the employee must remain with the Group for at least three years.

General share incentive plan	2005 number	2005 Weighted average exercise price pence	2004 number	2004 Weighted average exercise price pence
At 1 January	384,634	393.6p	210,354	353.9p
Shares granted	131,451		179,371	
Shares paid out	(44,751)		(3,835)	
Shares adjusted	(6,702)		(1,256)	
At 31 December	464,632	432.4p	384,634	393.6p

Of the shares outstanding at 31 December 2005 – 446,407 (2004 – 369,098) were exercisable. The fair values of the General share incentive plan were determined by the price of the shares at the date of the grant.

Profit share scheme

The profit sharing scheme ceased in 2002 with a final allocation in May 2002 and this was based on a percentage of employees salaries. The shares are held in trust for three years and then released to the employees. The balance of the shares outstanding at the end of 2004 (166,427) were released to the employees in June 2005.

Cash Settled share based payments plan

The plan for senior employees shadows the Executive share incentive plan A notional number of shares are granted to the employee equal to 25 per cent of their salary which is divided by the share price on the date of the grant. 161,443 notional shares were granted in June 2003 and the Black-Scholes model has been used to fair value these shares at the current market rate. The assumptions used are as follows:

	2003	2004	2005
Number of shares	161,443	116,060	143,453
Current stock price	439p	550p	553.5p
Risk-free rate	5.0%	5.0%	5.0%
Expected life of Option (years)	2.4	1.4	0.4
Volatility	0.1%	0.1%	0.1%
Dividend yield	3.3%	2.6%	2.6%
Fair value of option 31 December	405p	530p	547p

The total expenses for share based payments for the Group were £1.6 million (2004 – £nil)

47. Operating leases

Group

The Group as lessor

The Group leases out all of its investment properties under operating leases or finance leases. Leases are typically for terms of seven to 15 years in the UK, three, five or nine years in Europe and five to ten years in US. Properties are expected to generate yields of between 5.5 per cent and 9 per cent in the UK, 10 per cent in Europe and 9 per cent in US.

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

	2005 £m	2004 £m
Not later than one year	272.4	243.4
Later than one year but not later than five years	992.4	878.0
Later than five years	1,765.3	1,507.7
	3,030.1	2,629.1

The Group as lessee

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

Leases which expire:	2005 £m	2004 £m
In more than five years	0.3	0.4
Total minimum rental income from sublease receipts expected to be received	0.2	0.3
Recognised as an expense in current year on operating leases	0.1	0.1

47. Operating leases (continued)

The Group has a two leased properties under operating leases. The leases expire in 2011 and 2017. Leased payments are subject to rent reviews to reflect market rents. None of the leases include contingent rents.

The lease agreements for properties held as investment property are accounted for as if they were finance leases.

One of the leased properties which has been sublet by the Group has been classified as an onerous lease. The lease and sublease expire in 2017.
Sublease payments of £0.1 million are expected to be received during next year. The Group has recognised a provision of £0.2 million in respect of this lease.

48. Related party transactions

Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures and associate are disclosed below.

During the year, Group companies entered into the following transactions with related parties who are not members of the Group.

	Associate		Joint ventures		Total	
	2005 £m	2004 £m	**2005 £m**	2004 £m	**2005 £m**	2004 £m
New loans/repayments during period	**–**	–	**15.7**	7.3	**15.7**	7.3
Loans outstanding at the period end	**–**	–	**25.3**	11.2	**25.3**	11.2
Dividends received	**0.3**	0.2	**2.5**	8.2	**2.8**	8.4
Disposal of joint venture – book value	**–**	–	**12.6**	140.4	**12.6**	140.4

None of the above balances are secured. All of the above transactions are made on terms equivalent to those that prevail in arms length transactions.

Mr D Kramer is Chairman of Slough Estates USA Inc. and Chairman of Draper and Kramer Inc. Slough Estates USA Inc. purchased an insurance policy for the period 1 March 2005 until 1 March 2006 through Draper and Kramer Agency Corporation, an affiliate of Draper and Kramer for approximately £481,000 (2004: £ 296,000). This policy was cancelled on 1 August 2005 and insurance was switched to a provider not considered to be a related party. As of 31 December 2005, £314,000 (2004: £253,000) was listed as a receivable from Draper and Kramer. Total insurance expense recognised in 2005 relating to Draper and Kramer is approximately £278,000. Total credits relating to insurance refunds in 2005 was £253,000.

In addition to this, $100,000 (£55,000) was paid to Draper and Kramer for miscellaneous services provided in conjunction with the sale of Hacienda.

Company

The transactions between the parent company and group companies are shown below:

Subsidiary	Nature of transaction	**2005 £m**	2004 £m
Slough Trading Estate Ltd	Dividend	**–**	76.0
Allnatt London Properties plc	Dividend	**–**	1.2
Bilton plc	Dividend	**–**	41.0
Kwacker Ltd	Dividend	**–**	7.0
Slough Properties Ltd	Dividend	**–**	42.0
Pentagon Developments Chatham Ltd	Dividend	**–**	2.4
SE Insurance Ltd	Dividend	**–**	1.5
Slough Estates Finance plc	Dividend	**–**	7.5
Bredero Properties plc	Management fee	**–**	0.2
Slough Estates Administration Ltd	Recharge	**(1.5)**	(1.0)
Shopping Centres Ltd (joint venture)	Dividend	**1.7**	–
HelioSlough Limited (joint venture)	Interest receivable	**0.9**	0.1
Subsidiaries	Total interest payable	**(0.9)**	–
Subsidiaries	Total interest receivable	**87.9**	70.4
		88.1	248.3

48. Related party transactions (continued)

Significant balances outstanding between the parent company and its subsidiaries are shown below:

Subsidiary	Amounts owed by 2005 £m	Amounts owed by 2004 £m	Amounts owed to 2005 £m	Amounts owed to 2004 £m
Slough Trading Estate Ltd	215.9	282.4	–	–
Allnatt London Properties plc	27.0	55.0	–	–
Biton plc	–	–	(23.3)	(9.1)
Kwacker Ltd	–	–	(9.6)	(8.6)
Slough Properties Ltd	1,108.5	692.6	–	–
Pentagon Developments Chatham Ltd	–	–	(13.2)	(13.7)
Slough Estates Finance plc	196.1	197.4	–	–
Bredero Properties plc	–	–	(120.8)	(116.4)
Slough Estates Administration Ltd	–	–	(11.1)	(5.2)
Slough Heat & Power Ltd	29.6	21.7	–	–
Slough Europe Ltd	17.9	20.8	(2.0)	(0.1)
Anglo French Industrial Developments Ltd	37.9	36.1	(14.4)	(14.6)
Slough Estates USA Inc.	66.9	135.4	–	–
Slough Commercial Properties GmbH	56.1	–	–	–
HelioSlough Ltd	13.1	0.7	–	–
	1769.0	1442.1	(194.4)	(167.7)

None of the above balances are secured. All of the above transactions are made on terms equivalent to those that prevail in arms length transactions.

Directors' and executives' remuneration

Remuneration paid to directors and other members of key management during the year was as follows:

	2005 £m	2004 £m
Salaries, bonuses and other short-term benefits	4.7	4.0
Post–employment benefits	0.9	0.7
Share-based payments	0.4	0.5
	6.0	5.2

The remuneration of directors and key executives is decided by the Remuneration Committee having regard to comparable market statistics.

49. Notes to cash flow statements

(1) Reconciliation of cash generated from operations

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
Net operating income	798.3	459.1	(7.8)	224.9
Less gain from sale of gas interests separately disclosed	(99.7)	–	–	–
Adjustments for:				
Depreciation of property, plant and equipment	5.1	4.7	–	–
Profit on sale of properties	(14.0)	(56.4)	–	–
Profit on disposal of property, plant and equipment	(0.4)	–	–	–
Profit on disposal of joint venture	(7.8)	(8.3)	–	–
Profit on disposal of subsidiary	–	–	0.3	(18.0)
Revaluation surplus on investment properties	(409.1)	(166.7)	–	–
Other income reallocated	(5.5)	(11.0)	(1.7)	(178.6)
Other provisions	(17.8)	(1.9)	(3.2)	(35.4)
	249.1	219.5	(12.4)	(7.1)
Changes in working capital:				
Decrease in trading properties	14.3	6.9	–	–
Decrease/(increase) in inventories	0.3	(0.3)	–	–
Increase in debtors	(21.6)	(33.6)	(0.6)	(0.4)
(Decrease)/increase in creditors	(4.8)	9.9	(0.2)	1.1
Net cash inflow/(outflow) generated from operations	237.3	202.4	(13.2)	(6.4)

49. Notes to cash flow statements (continued)

(2) Issue of shares

Group and Company	Ordinary share capital £m	Share premium £m	Total £m
Balance at 1 January 2005	104.8	339.1	443.9
Restate for IAS 39	–	(91.0)	(91.0)
Issued on conversion of preference shares	0.8	7.3	8.1
Ordinary shares issued for cash	0.1	1.4	1.5
Balance at 31 December 2005	**105.7**	**256.8**	**362.5**

(3) Reconciliation of net cash flow to movement in net debt

	Group 2005 £m	Group 2004 £m	Company 2005 £m	Company 2004 £m
(Decrease)/increase in cash in the year	**(51.8)**	60.3	**(42.5)**	6.5
Increase in debt	**(340.0)**	(88.2)	**(338.0)**	(75.6)
(Decrease)/increase in term deposits	**(185.6)**	184.5	**(0.1)**	(0.2)
Change in net debt resulting from cash flows	**(577.4)**	156.6	**(380.6)**	(69.3)
Translation difference	**(33.4)**	23.8	**(28.5)**	14.0
Net debt assumed on purchase of subsidiaries	**(11.4)**	–	**–**	–
Net debt disposed of on sale of subsidiary	**50.0**	–	**–**	–
Non-cash adjustment	**(84.8)**	2.1	**(82.9)**	1.0
Movement in net debt in the year	**(657.0)**	182.5	**(492.0)**	(54.3)
Net debt at 31 December 2004	**(1,325.3)**	(1,507.8)	**(1,183.8)**	(1,129.5)
Restate for IAS – inclusion of preference shares	**(110.0)**	–	**(107.8)**	–
Net debt at 31 December 2005	**(2,092.3)**	(1,325.3)	**(1,783.6)**	(1,183.8)

(4) Term deposits

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

Restricted deposits shown in 2004 relate to the proceeds received from the sale of investments properties.

(5) Analysis of net debt

Group	At 1 January 2005 £m	Restate for IFRS** £m	Cash flow £m	Non-cash adjustment*** £m	Net debt acquired/ disposed of £m	Exchange movement £m	At 31 December 2005 £m
Cash in hand and at bank *	55.8	156.0	(49.3)	–	–	10.1	172.6
Overdrafts	(3.3)	–	(2.5)	–	–	0.1	(5.7)
Loan capital	(1,719.4)	(110.0)	(340.0)	(84.8)	38.6	(43.6)	(2,259.2)
Term deposits *	341.6	(156.0)	(185.6)	–	–	–	–
	(1,325.3)	(110.0)	(577.4)	(84.8)	38.6	(33.4)	(2,092.3)

Company	At 1 January 2005 £m	Restate for IFRS** £m	Cash flow £m	Non-cash adjustment*** £m	Net debt acquired £m	Exchange movement £m	At 31 December 2005 £m
Cash in hand and at bank *	41.1	–	(41.2)	–	–	0.1	–
Overdrafts	(0.2)	–	(1.3)	–	–	–	(1.5)
Loan capital	(1,224.8)	(107.8)	(338.0)	(82.9)	–	(28.6)	(1,782.1)
Term deposits *	0.1	–	(0.1)	–	–	–	–
	(1,183.8)	(107.8)	(380.6)	(82.9)	–	(28.5)	(1,783.6)

* Cash and cash equivalents per balance sheet
** The restatement for IFRS comprises the reclassification of preference shares from equity to borrowings and the change to the period of amortisation for borrowing costs. The £156.0 million of term deposits of less than three months is now reclassified as part of cash and cash equivalents.
*** The non-cash adjustment relates to the movement in borrowing costs which are deducted from borrowings in the balance sheet and amortised to the income statement over the term of the borrowings. In addition, £85.2 million of the exceptional charge on financing, was funded by additional bonds and not paid in cash.

(6) Previous UK GAAP

Under IFRS the consolidated cash flow statement reconciles the movements in cash and cash equivalents, whereas in the last audited previous UK GAAP financial statements it reconciled the movement in cash only. Other than this, there are no material differences in the restated consolidated cash flow statement from that previously published.

49. Notes to cash flow statements (continued)

(7) Disposal of subsidiary (Tipperary Corporation)

The sale of Tipperary corporation, a subsidiary with a holding of 54 per cent was completed on 13 July 2005. The profit for the period up to the date of sale and the net assets disposed of are as follows:

Company	Period to 13 July 2005 £m	Prior 12 month period £m
Revenue	3.8	4.7
Operating income	(2.1)	(3.3)
Loss before tax	(2.2)	(7.2)
Loss after tax	(2.2)	(7.2)
Net assets disposed of		
Property, plant and equipment	84.9	74.7
Current assets	2.1	3.4
bank borrowings	(50.0)	(45.4)
Loan due to Slough Estates	(12.8)	(8.9)
Other creditors	(3.4)	(1.8)
Minority interests	(9.5)	(10.3)
	11.3	11.7
Less proceeds	111.0	
Profit on sale	99.7	
Proceeds in the cash flow are made up as follows:		
Proceed received	111.0	
Less cash disposed of	(0.5)	
	110.5	

50. Contingent liabilities

The Group has given performance guarantees to third parties amounting to £7.1 million (2004 £5.3 million) in respect of development contracts of subsidiary companies. It is unlikely that these contingencies will occur.

The parent company has guaranteed loans and bank overdrafts of subsidiary companies aggregating £363.6 million (2004 £392.5 million). All loans and overdrafts so guaranteed are included in the consolidated balance sheet.

51. Acquisitions

a) Mainland BV

During the current period Anglo French Industrial Developments Limited, a Group company, incorporated a subsidiary, Slough BV, with issued share capital of 30,000 ordinary shares of €100.00 each. This company acquired 60 per cent of the voting equity in Mainland BV, a Kuiper Group company, on 28 June 2005 for £1.6 million cash.

Mainland BV was previously part of the Kuiper Group, and specialises in the development of offices and industrial accommodation in the Randstad region of Holland. Based in Hoofdorp, close to Schiphol Airport. Mainland BV has interests in the following entities:

– Lutkemeren BV (100 per cent)
– Centaur Offices BV (50 per cent)
– De Formaeren BV (33.33 per cent)
– Park Forward Mainland BV (50 per cent)
– Startgoed Amsterdam (33.3 per cent)
– Centaur Offices CV (49.5 per cent)

The Group believes the premium paid over its share of the net assets of Mainland BV represents the additional value of a strong local management team; a fully established office in the Netherlands; a good network of contacts in the Netherlands including local and regional authorities, agents, possible tenants, and suppliers and a well-known brand in the Dutch real estate market with a proven history of successfully completing new developments.

51. Acquisitions (continued)

b) Grontmij Real Estate International BV ('GREI')

On 27 December, Slough Properties NV ('SPNV') and Slough BV, group companies, acquired from various subsidiaries of Grontmij Real Estate International BV ('GREI'), a company registered in the Netherlands, for €0.8 million (£0.6 million) in cash:

- 100% of the voting equity in:
  - Quendis Polska I Sp.z.o.o., a company registered in Poland
  - Grontmij Real Estate Polska Sp.z.o.o., a company registered in Poland
  - Tulipan House I Sp.z.o.o., a company registered in Poland
  - Gront CR. s.r.o., a company registered in the Czech Republic
  - Secor Estates s.r.o., a company registered in the Czech Republic
  - Beechwater s.r.o., a company registered in the Czech Republic
  - Liacom-A Kft., a company registered in Hungary
  - Liacom-B Kft., a company registered in Hungary
- the assets and employees of certain of the seller's Dutch business

In addition to the above, SPNV acquired the intercompany balances owed to GREI by these entities for an amount of £6.7 million.

The acquisition of the GREI entities gives the Group an immediate presence in Poland, the Czech Republic and Hungary with development teams already in place and sites ready to develop. Its focus is on logistics, light industrial and suburban offices. The main location is Maastricht in The Netherlands.

The acquisitions have been accounted for using the purchase method of accounting. Goodwill of £0.7 million, which arose on the acquisitions, has been taken to the balance sheet under intangible assets. Details of the book values and the fair values of the assets and liabilities at the date of the acquisitions, after making the necessary adjustments, are summarised as follows:

	Book values GREI £m	Book values Mainland £m	Fair value adjustment* £m	Fair value £m
Non-current assets – plant and office equipment	–	0.1	–	0.1
Non-current assets – trading property	13.2	6.7	4.7	24.6
Receivables	0.7	1.2	–	1.9
Cash	0.4	–	–	0.4
Non-current liabilities falling due after more than one year – Intercompany	(6.7)	–	–	(6.7)
Non-current liabilities falling due after more than one year – borrowings	(4.8)	(4.0)	–	(8.8)
Current liabilities falling due within one year – borrowings	(1.8)	(0.8)	–	(2.6)
Current liabilities falling due within one year – other	(0.7)	(0.5)	(4.5)	(5.7)
Net assets at date of acquisition	0.3	2.7	0.2	3.2
Minority interests	–	(0.8)	0.1	(0.7)
Group share of net assets	0.3	1.9	0.3	2.5
Goodwill				0.7
Total consideration				3.2

* Fair value of assest and liabilities.

Consideration paid is made up as follows:

	£m
Cash consideration paid for net assets	2.3
Expenses paid	0.9
Total consideration for net assets acquired	3.2
Settlement of intercompany loan from Grontmij Real Estate International BV	6.7
Less deferred consideration	(0.2)
Cash acquired	(0.4)
Acquisition cost per the cash flow	9.3

Neither the Group nor GREI Group nor Mainland BV decided to dispose of any operations as a result of the business combinations.

The loss before tax of the entities acquired since the date of acquisition to 31 December 2005 amounts to £0.3 million.

51. Acquisitions (continued)

The results of operations, as if the acquisitions had been made at the beginning of the year, were as follows:

	GREI £m	Mainland £m	Slough Group £m	Total £m
Revenue	2.2	–	405.2	407.4
(Loss)/Profit before tax	(0.1)	(0.3)	582.3	581.9
Taxation	–	0.1	(194.2)	(194.1)
(Loss)/Profit after tax attributable to shareholders	(0.1)	(0.2)	388.1	387.8

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

52. Group entities

The principal entities at 31 December 2005 are listed below (all equity holdings unless otherwise stated).

	Country of incorporation	Subsidiaries % holding	Joint ventures % holding
Property			
* Allnatt London Properties PLC	England	100	
* Bilton p.l.c.	England	100	
Cambridge Research Park Limited	England	100	
Centennial Park Management Limited	England	100	
Farnborough Business Park Limited	England	100	
HelioSlough Limited	England		50
Kingswood Ascot Property Investments Limited	England	100	
Mainland BV	Netherlands	60	
Real Estate and Commercial Trust Limited	England	100	
* Shopping Centres Limited	England		50
Slough Developments (France) SA	France	100	
Slough Estates USA Inc.	US	100	
Slough Europe Limited	England	100	
Slough Investments Limited (operating in Germany)	England	100	
Slough Industrial Estates Limited	England	100	
Slough Management N.V.	Belgium	100	
* Slough Properties Limited	England	100	
Slough Properties N.V.	Belgium	100	
* Slough Trading Estate Limited	England	100	
Woodside & Heywood Manager Limited	England	100	
Service			
* Slough Estates Administration Limited	England	100	
* Slough Estates Finance plc	England	100	
Other			
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.

53. Summary of significant accounting policies

Basis of consolidation

Prior to the introduction of IFRS, the Group had prepared its financial statements under UK accounting standards. As a result of adopting IFRS it has been necessary to change many of the Group's accounting policies and these are shown below.

The consolidated financial statements of the Group include the financial statements of Slough Estates plc ("the Company") and its subsidiaries (collectively referred to as "the Group") and the Group's share of profits and losses and net assets of joint ventures and associate made up to 31 December 2005. Subsidiaries are consolidated from the date the Group has control and de-recognises subsidiaries on the date the control no longer exists.

53. Summary of significant accounting policies (continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Intra-group balances and any unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the joint venture concerned. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

The company's investments in subsidiaries, associate and joint ventures are held at cost.

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.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost, adjusted by post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments of the associates.

Where a Group entity transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Where a Group company undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the Group and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accruals basis.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting. Investments in joint ventures are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the joint ventures, less any impairment in the value of individual investments of the joint ventures.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill

On acquisition, the assets and liabilities of a subsidiary, joint venture or associate that are accounted for as business combinations are measured at their fair value at the date of acquisition. Any excess (deficiency) of the joint venture's or associate's cost of acquisition over (below) the fair value of the identifiable net assets acquired is recognised as goodwill (negative goodwill). Goodwill is carried in the balance sheet at cost less any accumulated impairment. Negative goodwill is immediately recognised in the income statement.

Derivative financial instruments (derivatives)

The Group uses derivatives, particularly interest rate swaps, to help manage its interest rate risk. The Group does not hold or issue derivatives for trading purposes. Derivatives are recognised initially at cost. Subsequent to initial recognition, derivatives are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement, unless the derivatives qualify for hedge accounting, in which case recognition depends on the nature of the item being hedged. Currently none of the Group's derivatives qualify for hedge accounting.

Foreign currencies

Transactions in currencies other than sterling are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on retranslation are included in the income statement, except where foreign currency denominated loans are designated as a hedge of the Group's investment in its overseas subsidiaries. In this case the exchange difference is taken to equity until the realisation of the overseas investment and then it is transferred to the income statement as part of the profit or loss on realisation.

53. Summary of significant accounting policies (continued)

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at exchange rates prevailing on the balance sheet date. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of. Income and expense items are translated at the average exchange rates for the period.

Investment property

Investment properties are those properties that are held either to earn rental income or for capital appreciation or both. Investment properties may be freehold properties or leasehold properties. For leasehold properties that are classified as investment properties, the associated leasehold obligations are accounted for as finance lease obligations.

Valuation surpluses and deficits arising in the period are included in the income statement.

Existing investment properties undergoing redevelopment, for the purpose of earning future rental income, continue to be accounted for as investment properties.

Investment properties are measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on a professional valuation made as of each reporting date. Properties are treated as acquired at the point when the Group assumes the significant risks and returns of ownership and as disposed when these are transferred to the buyer. Additions to investment properties consist of costs of a capital nature and, in the case of investment properties under development, capitalised interest. Certain internal staff and associated costs directly attributable to the management of developments under construction are also capitalised.

When the Group begins to redevelop an existing investment property with a view to sale, the property is transferred to trading properties and held as a current asset. The property is re-stated to fair value as at the date of the transfer, with any gain or loss being taken to the Group income statement. The re-stated amount becomes the deemed cost at which the property is then carried in trading properties.

Property that is being constructed or developed for future use as an investment property, but which has not previously been classified as such, is classified as investment property under development within development property. This is recognised initially at cost but is subsequently re-stated to fair value at each reporting date. Any gain or loss on re-statement is taken direct to equity unless a loss in the period exceeds the net cumulative gain previously recognised in equity.
In the latter case, the amount by which the loss in the period exceeds the net cumulative gain previously recognised is taken to the income statement. On completion, the property is transferred to investment property with any final difference on re-measurement accounted for in accordance with the foregoing policy.

The gain or loss arising on the disposal of a property is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the period and is recognised in the Group income statement. An investment property is regarded as sold when the significant risks and returns have been transferred to the purchaser. For conditional exchanges, sales are recognised once all of the conditions are satisfied.

Development properties

Properties under this heading comprise those properties acquired for development and completed properties occupied by Group companies. They are fair valued on the same basis as investment properties.

Surpluses and deficits arising on the revaluation of such land and buildings are credited to the revaluation reserve, except to the extent that it reverses a revaluation deficit for the same asset previously recognised in income, in which case the increase is credited to the income statement to the extent of the deficit previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to accumulated profits.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset at the beginning of the period and is recognised in the income statement.

Owner-occupied properties are depreciated over their estimated useful lives, normally 30 years.

Plant and equipment comprise the power station assets, oil and gas plant and equipment of Tipperary Corporation, computers, motor vehicles, furniture, fixtures and fittings, and improvements to group offices. These assets are stated at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

53. Summary of significant accounting policies (continued)

Group company as lessee

a) Operating leases – leases in which the Group does not have substantially all risks and rewards of ownership are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

b) Finance leases – leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease commencement at the lower of the fair value of the asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Investment properties acquired under finance leases are carried at their fair value.

Group company as lessor

a) Operating leases – properties leased out to tenants under operating leases are included in investment properties in the balance sheet.

b) Finance leases – when assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return. Where only the buildings element of a property lease is classified as a finance lease, the land element is shown within investment properties.

Trading properties

Properties developed and held for sale are classified as trading properties and are shown at the lower of cost and net realisable value. Cost includes direct expenditure and interest capitalised during the development period. The development period ends on practical completion.

Profit from pre-sold trading developments is recognised according to the stage reached in the contract by reference to the value of work completed using the percentage of completion method. An appropriate estimate of the profit attributable to work completed is recognised once the outcome of the contract can be estimated reliably. The amount due from customers for contract work is shown as a receivable. The amount due comprises costs incurred plus recognised profits, less the sum of recognised losses and progress billings. Where the sum of recognised losses and progress billings exceeds costs incurred plus recognised profits, the amount is shown as a liability.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated on a first in, first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. A provision for impairment of trade receivables is established where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale. These represent mainly the investments in Charterhouse USA, Candover and certain warrants in US companies who are tenants of the Group.

The investments are held at fair value with gains and losses taken to equity. The gains and losses taken to equity are recycled through the income statement on realisation. If there is objective evidence that the asset is impaired the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement. The amount removed from equity and recognised in the income statement, is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in income.

Impairment losses recognised in the income statement are not reversed through income.

Cash and cash equivalents

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

Impairment

The Group's assets are, other than investment properties, reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognised in income whenever the carrying amount of an asset exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows.

53. Summary of significant accounting policies (continued)

The recoverable amount of an asset is the greater of its net selling price and its value-in-use. The value-in-use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment of financial assets is based on the original effective interest rate attributable to the financial asset on acquisition. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

Share capital

Ordinary shares are classed as equity. External costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the company's equity holders.

Borrowings

Borrowings other than bank overdrafts are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

Convertible redeemable preference shares

The convertible redeemable preference shares are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate at the time of issue for similar non-convertible debt. The difference between the net proceeds of issue of the convertible redeemable preference shares and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity (capital reserves).

Issue costs are apportioned between the liability and equity components of the convertible redeemable preference shares based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate at the time of issue for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Pensions

The obligations of defined benefit pension schemes are measured at discounted present value while scheme assets are measured at their fair value. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the working lives of the employees concerned and financing costs are recognised in the periods in which they arise. Actuarial gains and losses arising from either experience differing from previous actuarial assumptions or changes to those assumptions are recognised immediately in the statement of recognised income and expense. Contributions to defined contribution schemes are expensed as incurred. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation.

Provisions

A provision is recognised in the balance sheet when the Group has a constructive or legal obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Provision is made for dilapidations that will crystallise in the future where, on the basis of the present condition of the property, an obligation exists at the reporting date and can be reliably measured. The estimate is revised over the remaining period of the lease to reflect changes in the condition of the building or other changes in circumstances. The estimate of the obligation takes account of relevant external advice.

Trade and other payables

Trade and other payables are stated at cost.

Revenue

Revenue comprises rental income, service charges and other recoveries from tenants of the Group's investment and trading properties and proceeds of sales of its trading properties, sales of electricity, water and steam to Utility customers and gas to Tipperary customers. Rental income includes the net income from managed operations such as car parks, food courts and serviced offices. Service charges and other recoveries include income in relation to service charges and directly recoverable expenditure together with any chargeable management fees. Where revenue is obtained from the rendering of services, it is recognised by reference to the stage of completion of the relevant transactions at the reporting date.

53. Summary of significant accounting policies (continued)
Rental income from investment property leased out under operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore also recognised on the same, straight-line basis.

When property is let out under a finance lease, the Group recognises a receivable at an amount equal to the net investment in the lease at inception of the lease. Rentals received are accounted for as repayments of principal and finance income as appropriate.

Minimum lease payments receivable on finance leases are apportioned between finance income and reduction of the outstanding receivable. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining net investment in the finance lease. Contingent rents, being those lease payments that are not fixed at the inception of a lease, for example increases arising on rent reviews, are recorded as income in the periods in which they are earned. Rent reviews are recognised as income when it is reasonable to assume that they will be received. Rent reviews are recognised as income based on estimates to be received or amounts received.

Surrender premiums received in the period from tenants vacating the property before the end of the lease are included in rental income.

A trading property is regarded as sold when the significant risks and returns have been transferred to the purchaser. For conditional exchanges, sales are recognised once all of the conditions are satisfied.

Income from Utilities and gas sales is recognised on an accruals basis.

Share-based payments
The cost of granting share options and other share-based remuneration to employees and directors is recognised through the income statement. The Group has used the Black-Scholes option valuation model and the resulting value is amortised through the income statement over the vesting period of the options. The charge is reversed if it appears likely that the performance criteria will not be met.

Own shares held in connection with employee share plans or other share based payment arrangements are treated as treasury shares and deducted from equity, and no profit or loss is recognised on their sale, issue or cancellation.

Borrowing costs
Gross borrowing costs relating to direct expenditure on properties under development or undergoing major refurbishment are capitalised. The interest capitalised is calculated using the Group's weighted average cost of borrowing. Interest is capitalised as from the commencement of the development work until the date of practical completion. The capitalisation of finance costs is suspended if there are prolonged periods when development activity is interrupted.

All other borrowing costs are recognised in the Group income statement in the period in which they are incurred.

Income tax
Income tax expense represents the sum of the tax currently payable and deferred tax.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets are not recognised if the temporary differences arise from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

No provision is made for temporary differences arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

Indexation relief on land is recognised as a reduction of the deferred tax liability but not on the buildings unless the properties are in the process of being sold.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group is entitled to settle its current tax assets and liabilities on a net basis.

53. Summary of significant accounting policies (continued)

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's primary reporting segments are geographical. The secondary reporting segments are by business activity.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

Exceptional items

These are significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

New standards

IFRS 6 and 7 and IFRIC 4, 5, 6, 7, 8 and 9 have been issued but are not effective for the year ended 31 December 2005. It is believed that they will not have a material impact on the financial statements on initial application.

54. Transition to International Financial Reporting Standards

Significant differences between UK GAAP and IFRS as at 31 December 2004 are summarised as follows:-

IAS 40 – Investment property

Under IAS 40, an investment property is recognised in the accounts at fair value, with revaluation gains being taken directly to the Group income statement rather than directly to the revaluation reserve as was previously required under UK GAAP. Accumulated revaluation surpluses relating to investment properties as at the transition date have been reallocated to retained earnings. This treatment does not, however, have any impact on the distributable profits. As at 31 December 2004 valuation gains relating to development properties amounting to £36.3 million are held within revaluation reserves under IAS 16 until the developments are completed, at which point the surplus will be transferred to retained earnings.

IAS 12 – Income taxes

Under IAS 12, deferred tax is recognised on 'temporary differences' rather than timing differences, which has been the basis in the UK under SSAP 15.

Timing differences, which focus on profit and loss movements, are the difference between the taxable amount and the pre-tax accounting profit that originate in one reporting period and reverse in one or more subsequent periods. Temporary differences, which focus on balance sheet movements, are the differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

In many cases, the deferred tax provision is the same under IAS 12 as under FRS 19. However, under FRS 19, deferred tax is not provided on the revaluation surplus when a fixed asset is revalued without there being any commitment or intention to sell the asset. IAS 12 requires deferred tax to be provided in these circumstances. Where the revaluation has been reflected directly in reserves, the deferred tax is also charged directly to reserves, with no impact on earnings.

The tax provision has been mitigated by recognising indexation allowances on the land element of the investment properties. As the Group has no intention to sell its investment properties, it cannot recognise the indexation relating to the building element. The amount remains as a contingent asset and is disclosed in note 32 of these financial statements.

IAS 19 – Employee benefits

This standard continues the measurement requirements of FRS 17 for defined benefit pension schemes. In the Group's 2004 financial statements these measurement bases were disclosures whilst the accounts were drawn up under SSAP 24. The net effect for the year ended 31 December 2004 is to reduce profit before tax by £0.7 million. In addition, the prepayment recognised under UK GAAP in respect of additional contributions (£0.5 million at 31 December 2004) is not recognised under IAS 19, while the net actuarial deficit of £41.5 million is recognised in full. Service costs, the expected return on pension scheme assets and interest on pension scheme liabilities are charged in arriving at profit before tax, while experience gains and losses flow through the Statement of recognised income and expense, broadly equivalent to UK GAAP's Statement of Recognised Gains and Losses.

The Group has decided to take advantage of the exemption in IAS 19 in relation to defined benefit schemes not to adopt the corridor approach and has recognised in full the pension scheme deficit on the balance sheet.

IAS 31 – Interests in joint ventures and associate

Under UK GAAP, the Group was required to recognise its share of the joint ventures' and associate's profit before interest and its share of interest and tax with the Group figures on the face of the profit and loss account. The Group's aggregate share of the gross assets and gross liabilities of the joint ventures and associate were shown separately on the balance sheet.

54. Transition to International Financial Reporting Standards (continued)

IAS 31 allows companies to make a one-time choice as to whether joint ventures will be accounted under the equity method or proportionally consolidated. The Group has opted to use the equity method and report its joint ventures' and associate's profit after tax as a single line in the income statement and its share of the net assets as a single line in the balance sheet. Additional disclosures will be made of the underlying income, expenditure, assets and liabilities for the joint ventures, together with supplemental notes.

IAS 17 – Leases

IAS 17 requires a lease to be classified as either a finance lease or an operating lease. A finance lease exists if substantially all the risks and rewards are transferred to the tenant. The classification test is done separately for the land and buildings elements of a lease whereas under UK GAAP the test is done on the lease itself. The Group has tested all of its leases and has established that the majority are operating leases. Some twelve finance leases have been identified and these are accounted for as such.

The accounting treatment of a finance lease under IFRS is to assume that the building has been effectively sold to the tenant. A receivable is recognised in the balance sheet at the inception of the lease at an amount equal to the net present value of the minimum lease payments. The impact on the balance sheet at 31 December 2004 is to reduce investment properties by £21.7 million, increase receivables by £11.0 million and reduce retained earnings by £10.7 million.

Under IFRS the rental income for the whole property is split into three elements:

- Rental income on the land;
- Interest income on the debtor balance due from the tenant; and
- Repayment of the debtor.

The impact on the previously reported 2004 UK GAAP net rental income is minimal.

Since the carrying value of the finance lease is not reassessed at each reporting date, the open market value of the building may differ significantly from the value of the finance lease receivable at that date.

Where an investment property is itself subject to a head or groundlease, that headlease is treated as if it were a finance lease. In total four properties are affected, leading to the recognition of a finance lease liability of £0.5 million at 31 December 2004 and an increase in the carrying value of the Group's properties by £0.5 million.

IAS 10 – Events after the balance sheet date

IAS 10 requires that a liability should not be recognised in respect of a dividend until the paying company has an obligation to make the payment. This would normally be when it was declared or approved at the annual general meeting in the case of the final dividend for the year. As a result the 2004 proposed final dividend of £41.3 million is excluded from the IFRS balance sheet and written back to retained earnings.

IFRS also requires that dividends and distributions are presented in a different way to current UK GAAP. Under IFRS, dividends are not considered to be an expense of the paying company so they are not included in the income statement. Instead, dividends are treated as a reserve item and are, therefore, presented in the statement of changes in equity alongside other transactions with shareholders.

IAS 32 and 39 – Financial instruments

The Group has chosen to take the exemption permitted under IFRS from applying IAS 32 and 39 in the year ended 31 December 2004. However, there are a number of effects on the Group's financial statements which apply from 1 January 2005.

a) Preference shares

Under UK GAAP the Group's cumulative redeemable convertible preference shares were shown within share capital on the Group's balance sheet. Under IFRS the shares are considered to be a form of debt with an embedded derivative (known as an equity instrument) in respect of the option for shareholders to convert.

The Group has therefore split the value of the shares between a financial liability (which is shown within liabilities) and an equity instrument (which is shown within equity). Interest costs increase as a charge will arise in relation to the financial liability shown within liabilities. The effect of this accounting is to reduce the Group's net assets, reduce profits and increase liabilities.

There is no effect on the 2004 amounts as the Group has decided to apply IAS 32 and 39 with effect from 1 January 2005 as allowed by the standards. However, finance charges increase by £13.2 million in 2005, as a result of this change in accounting policy.

b) Interest rate hedges and other derivatives

Under IFRS and as from 1 January 2005 the Group is required to recognise the fair value of its derivatives including interest rate hedges and currency swaps on the balance sheet and movements in those values within the income statement. Previously these were disclosed but not recognised in the Group's accounts. The Group's interest rate hedges and currency swaps do not meet the strict criteria set out in the standard for hedge accounting. Although the Group is satisfied that, economically, all of its interest rate hedges do indeed offset interest rate exposures, the practical difficulty in forecasting accurately the amount and timing of cash receipts and payments associated with investment portfolio transactions means that the IAS 39 tests on hedge effectiveness may not be met. In addition, in many cases, the length of the hedge could exceed the remaining term of the Group's committed bank facilities. As a result shareholders' funds have been reduced by £2.9 million at 1 January 2005.

54. Transition to International Financial Reporting Standards (continued)

c) Available-for-sale investments

Under UK GAAP, the Group accounted for its available-for-sale investments at the lower of cost and market value and these were shown in current assets on the balance sheet. Profits and losses arising from their disposal were taken to income.

Under IAS 39, these investments are carried at fair value and classified in the balance sheet as available-for-sale investments under non-current assets. Movements in fair value are taken directly to equity and recycled through the income statement when the investments are realised.

SIC-15 – Operating leases – incentives

The cost of rent free periods and other incentives given to tenants under operating leases are spread over the term of the lease rather than, as under UK GAAP, to the first review to market rents. Further, there are no transitional provisions so that incentives granted before IFRS came into effect have now been brought back into account. This will change the timing but not the aggregate amount recognised in relation to lease incentives.

IFRS 3 – Business combinations

Goodwill arising on acquisitions is not amortised under IFRS, but is subject to impairment review at each reporting date.

The Group's property acquisition arising from the exchange of properties with Land Securities Group plc has been treated as an acquisition of assets rather than a business combination. Adjustments have therefore been made in 2004 to remove the negative goodwill of £4.7 million and deferred tax of £4.1 million created under UK GAAP.

IFRS 2 – Share-based payment

IFRS 2 requires the cost of granting share options and other share-based remuneration to employees and directors to be recognised through the income statement. The Group has used the Black-Scholes option valuation model and the resulting fair value is being charged through the income statement over the vesting period of the options. Fair value takes account of the likelihood of the options becoming 'in the money' in the future. This results in a credit to the income statement in the year of £0.4 million, which is net of provisions previously made by the Group in respect of the cost of certain of the share-based compensation arrangements. Only share based transactions after 7 November 2002 that had not vested by 1 January 2005 have been restated, as permitted by the Standard.

55. Restatement for International Financial Reporting Standards

Reconciliation of opening shareholders' equity as previously reported under UK GAAP to International Financial Reporting Standards

	Note	Group Year to 31 December 2004 £m	Group Year to 31 December 2003 £m	Company Year to 31 December 2004 £m	Company Year to 31 December 2003 £m
Shareholders' equity previously reported under UK GAAP		2,446.2	2,176.1	2,446.2	2,176.1
Effects of adopting IFRS					
Proposed dividends	1	41.3	38.4	41.3	38.4
Proposed dividends receivable from subsidiaries	2	–	–	–	(45.0)
Business combinations	3	7.4	–	–	–
Valuation surplus of investment in subsidiaries	4	–	–	(944.5)	(799.4)
Operating lease incentives	5	(9.4)	(4.7)	–	–
Joint ventures and associate	6	(8.2)	(6.1)	(46.2)	(33.3)
Finance leases as lessor	7	(10.7)	(8.5)	–	–
Deferred tax	8	(260.3)	(225.0)	38.5	47.1
Pension scheme deficit	9	(41.0)	(29.5)	(39.7)	(28.7)
Fair value of share based payments	10	1.3	0.8	–	–
Other		(1.5)	0.9	(1.2)	(2.0)
Shareholders' equity restated under IFRS		2,165.1	1,942.4	1,494.4	1,353.2

Notes
1. IAS 10 – Ordinary dividend excluded from the income statement. Recognised on the balance sheet when approved.
2. IAS 10 – Dividends receivable from subsidiaries excluded from the income statement. Recognised on the balance sheet when approved.
3. IFRS 3 – The acquisition of Ravenseft has been treated as a property acquisition. Goodwill and deferred tax on acquisition have been eliminated. Opted to apply this standard with effect from 1 January 2004.
4. IAS 27 – Investment in subsidiaries held at cost. Previously held at valuation.
5. SIC 15 – Lease incentives amortised over period of lease or to the first break whichever is the shorter.
6. IAS 28 & 31 – Equity account for the results of joint ventures and associate's profits, including its share of valuation surpluses and deficits, interest and taxation as a one line entry in profit before tax. The reduction in shareholders' funds arises principally from deferred taxation provided on revaluation surpluses. In the Company accounts the adjustment relates to reducing the book value of the investments from valuation to cost.
7. IAS 17 – Finance leases included on the balance sheet as a debtor. No revaluation. Previously accounted for as investment property.
8. IAS 12 – Mainly deferred tax on investment property valuation surpluses, with movements in the income statement. Previously disclosed in the notes.
9. IAS 19 – Recognise in full the cumulative deficits at the transition date 1 January 2004 – corridor approach not adopted.
10. IFRS 2 – Share option plans fair valued at the date of grant and costs taken to the income statement over the vesting period. Transitional exemption used.

55. Restatement for International Financial Reporting Standards (continued)

Group balance sheet – Reconciliation of assets, liabilities and equity between UK GAAP and IFRS as at 31 December 2004

	As at 31 December 2004 UK GAAP £m	Events after the balance sheet date IAS 10 £m	Income taxes IAS 12 £m	Property, plant & equipment IAS 16 £m	Leases IAS 17 £m	Letting fees & other IAS 17 £m	Employee benefits IAS 19 £m	Investments in Joint ventures & associate IAS 28 & 31 £m
Non-current assets								
Investment properties	3,795.6			(276.8)	(21.2)	(9.9)		
Property, plant and equipment	118.0			276.8				
Negative goodwill	(4.7)							
Finance lease receivables	–				10.9			
Available-for-sale investments	38.4							
Investments in joint ventures and associate	92.3							(8.2)
Deferred taxation asset	0.3							
Total non-current assets	4,039.9	–	–	–	(10.3)	(9.9)	–	(8.2)
Current assets								
Inventories	1.9							
Trading properties	125.3							
Finance lease receivables	–				0.1			
Trade and other receivables	84.0					9.8	(0.5)	
Derivative assets	–							
Cash and cash equivalents	397.4							
Total current assets	608.6	–	–	–	0.1	9.8	(0.5)	–
Total assets	**4,648.5**	**–**	**–**	**–**	**(10.2)**	**(0.1)**	**(0.5)**	**(8.2)**
Non-current liabilities								
Borrowings	1,683.5							
Obligations under finance leases	–				0.5			
Pension scheme deficit	1.2						40.3	
Deferred tax provision	192.1		260.3					
Provisions for liabilities and charges	18.3							
Other creditors	15.2					1.9		
Total non-current liabilities	1,910.3	–	260.3	–	0.5	1.9	40.3	–
Current liabilities								
Borrowings	39.2							
Tax liabilities	46.2		1.2					
Trade and other payables	185.3	(41.3)				0.2	0.2	
Derivative liabilities	–							
Total current liabilities	270.7	(41.3)	1.2	–	–	0.2	0.2	–
Total liabilities	**2,181.0**	**(41.3)**	**261.5**	**–**	**0.5**	**2.1**	**40.5**	**–**
Net assets	**2,467.5**	**41.3**	**(261.5)**	**–**	**(10.7)**	**(2.2)**	**(41.0)**	**(8.2)**
Equity								
Called up ordinary share capital	138.8							
Share premium account	339.1							
Own shares held	(5.2)							
Other reserves	1,664.6		(14.0)					
Retained earnings	308.9	41.3	(245.6)		(10.7)	(2.2)	(41.0)	(8.2)
	2,446.2	41.3	(259.6)		(10.7)	(2.2)	(41.0)	(8.2)
Minority interests	21.3		(1.9)					
Total equity	**2,467.5**	**41.3**	**(261.5)**	**–**	**(10.7)**	**(2.2)**	**(41.0)**	**(8.2)**

55. Restatement for International Financial Reporting Standards (continued)

	Share-based payments IFRS 2 £m	Business combinations IFRS 3 £m	Operating lease incentives SIC-15 £m	Reserve transfers £m	As at 31 December 2004 IFRS £m	Financial instruments IAS 39 £m	As at 1 January 2005 IFRS £m
Non-current assets							
Investment properties			(35.0)		3,452.7		3,452.7
Property, plant and equipment					394.8		394.8
Negative goodwill		4.7			–		–
Finance lease receivables					10.9		10.9
Available-for-sale investments					38.4	4.1	42.5
Investments in joint ventures and associate					84.1	–	84.1
Deferred taxation asset			(0.1)		0.2	–	0.2
Total non-current assets	–	4.7	(35.1)	–	3,981.1	4.1	3,985.2
Current assets							
Inventories					1.9		1.9
Trading properties					125.3		125.3
Finance lease receivables					0.1		0.1
Trade and other receivables		(1.4)	23.1		115.0	(0.3)	114.7
Derivative assets					–	3.8	3.8
Cash and cash equivalents					397.4		397.4
Total current assets	–	(1.4)	23.1	–	639.7	3.5	643.2
Total assets	**–**	**3.3**	**(12.0)**	**–**	**4,620.8**	**7.6**	**4,628.4**
Non-current liabilities							
Borrowings					1,683.5	110.1	1,793.6
Obligations under finance leases					0.5		0.5
Pension scheme deficit					41.5		41.5
Deferred tax provision		(4.1)	0.1		448.4		448.4
Provisions for liabilities and charges					18.3		18.3
Other creditors	(1.3)				15.8		15.8
Total non-current liabilities	(1.3)	(4.1)	0.1	–	2,208.0	110.1	2,318.1
Current liabilities							
Borrowings					39.2	(0.1)	39.1
Tax liabilities					47.4	(1.0)	46.4
Trade and other payables			(2.7)		141.7	(4.2)	137.5
Derivative liabilities					–	6.7	6.7
Total current liabilities	–	–	(2.7)		228.3	1.4	229.7
Total liabilities	**(1.3)**	**(4.1)**	**(2.6)**	**–**	**2,436.3**	**111.5**	**2,547.8**
Net assets	**1.3**	**7.4**	**(9.4)**	**–**	**2,184.5**	**(103.9)**	**2,080.6**
Equity							
Called up ordinary share capital					138.8	(34.0)	104.8
Share premium account					339.1	(98.2)	240.9
Own shares held					(5.2)		(5.2)
Other reserves	0.2			(523.6)	1,127.2	43.1	1,170.3
Retained earnings	1.1	7.4	(9.4)	523.6	565.2	(14.5)	550.7
	1.3	7.4	(9.4)	–	2,165.1	(103.6)	2,061.5
Minority interests					19.4	(0.3)	19.1
Total equity	**1.3**	**7.4**	**(9.4)**	**–**	**2,184.5**	**(103.9)**	**2,080.6**

IAS39 – Convertible preference shares are treated as debt with accrued interest and an equity element. Derivatives, and available-for-sale investments are stated at fair value. Previously, preference shares were treated as share capital, derivatives were hedge accounted and available-for-sale investments were held at the lower of cost and realisable value.

55. Restatement for International Financial Reporting Standards (continued)

Group income statement – Reconciliation of reported profits between UK GAAP and IFRS for the twelve months ended 31 December 2004.

	Year 31 December 2004 UK GAAP £m	Events after the balance sheet date IAS 10 £m	Income taxes IAS 12 £m	Leases IAS 17 £m	Employee benefits IAS 19 £m	Investments in associate & joint ventures IAS 28 & 31 £m	Investment property IAS 40 £m
Gross rental income from investment properties	252.1			(0.9)			
Interest received on finance lease assets	–			0.9			
Other property related income	13.1						
Property outgoings	(34.3)						
Net rental income	**230.9**	–	–	–	–	–	–
Proceeds on sale of trading properties	32.3						
Carrying value of trading properties sold	(28.4)						
Trading property rental income	4.4						
Property outgoings relating to trading properties	(1.2)						
Net income from trading properties	**7.1**	–	–	–	–	–	–
Income from sale of utilities and gas	35.1						
Cost of sales	(42.3)						
Net income from utilities and gas	**(7.2)**	–	–	–	–	–	–
Other investment income	10.0						
Administration expenses	(15.2)				0.2		
Gain on disposal of property assets	62.3						
Valuation gains and losses	–			(2.1)			164.0
Operating income	**287.9**	–	–	**(2.1)**	**0.2**	–	**164.0**
Finance costs	(101.4)				(0.9)	2.7	
Finance income	6.7						
Share of profit from associate and joint ventures after tax	15.9					8.0	
Profit before tax	**209.1**	–	–	**(2.1)**	**(0.7)**	**10.7**	**164.0**
Taxation – current and deferred	(41.7)		(35.8)			1.1	(14.7)
	167.4	–	**(35.8)**	**(2.1)**	**(0.7)**	**11.8**	**149.3**
Preference dividends	(11.2)						
	156.2	–	**(35.8)**	**(2.1)**	**(0.7)**	**11.8**	**149.3**
Ordinary dividends	(67.0)	67.0					
Profit for the year	**89.2**	**67.0**	**(35.8)**	**(2.1)**	**(0.7)**	**11.8**	**149.3**
Attributable to minority interests	(1.6)	–	–	–	–	–	0.4
Attributable to equity shareholders	90.8	67.0	(35.8)	(2.1)	(0.7)	11.8	148.9
	89.2	**67.0**	**(35.8)**	**(2.1)**	**(0.7)**	**11.8**	**149.3**

55. Restatement for International Financial Reporting Standards (continued)

	Share-based payments IFRS 2 £m	Business combinations IFRS 3 £m	Operating lease incentives SIC-15 £m	Effects of changes in foreign exchange rates and other £m	Year 31 December 2004 IFRS £m
Gross rental income from investment properties			4.7	1.5	257.4
Interest received on finance lease assets					0.9
Other property related income				0.3	13.4
Property outgoings				(4.9)	(39.2)
Net rental income	–	–	4.7	(3.1)	232.5
Proceeds on sale of trading properties				(0.9)	31.4
Carrying value of trading properties sold				0.7	(27.7)
Trading property rental income				(0.2)	4.2
Property outgoings relating to trading properties				0.1	(1.1)
Net income from trading properties	–	–	–	(0.3)	6.8
Income from sale of utilities and gas				0.3	35.4
Cost of sales				(0.5)	(42.8)
Net income from utilities and gas	–	–	–	(0.2)	(7.4)
Other investment income				0.5	10.5
Administration expenses	0.4			(0.1)	(14.7)
Gain on disposal of property assets				2.4	64.7
Valuation gains and losses		7.4	(8.6)	6.0	166.7
Operating income	0.4	7.4	(3.9)	5.2	459.1
Finance costs				(2.3)	(101.9)
Finance income					6.7
Share of profit from associate and joint ventures after tax				0.2	24.1
Profit before tax	0.4	7.4	(3.9)	3.1	388.0
Taxation – current and deferred				(1.1)	(92.2)
	0.4	7.4	(3.9)	2.0	295.8
Preference dividends					(11.2)
	0.4	7.4	(3.9)	2.0	284.6
Ordinary dividends					–
Profit for the year	0.4	7.4	(3.9)	2.0	284.6
Attributable to minority interests	–	–	–	–	(1.2)
Attributable to equity shareholders	0.4	7.4	(3.9)	2.0	285.8
	0.4	7.4	(3.9)	2.0	284.6

IAS 10 – Ordinary dividend excluded from the income statement. Recognised on the balance sheet when approved.
IAS 12 – Mainly deferred tax on investment property valuation surpluses, with movements in the income statement. Previously disclosed in the notes.
IAS 40 – Investment property valuation surpluses taken to the income statement.
IAS 17 – Finance leases included on the balance sheet as a debtor. No revaluation. Previously accounted for as investment property.
IAS 19 – Recognise in full the cumulative deficits at the transition date 1January 2004 – corridor approach not adopted.
IAS 28 & 31 – Equity account for the results of joint ventures' and associate's profits, including its share of valuation surpluses and deficits, interest and taxation as a one line entry in PBT.
IFRS 2 – Share option plans fair valued at the date of grant and costs taken to the income statement over the vesting period. Transitional exemption used.
IFRS 3 – The acquisition of Ravenseft has been treated as a property acquisition. Goodwill and deferred tax on acquisition is eliminated. Opted to apply this standard with effect from 1 January 2004.
SIC 15 – Lease incentives amortised over period of lease or to the first break whichever is the shorter.

Glossary

Diluted adjusted earnings per share
Earnings per share based on adjusted profit before tax, excluding exceptional items and valuation gains/losses and after reflecting the dilutive affects of preference shares and shares held by the ESOP trust properties.

Diluted adjusted net asset value per share
NAV per share adjusted to add back deferred tax associated with investment properties and to reflect the dilution caused by preference shares and shares held in the ESOP trust.

Adjusted profit before tax
Profit before tax excluding exceptional gains and losses, property revaluations surpluses and the gains and losses on derivative instruments.

Book value
The amount at which assets and liabilities are reported in the accounts.

Combined portfolio
The investment, development and trading properties of the Group, including the relevant share of joint ventures' properties.

Development pipeline
The Group's current development programme together with potential schemes not yet commenced on land owned or controlled by the Group or its joint ventures.

Dividend cover
Adjusted earnings per share divided by the ordinary dividend per share.

Earnings per share (EPS)
Profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

Estimated rental value (ERV)
The estimated market rental value of lettable space as determined biannually by the Company's valuers. This will normally be different to the rent being paid.

Initial yield
Annualised current passing rent expressed as a percentage of the property valuation.

Hectares (ha)
The area of land measurement used in this report. The conversion factor used, where appropriate, is 1 hectare = 2.471 acres

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

Net asset value (NAV) per share
Equity shareholders' funds divided by the number of ordinary shares in issue at the period end.

Over-rented
Space that is let at a rent above its current ERV.

Passing rent
The annual rental income receivable which may be more or less than the ERV (see over-rented and reversionary).

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

Reversionary or under-rented
Space where the passing rent is below the ERV.

Reversionary yield
The anticipated yield, which the initial yield will rise to assuming the rent reaches the ERV.

Square metres (sq.m.)
The area of buildings measurements used in this report. The conversion factor used, where appropriate, is 1 square metre = 10.639 square feet.

Total return
Dividends plus annual growth in diluted adjusted net asset value.

Total Development Cost
All capital expenditure on a project including the opening book value of the property on commencement of development, together with all finance costs capitalised during the development.

Trading properties
Properties held for trading purposes and shown as current assets in the Balance Sheet.

Voids
The area in a property or portfolio, excluding developments, which is currently available for letting.

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J A N Heawood – UK Property
R D Kingston – Continental Europe
M D Lees – North America
*D J R Sleath – Finance Director

Non-Executive Directors
Lord Blackwell
S L Howard
The Rt Hon Lord MacGregor
of Pulham Market PC, OBE
A W Palmer
C A Peacock
T H W Wernink

Secretary
J R Probert

Executive Committee
R G Bell – Head of Group Strategy
I D Coull – Chief Executive
A S Gulliford – Director, Corporate Acquisitions
J A N Heawood – Executive Director, UK Property
W E Hens – Managing Director, Continental Europe
R D Kingston – Executive Director, Continental Europe
M D Lees – Executive Director, North America
J R Probert – Group Secretary
D J R Sleath – Executive Director, Finance
J I Titford – Director of Human Resources
M J Waring – Director of Corporate Communications

* Appointed on 1 January 2006

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