

## OFFERING CIRCULAR

### **SLOUGH ESTATES plc**

*(incorporated with limited liability in England and Wales with registered number 167591)*

### **£100,000,000 5.75 per cent. Notes due 2035**

**Issue price: 99.229 per cent.**

The £100,000,000 5.75 per cent. Notes due 2035 (the **Notes**) are issued by Slough Estates plc (the **Issuer** or the **Company**).

The Issuer may, at its option, redeem all or, subject to certain conditions, some only, of the Notes from time to time at the redemption amount described under "*Terms and Conditions of the Notes – Redemption and Purchase*" plus accrued interest. Also, the Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest, in the event of certain tax changes as described under "*Terms and Conditions of the Notes - Redemption and Purchase*". The Notes mature on 20 June 2035.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Notes to be admitted to the Official List of the UK Listing Authority and to London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's market for listed securities.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about 20 June 2005 (the **Closing Date**) with a common depositary for Euroclear Bank S.A./N.V., as operator of the Euroclear System, (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 30 July 2005 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances - see "*Summary of Provisions relating to the Notes while represented by the Global Notes*".

#### *Managers*

**Barclays Capital**

**The Royal Bank of Scotland**

**UBS Investment Bank**

The date of this Offering Circular is 16 June 2005

This document comprises listing particulars approved by the UK Listing Authority as required by the Financial Services and Markets Act 2000 (the **FSMA**) prepared for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries (together the **Group**) and the Notes. A copy of this document has been delivered for registration to the Registrar of Companies in England and Wales in accordance with section 83 of the FSMA.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains all information which is material in the context of the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Managers (as defined under "*Subscription and Sale*" below). Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or the Managers to subscribe for, or purchase, any of the Notes. This document does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

The Managers and Commercial Union Trustees Limited (the **Trustee**) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers, the Trustee or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Notes.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Managers that any recipient of this Offering Circular should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see "*Subscription and Sale*" below.

**IN CONNECTION WITH THE ISSUE OF THE NOTES, UBS LIMITED OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE CLOSING DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON UBS LIMITED OR**

**ANY AGENT OF ITS TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.**

All references in this document to **Sterling** and **£** refer to the currency of the United Kingdom.

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## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):*

The £100,000,000 5.75 per cent. Notes due 2035 (the **Notes**, which expression shall in these Terms and Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of Slough Estates plc (the **Company**) are constituted by a ninth supplemental trust deed dated 20 June 2005 (the **Ninth Supplemental Trust Deed**) between the Company and Commercial Union Trustees Limited (the **Trustee**, which expression shall include its successors as trustee under the Trust Deed (as defined below)) as trustee for the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively) supplemental to the trust deed dated 14 July 1992 (the **Principal Trust Deed**) made between the same parties and constituting £100,000,000 11.625 per cent. Bonds due 2012 of the Company (the **2012 Bonds**), the first supplemental trust deed dated 3 May 1995 (the **First Supplemental Trust Deed**) made between the same parties and constituting £100,000,000 10 per cent. Bonds due 2017 of the Company (the **2017 Bonds**), the second supplemental trust deed dated 17 February 1998 (the **Second Supplemental Trust Deed**) made between the same parties and constituting £125,000,000 7.125 per cent. Notes due 2010 of the Company, the third supplemental trust deed dated 5 February 1999 (the **Third Supplemental Trust Deed**) made between the same parties and constituting £150,000,000 6.25 per cent. Notes due 2015 of the Company, the fourth supplemental trust deed dated 23 February 2000 (the **Fourth Supplemental Trust Deed**) made between the same parties and constituting £225,000,000 6.75 per cent. Notes due 2024 of the Company, the fifth supplemental trust deed dated 14 March 2001 (the **Fifth Supplemental Trust Deed**) made between the same parties and constituting £150,000,000 7 per cent. Notes due 2022 of the Company, the sixth supplemental trust deed dated 9 June 2005 (the **Sixth Supplemental Trust Deed**) made between the same parties and modifying the Conditions of the 2012 Bonds, the seventh supplemental trust deed dated 9 June 2005 (the **Seventh Supplemental Trust Deed**) made between the same parties and modifying the Conditions of the 2017 Bonds and the eighth supplemental trust deed dated 20 June 2005 (the **Eighth Supplemental Trust Deed**) made between the same parties and constituting £200,000,000 5.50 per cent. Notes due 2018. The Principal Trust Deed, the First Supplemental Trust Deed, the Second Supplemental Trust Deed, the Third Supplemental Trust Deed, the Fourth Supplemental Trust Deed, the Fifth Supplemental Trust Deed, the Sixth Supplemental Trust Deed, the Seventh Supplemental Trust Deed and the Eighth Supplemental Trust Deed are hereinafter together referred to as the **Trust Deed**.

The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Paying Agency Agreement dated 20 June 2005 (the **Agency Agreement**) made between the Company, the initial Paying Agents and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at the principal office for the time being of the Trustee, being at the date of issue of the Notes at St. Helen's, 1 Undershaft, London EC3P 3DQ, and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

## **1. FORM, DENOMINATION AND TITLE**

### **1.1 Form and Denomination**

The Notes are in bearer form, serially numbered, in the denominations of £1,000, £10,000 and £100,000 each with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of another denomination.

### **1.2 Title**

Title to the Notes and to the Coupons will pass by delivery.

### **1.3 Holder Absolute Owner**

The Company, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

## **2. STATUS**

The Notes and the Coupons are direct, unconditional and unsecured obligations of the Company and rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Company, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## **3. COVENANTS**

The Company will procure that so long as any of the Notes remains outstanding (as defined in the Trust Deed):

- (a) the aggregate principal amount (together with any fixed or minimum premium payable on final repayment) for the time being outstanding of all Net Borrowings (as defined in the Trust Deed) of the Company and the Subsidiaries (as defined in the Trust Deed) (excluding borrowings by the Company from a Subsidiary or by a Subsidiary from the Company or another Subsidiary) shall not exceed a sum equal to 175 per cent. of the Adjusted Capital and Reserves (as defined in the Trust Deed); and
- (b) the aggregate principal amount (together with any fixed or minimum premium payable on final repayment) for the time being outstanding of (a) all Secured Borrowings (as defined in the Trust Deed) of the Company and the Subsidiaries and (b) all Borrowings which are not Secured Borrowings of Subsidiaries which are not or do not become Guarantor Subsidiaries (as defined in the Trust Deed) (excluding borrowings by a Subsidiary from the Company or another Subsidiary) shall not exceed a sum equal to 50 per cent. of the Adjusted Capital and Reserves. Subject to the Trustee being satisfied as to the legal validity of the guarantee of the Notes given by such Subsidiary, the Company can procure, at any time, that any Subsidiary becomes a Guarantor Subsidiary without the consent of the Noteholders or Couponholders.

## **4. INTEREST**

### **4.1 Interest Rate and Interest Payment Dates**

The Notes bear interest from and including 20 June 2005 at the rate of 5.75 per cent. per annum, payable annually in arrear on 20 June (each an **Interest Payment Date**). The first payment shall be made on 20 June 2006.

### **4.2 Interest Accrual**

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

### **4.3 Calculation of Broken Interest**

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

## **5. PAYMENTS**

### **5.1 Payments in respect of Notes**

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

### **5.2 Method of Payment**

Payments will be made by credit or transfer to an account in Sterling maintained by the payee with or, at the option of the payee, by a cheque in Sterling drawn on a bank in London.

### **5.3 Missing Unmatured Coupons**

Each Note should be presented for payment together with all relevant unmatured Coupons, failing which the full amount of any relevant missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 8) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

#### 5.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

#### 5.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 4, be entitled to any further interest or other payment if a Presentation Date is after the due date.

**Presentation Date** means a day which (subject to Condition 8):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a Sterling account in London as referred to above, is a Business Day in London.

In these Terms and Conditions, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

#### 5.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Terms and Conditions. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Notes are admitted to official listing on the London Stock Exchange shall be London or such other place as the UK Listing Authority may approve;
- (c) the Company undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within continental Europe.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Company in accordance with Condition 12.



## **6. REDEMPTION AND PURCHASE**

### **6.1 Redemption at Maturity**

Unless previously redeemed or purchased as provided below, the Company will redeem the Notes at their principal amount on 20 June 2035.

### **6.2 Redemption for Taxation Reasons**

If the Company satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 16 June 2005, on the next Interest Payment Date the Company would be required to pay additional amounts as provided or referred to in Condition 7; and
- (b) the requirement cannot be avoided by the Company taking reasonable measures available to it,

the Company may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 12 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be required to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company shall deliver to the Trustee a certificate signed by two Directors of the Company stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Company taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

### **6.3 Redemption at the Option of the Company**

The Company may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 12; and
- (b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all of the Notes or, subject as provided in paragraph 6.4 below, from time to time some only at their Redemption Amount together with interest accrued to the date of redemption.

Prior to giving any notice of redemption under this Condition, the Company shall provide to the Trustee a certificate signed by two directors of the Company that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid on the relevant redemption date.

In these Terms and Conditions **Redemption Amount** means an amount equal to the principal amount of the relevant Notes to be redeemed multiplied by the Redemption Percentage (as defined below) (rounding the resulting figure to the nearest penny, half a penny being rounded upwards), together with interest accrued on the relevant Notes to but excluding the date of redemption.

For the purposes of this Condition:

**Redemption Percentage** means the greater of:

- (i) 100 per cent.; and
- (ii) that price (expressed as a percentage) (as reported in writing to the Company and the Trustee by a financial adviser nominated by the Company and approved by the Trustee) (and rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield (determined by reference to the mid-market price) on the Notes on the Relevant Date is equal to the Redemption Rate;

**Gross Redemption Yield** on the Notes and on the Relevant EIB Bonds will be expressed as a percentage and will be calculated on the basis indicated by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields" page 4, Section one: Price/Yield Formulae "Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date" (published 8 June 1998) or on such other basis as the Trustee may approve;

**Redemption Rate** means the Relevant EIB Redemption Rate;

**Relevant Date** means the date which is two Business Days prior to the publication or dispatch of the notice of redemption under this Condition;

**Relevant EIB Bonds** means such sterling bonds of the European Investment Bank (or any successor thereto) as the Trustee (with the advice of an investment bank as may be approved by the Trustee) and the Company may determine (failing such determination, as determined by the Trustee with such advice) to be a benchmark bond, the duration of which most closely matches the then duration of the Notes, as calculated by or on behalf of the Trustee; and

**Relevant EIB Redemption Rate** means the Gross Redemption Yield (determined by reference to the mid-market price) of the Relevant EIB Bonds provided that, if for any reason the Relevant EIB Redemption Rate is not capable of determination as aforesaid, then the Relevant EIB Redemption Rate shall be such rate as shall be determined by a financial adviser (nominated by the Company and approved by the Trustee) to be appropriate.

#### **6.4 Provisions relating to Partial Redemption**

In the case of a partial redemption of Notes, Notes to be redeemed will be selected, in such place as the Trustee may approve and in such manner as the Trustee may deem appropriate and fair, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

## 6.5 Redemption at the Option of the Holders

If at any time while any of the Notes remains outstanding a Restructuring Event is deemed to occur and within the Restructuring Period:

- (a) (if at the time that Restructuring Event is deemed to have occurred there are Rated Securities or the Company has a corporate Rating) a Rating Downgrade in respect of that Restructuring Event occurs or is deemed to occur and such Rating Downgrade has not been cured prior to the expiry of the Restructuring Period;
- (b) (if at such time there are no Rated Securities and the Company does not have a corporate Rating) a Negative Rating Event in respect of that Restructuring Event is deemed to occur,

(such Restructuring Event and, where applicable, Rating Downgrade or Negative Rating Event, as the case may be, occurring within the Restructuring Period and, in the case of a Rating Downgrade, not having been cured prior to the expiry of the Restructuring Period, together called a **Put Event**) the holder of each Note will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Company gives any of the notices referred to in paragraph 6.2 or 6.3 in respect of the Note) to require the Company to redeem or, at the Company's option, purchase (or procure the purchase of) that Note on the Optional Redemption Date (as defined below) at its principal amount (the **Optional Redemption Amount**) together with (or, where purchased, together with an amount equal to) interest accrued to but excluding the Optional Redemption Date.

Promptly upon the Company becoming aware that a Put Event has occurred, the Company shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of a least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders the Trustee shall (subject in each case to being indemnified and/or secured to its satisfaction), give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 12 and to the Paying Agents specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition.

To exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition, the holder of the Note must deliver such Note, on any Business Day (in the place of the specified office of the Paying Agent at which the Note is delivered) falling within the period (the **Put Period**) of 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **Put Notice**) and in which the holder may specify a bank account to which payment is to be made under this Condition.

The Notes should be delivered together with all Coupons appertaining thereto maturing after the date (the **Optional Redemption Date**) seven days after the expiry of the Put Period, failing which the face amount of any missing unmatured Coupons (or, in the case of payment not being made in full, that proportion of the face amount of such missing unmatured Coupons which the sum of principal so paid bears to the total principal amount due) shall be deducted from the sum due for payment. Each amount of principal so deducted shall be paid in the manner mentioned in Condition 5 against surrender (or, in the case of part payment only, endorsement) of the relevant missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of the relevant Note (whether or

not the Coupon would otherwise have become void pursuant to Condition 8) or, if later, five years from the date on which the Coupon would have become due, but not thereafter.

The Paying Agent to which such Note, Put Notice and Coupons (if any) are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specifies a bank account in the Put Notice to which payment is to be made, on the Optional Redemption Date by transfer to that bank account and, in every other case, on or after the Optional Redemption Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Put Notice, once given, shall be irrevocable (except in the circumstances set out in clause 10.4 of the Agency Agreement). For the purposes of these Terms and Conditions and the Trust Deed, receipts issued pursuant to this Condition shall be treated as if they were Notes. The Company shall redeem or, at the option of the Company, purchase (or procure the purchase of) the relevant Notes on the Optional Redemption Date unless previously redeemed or purchased.

For the purposes of this Condition:

A **Negative Rating Event** shall be deemed to have occurred if (i) the Company does not on or before the 21st day after the relevant Restructuring Event, seek, and thereafter use all reasonable endeavours to obtain, a Rating of the Notes or a corporate Rating or at the Company's sole discretion a Rating of any Relevant Debt or (ii) if it does so seek and use such endeavours, it has not at the expiry of the Restructuring Period and as a result of such Restructuring Event obtained such a Rating of at least investment grade (BBB- (in the case of S&P), Baa3 (in the case of Moody's) or BBB- (in the case of Fitch), or their respective equivalents for the time being), provided that a Negative Rating Event shall be deemed not to have occurred in respect of a particular Restructuring Event if (i) two directors of the Company certify to the Trustee that they have used all reasonable endeavours to obtain an investment grade Rating of the Notes, the Company or any Relevant Debt within the Restructuring Period and the failure so to obtain such a Rating is, in their opinion, unconnected with the Restructuring Event; and (ii) the Rating Agency declining to assign a Rating of at least investment grade (as defined above) does not announce or publicly confirm or, having been so requested by the Company, inform the Company or the Trustee in writing that its declining to assign a Rating of at least investment grade was the result, in whole or in part, of the applicable Restructuring Event (whether or not the Restructuring Event shall have occurred at the time such investment grade rating is declined);

**Rated Securities** means the Notes so long as they shall have an effective Rating and otherwise any Relevant Debt which has a Rating; provided that, if after a Restructuring Event is deemed to occur the Notes do not have an effective Rating, there is no such Relevant Debt and the Company does not have a corporate Rating, the Trustee may require the Company to obtain and thereafter update on an annual basis a Rating of the Notes or a corporate Rating from one Rating Agency. In addition, the Company may at any time obtain and thereafter update on an annual basis a Rating of the Notes or a corporate Rating, provided that, except as provided above, the Company shall not have any obligation to obtain such a Rating of the Notes or itself.

**Rating** means a rating provided by a Rating Agency at the invitation of the Company.

**Rating Agency** means Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. and its successors (**S&P**) or Moody's Investors Service, Inc. and its successors (**Moody's**) or Fitch Ratings Ltd and its successors (**Fitch**) or any other rating

agency of equivalent standing specified by the Company from time to time in writing to the Trustee;

A **Rating Downgrade** shall be deemed to have occurred in respect of a Restructuring Event if the then current Rating of the Notes or any Relevant Debt or corporate Rating of the Company (i) is withdrawn and is not within the Restructuring Period replaced by a Rating of the relevant Rating Agency or of another Rating Agency at least equivalent to that which was current immediately before the occurrence of the Restructuring Event or (ii) is reduced from an investment grade rating (BBB-/Baa3/BBB- (or their respective equivalents for the time being) or better) to a non-investment grade rating (BB+/Ba1/BB+ (or their respective equivalents for the time being) or worse) or (iii) (if the relevant Rating Agency shall have already given a Rating for the Rated Securities, or if there are no Rated Securities and the Company has a corporate Rating, below investment grade (as described above)) is lowered one full rating category (from BB+ to BB or such similar lowering or equivalent ratings); provided that a Rating Downgrade otherwise arising by virtue of a particular reduction in Rating shall be deemed not to have occurred in respect of a particular Restructuring Event if (A) two directors of the Company certify to the Trustee that the withdrawal or reduction in the Rating is, in their opinion, unconnected with the Restructuring Event and (B) the Rating Agency making the withdrawal or reduction in Rating to which this definition would otherwise apply does not announce or publicly confirm or, having been so requested by the Company, inform the Company or the Trustee in writing that the reduction was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event (whether or not the applicable Restructuring Event shall have occurred at the time of the Rating Downgrade);

**Relevant Debt** means any unsecured and unsubordinated debt securities of the Company (or any Subsidiary of the Company which is guaranteed on an unsecured and unsubordinated basis by the Company) having an initial maturity of five years or more;

A **Restructuring Event** shall be deemed to have occurred at each time (whether or not approved by the Board of Directors of the Company) that any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), or any persons acting on behalf of any such persons(s), at any time is/are or become(s) interested (within the meaning of Part VI of the Companies Act 1985) in (i) more than 50 per cent. of the issued or allotted ordinary share capital of the Company or (ii) such number of shares in the capital of the Company carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Company; and

**Restructuring Period** means the period ending 180 days after the public announcement of the Restructuring Event.

The Trust Deed provides that the Trustee is under no obligation to ascertain whether a Restructuring Event, a Negative Rating Event, a Rating Downgrade or any event which could lead to the occurrence of or could constitute a Restructuring Event has occurred and until it shall have actual knowledge or express notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Restructuring Event, Negative Rating Event, Rating Downgrade or other such event has occurred.

## 6.6 Purchases

The Company or any of its Subsidiaries (as defined above) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price.

## **6.7 Cancellations**

All Notes which are redeemed will forthwith be cancelled, together with all relevant unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be held, reissued or resold. Notes purchased by the Company or any of its Subsidiaries may be held, reissued or resold or surrendered for cancellation.

## **6.8 Notices Final**

Upon the expiry of any notice as is referred to in paragraph 6.2, 6.3 or 6.5 above the Company shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph (in the case of paragraph 6.5 above, save as otherwise provided therein).

## **7. TAXATION**

### **7.1 Payment without Withholding**

All payments in respect of the Notes by or on behalf of the Company shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Company will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his or her having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 5).

## 7.2 Interpretation

In these Terms and Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Company in accordance with Condition 12; and
- (b) **Relevant Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax.

## 7.3 Additional Amounts

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

## 8. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal and premium) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 5 and Condition 6.

## 9. EVENTS OF DEFAULT

### 9.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), (other than in respect of the events described in subparagraphs (a) and (b) below, only if the Trustee shall have certified in writing to the Company that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Company that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

- (a) if default is made in the payment of any principal or premium or, in the case of Condition 6.5, if applicable, purchase price in respect of any of the Notes and such default continues for a period of seven days or more; or
- (b) if default is made in the payment of any interest due on the Notes or any of them and such default continues for a period of 14 days or more; or
- (c) if the Company fails to perform or observe any of its other obligations under the Notes or the Trust Deed and (except where the Trustee considers such failure to be incapable of remedy when no such continuation and notice as is hereinafter mentioned will be required) such failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring the same to be remedied; or

- (d) if any loan or other indebtedness for borrowed money (as defined in the Trust Deed) of the Company or any Principal Subsidiary in an aggregate principal amount of not less than £5,000,000 (or its equivalent in any other currency) becomes due and repayable prematurely by reason of an event of default (howsoever described) in relation thereto or the Company or any Principal Subsidiary fails to make any payment of an amount of not less than £5,000,000 (or its equivalent in any other currency) in respect thereof on the due date for such payment as extended by any applicable grace period (as provided for in the document evidencing such indebtedness) or if any guarantee or indemnity given by the Company or any Principal Subsidiary in respect of any loan or other indebtedness for borrowed money in an amount of not less than £5,000,000 (or its equivalent in any other currency) is not honoured when due and called upon or if the security for any such first-mentioned loan or other indebtedness for borrowed money or any such guarantee or indemnity becomes enforceable and steps are taken to enforce the same; or
- (e) if any order shall be made by any competent court or resolution passed for the winding up or dissolution of the Company, save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms approved by the Trustee; or
- (f) if any order shall be made by any competent court or a resolution passed for the winding up or dissolution of a Principal Subsidiary, save for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangement (not involving or arising out of the insolvency of such Principal Subsidiary) under which all the assets of the Principal Subsidiary are transferred to the Company or any of the other Subsidiaries or the terms of which have been approved by the Trustee; or
- (g) if the Company or any Principal Subsidiary shall cease to carry on the whole or a substantial part of its business, save in the case of a Principal Subsidiary for the purposes of amalgamation, merger, consolidation, reorganisation or other similar arrangements (not involving or arising out of the insolvency of such Principal Subsidiary) under which all the assets of the Principal Subsidiary are transferred to the Company or any of the other Subsidiaries or the terms of which have been approved by the Trustee, or if the Company or any Principal Subsidiary shall suspend payment of its debts generally or shall be unable to, or shall admit inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent by any competent court, or shall enter into any composition or other similar arrangement with its creditors generally; or
- (h) if an administrative or other receiver, or an administrator or other similar official, shall be appointed in relation to the Company or any Principal Subsidiary or in relation to the whole or a substantial part of the assets of any of them or a distress, execution or other process shall be levied or enforced upon or sued out against, or an encumbrancer shall take possession of, the whole or a substantial part of the assets of any of them and in any of the foregoing cases it or he shall not be discharged within 14 days.

## 9.2 Interpretation

For the purposes of this Condition:

a **Principal Subsidiary** means a Subsidiary the book value of whose tangible assets (as shown by the then most recent audited balance sheet of such Subsidiary and attributable to the



Company) constitutes five per cent. or more of the book value of the tangible assets of the Company and the Subsidiaries (as shown by the then most recent audited consolidated balance sheet of the Company and the Subsidiaries) provided that, if a Subsidiary itself has subsidiaries and produces in respect of any year an audited consolidated balance sheet of such Subsidiary and its subsidiaries, the reference above to tangible assets of such Subsidiary shall be construed as a reference to tangible assets of such Subsidiary and its consolidated subsidiaries and the reference to the then most recent audited balance sheet of such Subsidiary shall be construed as a reference to the then most recent audited consolidated balance sheet of such Subsidiary and its consolidated subsidiaries (all as more particularly described in the Trust Deed).

### **9.3 Reports**

A report by two Directors of the Company whether or not addressed to the Trustee that in their opinion a Subsidiary of the Company is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest or proven error, be conclusive and binding on all parties.

## **10. ENFORCEMENT**

### **10.1 Enforcement by the Trustee**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Company as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it has been indemnified to its satisfaction.

### **10.2 Enforcement by the Noteholders**

No Noteholder or Couponholder shall be entitled to proceed directly against the Company unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

## **11. REPLACEMENT OF NOTES AND COUPONS**

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Company may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **12. NOTICES**

### **12.1 Notices to the Noteholders**

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. It is expected that publication will normally be made in the *Financial Times*. The Company shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock

exchange or the relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

## **12.2 Notices from the Noteholders**

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relevant Note or Notes, with the Principal Paying Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

## **13. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented except that at any meeting, the business of which includes the modification of certain of these Terms and Conditions and certain provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than three-quarters, or at any adjourned such meeting not less than a clear majority, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting and whether or not they vote in favour, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification which is to correct a manifest error.

The Trustee may also agree, subject to the relevant provisions of the Trust Deed and to such other conditions (if any) as the Trustee may require but without the consent of the Noteholders or the Couponholders (i) to the substitution of a wholly-owned Subsidiary in place of the Company as principal debtor under the Trust Deed, the Notes and the Coupons subject to the Company unconditionally and irrevocably guaranteeing that Subsidiary's obligations as such principal debtor by a document in such form and substance as the Trustee may require and/or (ii) to the substitution of any successor company (as defined in the Trust Deed) of the Company in place of the Company.

In connection with any such modification, waiver, authorisation or substitution, the Trustee shall not have regard to the tax or other consequences thereof for individual Noteholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

Any such modification, waiver, authorisation or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 12 as soon as practicable thereafter.

## **14. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE COMPANY**

### **14.1 Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

### **14.2 Trustee Contracting with the Company**

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Company and/or any of the Company's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Company and/or any of the Company's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **15. FURTHER ISSUES**

The Company is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Company may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

## **16. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

The Trust Deed, the Notes and the Coupons are governed by, and will be construed in accordance with, English law.

## **17. RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

*The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

### 1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in the Trust Deed as an "Event of Default";
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Company would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Company is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Company and (in the case of (c) above) the Company may give notice to the Trustee and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (c) above, shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Company will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Company will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

### 2. Payments

On and after 30 July 2005, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will,

subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

### **3. Notices**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 12. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

### **4. Accountholders**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Company pursuant to Condition 9 and Condition 6.5) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Company and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

### **5. Prescription**

Claims against the Company in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 7).

### **6. Cancellation**

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected

by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

**7. Put Option**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 6.5 may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly within the time limits set forth in that Condition.

**8. Redemption at the Option of the Company**

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, no drawing of Notes will be required under Condition 6.4 in the event that the Company exercises its call option pursuant to Condition 6.3 in respect of less than the aggregate principal amount of the Notes outstanding at such time. In such event, the standard procedures of Euroclear and/or Clearstream, Luxembourg shall operate to determine which interests in the Global Note(s) are to be subject to such option.

**9. Euroclear and Clearstream, Luxembourg**

References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

## USE OF PROCEEDS

£69,645,000 in aggregate principal amount of the Notes have been issued in exchange for £47,297,095 in aggregate principal amount of the £100,000,000 10 per cent. Bonds due 2017 and the £40,000,000 11.25 per cent. First Mortgage Debenture Stock due 2019 (together the **Existing Notes**), all of the Issuer. The consideration received for the issue of £69,645,000 in aggregate principal amount of the Notes was, therefore, the redemption and cancellation of the relevant Existing Notes. The net proceeds of the issue of the other £30,355,000 in aggregate principal amount of the Notes, amounting to approximately £29,969,187.95, will be applied by the Issuer for the purpose of redeeming the remaining £92,702,905 in aggregate principal amount of the Existing Notes on or about 20 June 2005.

## CAPITALISATION

The following table sets out the consolidated share capital and the borrowings of the Issuer, its subsidiaries and the Group (as extracted from the audited consolidated financial statements of the Issuer) at the close of business on 31 December 2004.

	As at 31 December 2004
	(£ millions)
<b>Capital and Reserves</b>	
Called up share capital (fully paid)	138.8
Share premium account	339.1
<b>Borrowings</b>	
<i>The Issuer</i>	
<u>Unsecured</u>	
10 per cent. Bonds due 2007	50.0
12.375 per cent. Loan Stock due 2009	31.9
7.125 per cent. Bonds due 2010	124.4
11.625 per cent. Bonds due 2012	100.0
6.25 per cent. Bonds due 2015	148.3
10 per cent. Bonds due 2017	98.7
7 per cent. Bonds due 2022	148.8
6.75 per cent. Bonds due 2024	221.0
Bank loans and overdrafts	261.9
	1185.0
Total unsecured Issuer indebtedness	1185.0
Secured loans (secured by mortgages or charges over specific properties)	40.0
	1225.0
Total Issuer indebtedness	1225.0
<i>Subsidiaries</i>	
<u>Unsecured</u>	
7.58 per cent. Notes due 2007	10.4
7.84 per cent. Notes due 2008	7.8
9.27 per cent. Notes due 2010	10.9
7.94 per cent. Notes due 2010	47.6
6.57 per cent. Notes due 2011	52.0
6.417 per cent. Notes due 2011	35.5
8.00 per cent. Notes due 2012	22.6
8.09 per cent. Notes due 2015	5.2
6.97 per cent. Notes due 2016	52.0
Long term loan due 2010	18.4
Bank loans and overdrafts	102.4
Exchange difference on cross currency swaps (when retranslated at year end exchange rates)	(2.6)
	362.2
Total unsecured subsidiary indebtedness	362.2
Secured loans (secured by mortgages or charges over specific property)	135.5
	497.7
Total subsidiary indebtedness	497.7
Total Group indebtedness	1722.7



## Notes

1. At 31 December 2004 the authorised share capital of the Issuer was £182,000,000 divided into 586,400,000 ordinary shares of 25 pence nominal value each, of which 419,291,601 were issued and fully paid, and 141,600,000 cumulative redeemable convertible preference shares of 25 pence nominal value each, of which 136,000,510 were issued and fully paid. On 22 April 2005 the share register of the Issuer was updated to reflect the conversion of £8,957,454.25 of 25 pence nominal value cumulative redeemable preference shares of the Issuer into £3,321,361.25 of 25 pence nominal value ordinary shares of the Issuer.
2. The Issuer has guaranteed loans and bank overdrafts to subsidiary companies aggregating £391.5 million. All such loans and overdrafts so guaranteed are included in the above analysis of "Borrowings" under the "Subsidiary" section. In addition contingent liabilities of the Group aggregating £5.5 million which are not included in the above analysis of "Borrowings" have been guaranteed or indemnified by the Group.
3. Save as disclosed above, and apart from intra-group indebtedness and guarantees, neither the Issuer nor any of its subsidiaries had at the close of business on 31 December 2004 any loan capital outstanding (including loan capital created but unissued), term loans or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgages, charges, hire purchase commitments or obligations under finance leases.
4. There has been no material change in the authorised or issued share capital, the share premium account or the borrowings or indebtedness, including guarantees and contingent liabilities, of the Issuer or the Group since 31 December 2004.
5. At the close of business on 31 December 2004 the Group had cash bank balances of £397.4 million. On 28 April 2005 the Issuer used £136.4 million of cash to repay a similar amount of U.S. dollar denominated bank debt. Bank loans and overdrafts and cash bank balances of the Company were, therefore, reduced accordingly.

## DESCRIPTION OF THE ISSUER

### Business

The Issuer is registered and has its head office at 234 Bath Road, Slough, Berkshire, SL1 4EE and is the parent company of an international group of companies (the **Group**) which together form one of the largest United Kingdom property investment and development groups. The Group's largest estate remains the Slough Trading Estate, which is 706,737 square metres and accounts for some 23.5 per cent. of the Group's entire portfolio by lettable floor space.

Other activities of the Group include property development for trading purposes, the provision of utility services to its Slough and Birmingham estates and investment in other property and non-property areas.

The Issuer was founded in 1920 in Slough, England, where it developed one of the earliest industrial estates. As at 31 December 2004, the Group had interests in just under 3 million square metres of lettable floor space, 85 per cent. of which was classified as industrial, 10 per cent. as office and 5 per cent. as retail.

Internationally the portfolio split by floor space as at 31 December 2004 was: 71 per cent. in the United Kingdom; 17 per cent. in Europe; and 12 per cent. in the United States of America. Worldwide the Group has some 1550 separate customers renting space.

### Subsidiaries

The Issuer has more than 100 subsidiaries. The principal subsidiary undertakings are listed below (all holdings are equity holdings unless otherwise stated).

Company	Country of incorporation	Subsidiaries (percentage holding)	Joint Ventures (percentage holding)
<b>Property</b>			
*Slough Properties Ltd	England	100	
*Slough Trading Estate Ltd	England	100	
*Allnatt London Properties PLC	England	100	
*Bilton p.l.c.	England	100	
*Bredero Properties Plc	England	Ordinary 99.2 Preference 100	
Slough Investments Ltd (operating in Germany)	England	100	
Cambridge Research Park Ltd	England	100	
Slough Industrial Estates Ltd	England	100	
*Shopping Centres Ltd	England		50
Slough Europe Ltd	England	100	
Slough Estates USA Inc.	USA	100	
Slough Management N.V.	Belgium	100	
Slough Properties N.V	Belgium	100	
Slough Developments (France) S.A.	France	100	
Kingswood Ascot Property Investments Ltd	England	100	
Farnborough Business Park Ltd	England	100	
Real Estate and Commercial Trust Ltd	England	100	

HelioSlough Ltd	England		50
Slough Estates (Warrington) Ltd	England	100	
Slough Estates (Epsom) Ltd	England	100	
Slough Estates (Leatherhead) Ltd	England	100	
Slough Estates (Chelmsford) Ltd	England	100	
Slough Estates (Northampton) Ltd	England	100	
Slough Estates (Mitchell Way) Ltd	England	100	
Slough Estates (Motor Park) Ltd	England	100	
Slough Estates (Swanley) Ltd	England	100	
<b>Service</b>			
*Slough Estates Administration Ltd	England	100	
*Slough Estates Finance plc	England	100	
<b>Other</b>			
Tipperary Corporation	USA	54	
Slough Heat & Power Ltd	England	100	
*Kwacker Ltd	England	100	

\*Held directly by Slough Estates plc

## Directors

The directors of the Issuer are:

Sir Nigel Mobbs	Chairman
P.D. Orchard-Lisle, CBE, TD, DL	Non-Executive Deputy Chairman
I.D. Coull	Chief Executive
J.A.N. Heawood	Executive Director
R.D. Kingston	Executive Director
M.D. Lees	Executive Director
Lord Blackwell	Senior Independent Non-Executive Director
S.L. Howard	Non-Executive Director
The Rt. Hon. Lord MacGregor of Pulham Market, OBE	Non-Executive Director
A.W. Palmer	Non-Executive Director
C.A. Peacock	Non-Executive Director
T. Wernink	Non-Executive Director

all of 234 Bath Road, Slough, Berkshire, SL1 4EE.

Their principal directorships outside of the Group are:

Sir Nigel Mobbs	Bovis Homes Group PLC Howard de Waldren Estates Ltd
P.D. Orchard-Lisle, CBE, TD, DL	Falcon Property Trust Europa Capital Partners Ltd
I.D. Coull	House of Fraser Plc
R.D. Kingston	Merseydocks and Harbour Ltd
M.D. Lees	Tipperary Corporation

Lord Blackwell

Smartstream Technologies Group Ltd  
Standard Assurance Co  
The Corporate Services Group Plc

S.L. Howard

Novar plc

The Rt. Hon. Lord Macgregor of Pulham Market, OBE

Associated British Foods Plc  
Uniq Plc  
Friends Provident PLC

A.W. Palmer

Legal & General Group Plc

C.A. Peacock

JLW European Holdings Ltd

## FINANCIAL INFORMATION

### Financial Highlights

The following are the financial highlights of the Group for the two financial years ended 31 December 2004, as extracted without material adjustment from the announcement on 22 March 2005 of the Group's preliminary results for the year ended 31 December 2004.

<b>" Profit and Loss Account</b>	<b>Year ended 31 Dec 2004</b>	Year ended 31 Dec 2003
Rental income (UK)	£174.4m	£167.3m
Rental income (Group)	£252.1m	£240.8m
Net interest payable	£94.7m	£88.5m
Profit / (loss) on property trading and disposal of fixed assets	£68.9m	(£29.0m)
Underlying profit before taxation*	£140.2m	£132.8m
Profit before taxation	£209.1m	£103.8m
Tax charge	£41.7m	£12.4m
Adjusted diluted earnings per share	28.2p	27.6p
Diluted earnings per share	36.0p	19.6p
Ordinary dividend per share	16.0p	15.0p

\* profit before taxation less profit on property trading and disposal of fixed assets

<b>Balance Sheet</b>	<b>31 Dec 2004</b>	31 Dec 2003
Total properties	£3,795.6	£3,563.9
Adjusted net assets	£2,647.1	£2,369.2
Net assets	£2,446.2	£2,176.1
Adjusted diluted net asset value per share	564p	505p
Diluted net asset value per share	521p	464p
Adjusted debt / equity ratio	50%	64%

**Total Return** (adjusted diluted net asset value per share growth plus dividend) for the year 14.9%.

<b>Financing statistics (Group)</b>	<b>31 Dec 2004</b>	31 Dec 2003
Net debt	£1,325.3m	£1,507.8m
Weighted average debt maturity	9.7 years	10.8 years
Weighted average interest rate	6.41%	6.68%
% of net debt at fixed / capped interest rates	105%	95%
Interest cover (net rents / net interest)	2.2 times	2.0 times
Cash and available committed facilities	£720.6m	£523.5m"

## Summary Group Results

The following table sets out a summary of the preliminary results of the Group for the two years ended 31 December 2004, as extracted without material adjustment from the announcement on 22 March 2005 of the Group's preliminary results for the year ended 31 December 2004.

<b>"Group profit and loss account</b> For the year ended 31 December 2004	<b>£m</b>	<b>2004</b> <b>£m</b>	<b>£m</b>	<b>2003</b> <b>£m</b>
<b>Turnover</b>				
<b>Group</b> - continuing		323.7		312.4
- discontinued		13.3		13.5
Total group		<u>337.0</u>		<u>325.9</u>
<b>Joint ventures</b> - continuing		10.8		8.6
- discontinued		8.9		8.2
Total joint ventures		<u>19.7</u>		<u>16.8</u>
<b>Group operating income</b>				
Property investment - continuing	220.6		212.1	
- discontinued	10.3		11.0	
		<u>230.9</u>		<u>223.1</u>
Property trading - operating	7.1		7.1	
Property trading - exceptional provision	-		(37.9)	
		7.1		(30.8)
Utilities		(4.1)		(4.2)
Oil and gas		(3.1)		(3.5)
Other income		10.0		4.8
Administration expenses		(15.2)		(14.0)
<b>Group operating profit</b>		<u>225.6</u>		<u>175.4</u>
Continuing	<span style="border: 1px solid black; padding: 2px;">215.3</span>		<span style="border: 1px solid black; padding: 2px;">164.4</span>	
Discontinued	<span style="border: 1px solid black; padding: 2px;">10.3</span>		<span style="border: 1px solid black; padding: 2px;">11.0</span>	
Share of operating profit/(loss) of property joint ventures and associate				
Property investment	16.4		15.1	
Property trading	(0.5)		0.2	
		<u>15.9</u>		<u>15.3</u>
<b>Total operating profit</b>		<u>241.5</u>		<u>190.7</u>
Profit on sale of investment properties - continuing	55.5		1.6	
- discontinued	6.8		-	
		<u>62.3</u>		<u>1.6</u>
<b>Profit before interest and taxation</b>		<u>303.8</u>		<u>192.3</u>
Interest (net)		(94.7)		(88.5)
<b>Profit on ordinary activities before taxation</b>		<u>209.1</u>		<u>103.8</u>
Taxation - current	(35.1)		(14.7)	
- deferred	(6.6)		2.3	
		<u>(41.7)</u>		<u>(12.4)</u>
<b>Profit on ordinary activities after taxation</b>		<u>167.4</u>		<u>91.4</u>
Minority interests – equity		1.6		1.8
Preference dividends		(11.2)		(11.4)
<b>Profit attributable to ordinary shareholders</b>		<u>157.8</u>		<u>81.8</u>
Ordinary dividends		(67.0)		(62.5)
<b>Retained profit</b>		<u>90.8</u>		<u>19.3</u>
<b>Basic earnings per ordinary share</b>		37.8p		19.6p
Adjustment to exclude profits and losses on sale of investment properties net of tax and minority and the exceptional provision for Quail West		(10.1p)		5.2p

Adjustment to exclude FRS19 Deferred Tax	<u>1.3p</u>	<u>2.8p</u>
<b>Adjusted basic earnings per ordinary share</b>	<u>29.0p</u>	<u>27.6p</u>
<b>Diluted earnings per ordinary share</b>	<u>36.0p</u>	<u>19.6p</u>

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

## Group Balance Sheet

The following table sets out the balance sheet for the Group for the two years ended 31 December 2004, as extracted without material adjustment from the announcement on 22 March 2005 of the Group's preliminary results for the year ended 31 December 2004.

<b>"As at 31 December 2004</b>	<b>2004</b>	<b>2003</b>
	<b>£m</b>	<b>restated</b>
	<b>£m</b>	<b>£m</b>
<b>Fixed assets</b>		
Intangible asset - goodwill	(4.7)	-
Tangible assets - investment properties	3,795.6	3,563.9
- other	118.0	41.8
Investments in joint ventures:		
- share of gross assets	134.8	255.9
- share of gross liabilities	(46.4)	(50.5)
	88.4	205.4
Investment in associate	3.9	3.9
	<u>4,001.2</u>	<u>3,815.0</u>
<b>Current assets</b>		
Stocks	127.2	123.2
Debtors	61.2	35.9
Trading investments	38.4	107.3
Cash and deposits	397.4	159.3
	<u>624.2</u>	<u>425.7</u>
Prepayments and accrued income	23.1	19.3
	<u>4,648.5</u>	<u>4,260.0</u>
<b>Total assets</b>		
<b>Capital and reserves</b>		
Called up share capital	138.8	138.9
Share premium account	339.1	336.0
Capital reserves	1,664.6	1,439.2
Own shares held	(5.2)	(5.2)
Profit and loss account	308.9	267.2
	<u>2,446.2</u>	<u>2,176.1</u>
<b>Shareholders' funds</b>		
Minority interests - equity	21.0	22.1
- non-equity	0.3	0.3
Provisions for liabilities and charges	211.6	205.6
Creditors falling due within one year		
Borrowings	39.2	40.5
Other	231.5	179.3
	<u>270.7</u>	<u>219.8</u>
Creditors falling due after more than one year		
Borrowings	1,683.5	1,626.6
Other	15.2	9.5
	<u>1,698.7</u>	<u>1,636.1</u>
	<u>4,648.5</u>	<u>4,260.0</u>
<b>Shareholders' funds attributable to:</b>		
Equity shareholders - ordinary shares	2,310.2	2,038.3
Non-equity shareholders - preference shares	136.0	137.8
	<u>2,446.2</u>	<u>2,176.1</u>



**Net assets per ordinary share**

- basic	553p	490p
- basic excluding FRS19 deferred tax	601p	536p
- diluted	521p	464p
- diluted excluding FRS19 deferred tax	564p	505p"

## **Preliminary Statement 2004**

The following is an extract without material adjustment from the Preliminary Statement 2004, which was made by the Company's Chief Executive on the announcement on 22 March 2005 of the Group's preliminary results for the year ended 31 December 2004.

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

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

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

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

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

### **Major Property purchases and sales**

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

## Major purchases and sales in 2004:

- Purchase of Land Securities' industrial portfolio for £340.4m. Slough Estates secured an excellent industrial portfolio in exchange for the major part of our retail portfolio. This transaction was a one-off opportunity to acquire a high quality south eastern England portfolio that had been built up over a number of years by Land Securities.
- Sale of shopping centres in UK to Land Securities for £332.8m. In the UK, the ground breaking £673m property swap with Land Securities has enabled Slough to exit from the majority of its shopping centre portfolio. Slough Estates' retail portfolio was too small to be an effective hedge for the overall portfolio so there was a choice; either to grow this portfolio substantially, or to exit. We plan to exit our remaining shopping centre investments in due course.
- Sale of 34,051 sq.m. of light industrial/warehouse space at Neuss, Germany for £21.4m. Part of Slough's holding at Neuss was sold to IVG for £21.4m in December 2004.
- Sale of Pfizer Center in San Diego for £190.7m. The sale of the 71,709 sq.m. Pfizer Campus in San Diego is the first major disposal from the Slough Estates health science portfolio in the US. The development cost for the campus was £91.1m and the campus had been valued at £143.2m at the half year, which shows that Slough Estates has achieved an excellent price, and supports our positive view for the entire Slough health science portfolio. It is our intention to continue to recycle assets within the Californian portfolio so that Slough USA operates on a stand alone basis.
- Acquisition of 32.5 hectares of land at Parkway Business Centre, Poway, San Diego for £24.6m. 14,492 sq.m. of space is currently under construction on a 19.5 hectare plot, which was acquired in the first half of 2004. A further 13.0 hectare plot was acquired in the second half.
- Disposal of Willingdon Park, Vancouver for £33.4m. A quality 71,117 sq.m office development, well placed for Vancouver's city center, was sold to our partner Hospitals of Ontario Pension Plan. Willingdon Park had been developed over 15 years and had a rental income of £2.6m. The exit from Vancouver completes Slough Estates' withdrawal from the Canadian market.
- Sale of Quail West for net £30.0m. Conditional contracts were exchanged for the sale of the leisure complex at Quail West in December 2004. The net book value of this project at the end of 2004 was £7.4m after deducting the provision against future costs, which was established in 2003 in reaction to the poor sales that were being achieved at that time. However, in 2004 the market for high-end leisure properties improved and we are very pleased to have agreed a price considerably over the written down value, receivable by instalments over four years. None of the gain has been recognised in 2004.

## Joint Venture - HelioSlough

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

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

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

## Leasing

A key objective in 2004 was to reduce the void space in our portfolio, with a particular emphasis on the UK business space sector. We have been successful in leasing 102,821 sq.m. of space in the year in the UK, up from 83,836 sq.m. in 2003, which is a very impressive result given the market conditions and close to our record level. However, a general improvement in occupancy remains elusive and, notwithstanding our success in leasing a large amount of space, we also had 143,467 sq.m. of space returned to us in the UK, mainly as a result of corporate relocations and rationalisations, bringing UK occupancy at the year-end to 90.6%. However of the space returned, 35,997 sq.m. is deemed redundant space and the land is available for redevelopment. For occupancy data, vacant units which have the benefit of a rental guarantee, are considered occupied. The mix of occupancy has also changed as a result of the property swap with Land Securities where we exchanged nearly fully let shopping centres for UK industrial property with lower levels of occupancy. In cycles of stronger occupancy demand, the level of space surrendered could be regarded as a significant opportunity for redevelopment and portfolio modernization. Steps are being taken across the portfolio to upgrade customer retention and the marketing of space and improvements to individual estate environments.

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

Group occupancy marginally improved to 89.6%.

### Leasing of space vs. space returned

	Slough Trading Estate sq.m.	Other UK sq.m.	Europe sq.m.	US sq.m.
Lettings	43,082	59,739	49,465	25,347
Pre-lets	1,444	7,644	31,601	72,464
New space completed and unlet	0	1,868	35,331	0
Space Returned	51,645	91,822	31,653	36,595

Major lettings have included:

### UK

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

## Europe

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

## USA

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

## **Development**

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

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

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

*Excludes buildings already completed*

## **Other activities**

We have made good progress in the sale of our non-core activities. Agreement has been reached to sell Quail West. We have settled the outstanding litigation with regard to Tipperary Oil & Gas, which

means that we expect to be able to exit this trade investment successfully at our own timing. We reduced our holding in Tipperary Oil & Gas to 54% in 2004. Slough Heat & Power has continued to improve its operating performance over the past six months.

### **Major post year end event**

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

### **Outlook**

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

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

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

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

The Board believes that Slough Estates is today well positioned to take advantage of the opportunities in the marketplace as the Group has excellent properties and substantial land holdings with planning

consents for development, located in many of the prime international business centres. This will enable us to start to build into the recovery in occupier demand and, having successfully put in the infrastructure for these new schemes in 2005, it will be possible to accelerate this development pipeline as demand requires.

Ian Coull  
*Chief Executive*"

## Operating Review

The following is the operating review of the Group for the year ended 31 December 2004, as extracted without material adjustment from the announcement on 22 March 2005 of the Group's preliminary results for the year ended 31 December 2004.

### "Slough Trading Estate

Value £1.2bn
673,000 sq.m. (7.2m sq. ft.) business space and 33,737 sq.m. (0.4m sq.ft.) retail space
200 hectare (500 acre) site
394 customers
Approximately 20,000 employees based on the Trading Estate
Website: <a href="http://www.sloughte.com">www.sloughte.com</a>

Customers include:

Allied Carpets  
B&Q  
Black & Decker  
Celltech R&D  
Comet Group  
Equant  
Furniture Village  
Ferrari Maserati UK  
Fiat Auto (UK)  
Ipsen  
John Menzies  
Kingston Communications  
L G Electronics UK  
Lonza Biologics  
Mars  
NEC (UK)  
O<sub>2</sub>  
Polycom (UK)  
Sun Chemical  
Unatrac Limited  
Xenova

100% owned

Rent passing £69.0m pa

Average passing rent

Business space:

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

2,394 sq.m. under construction

89% occupancy by area

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

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

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

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

### Heathrow and West London

Value £489m



332,712 sq.m. (3.6m sq.ft.) business space and 4,370 sq.m. (47,038 sq.ft.) retail in: Feltham, Hayes, Hounslow, Isleworth, Poyle, West Drayton, Park Royal, Uxbridge, Greenford, Ruislip, Heston
82 hectares (203 acres) in total
240 customers
Website: www.thelhr.com
Customers include: DFS Furniture Company, Federal Express Europe, Fujitsu, National Express Operations, Scottish & Newcastle, Thorn, TNT, Tristar Cars, VG Systems
100% owned
Rent passing £29.1m pa Average passing rent: £86.29 per sq.m.
14,276 sq.m. under construction at West Drayton and Hounslow, 20% preleased
92% occupancy by area

### South London and Southern England

Value £336m
269,545 sq.m. (2.9m sq.ft.) business space in: Basingstoke, Portsmouth, Camberley, Southampton, Epsom, Leatherhead, Farnborough, Coulsdon, Croydon, Fareham, Frimley, Guildford, SW19, Swanley, Crawley
115 hectares (284 acres) in total
129 customers
Customers include: Agustawestland International, Autodesk, Carlsberg UK, Siemens Real Estate, Thales Properties, The Big Yellow Self Storage Company, Oddbins, Pinnacle Entertainment, Volkswagen Group UK
100% owned
Rent passing £13.8m pa Average passing rent: £51.28 per sq.m.
5,434 sq.m. under construction at Camberley and Portsmouth, 46% presold or prelet
82% occupancy by area, excl. rental guarantee. 95% occupancy incl. rental guarantee

### North London and East of England

Value £346m
292,920 sq.m. (3.2m sq.ft.) business space in: Elstree, Welwyn Garden City, Chelmsford, Radlett, Luton, Basildon, Hatfield, Thurrock, Barking, Huntingdon, Cambridge
124 hectares (309 acres) in total
166 customers

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

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

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

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

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

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

Customers include: Blue Star Engineering, Ford Motor Company, NTL, Starbucks Coffee Company, Sheffield Insulations, Tibbett & Britten, Tesco, WH Smith
100% owned
Rent passing £17.6m pa
Average passing rent: £59.90 per sq.m.
9,454 sq.m. under construction at Radlett
83% occupancy by area, excl. rental guarantee 88% occupancy incl. rental guarantee

### Thames Valley and West of England

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

### Midlands

Value £186m
168,371 sq.m. (1.8m sq.ft.) business space and 16,733 sq.m. (180,000 sq. ft.) of retail space in: Birmingham, Huddersfield, Chester, Derby, Northampton, Runcorn, Warrington, Oldbury
54.0 hectares (133.5 acres) in total
154 customers

*UK's biotech industry.*

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

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

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

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

Customers include: Aggregate Industries Management, British Midland, DSG, Newey & Eyre, Reid Furniture, Sec. of State for the Environment, Tesco, Wolseley UK
100% owned
Rent passing £11.6m pa
Average passing rent: £62.80 per sq.m.
89% occupancy by area

- A total of 9,644 sq.m. let in 2004.
- Letting of 2,157 sq.m. at Kings Norton Business Centre, at a rent of £60.74 per sq.m.
- Letting of 1,861 sq. m. at Derby at an average rent of £43.07 per sq.m. over 5 years.

### Joint Ventures - HelioSlough

Trading book value £10m
26.5 hectares (65.4 acres) owned in total
50/50 JV with Helios Properties

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

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

### Belgium

Investment property value £189.1m
Trading book value £11.5m
177,955 sq.m. (1.9m sq.ft.) business/office space and 2,797 sq.m. (30,100 sq.ft.) of retail in:
Brussels Pegasus Park (81,679 sq.m.), Woluwe, Relegem, Bornem, Nivelles, Zaventem, Horizon, Diegem, Rumst, Zellik, Sirius, Kortenberg
67 hectares (168 acres) in total
87 customers
Customers include: Cisco, Johnson Controls, Regus, DHL, Bornem, UPS, Telenet, Sungard, Emerson, Agilent, Ecolab (Henkel), Synstar
Rent passing £14.4m pa
Average passing rent: £80.71 per sq.m.
85% occupancy by area

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

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

## France

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Investment property value £108.2m
Trading book value £28.5m
239,996 sq.m. (2.6m sq.ft.) business space and 17,812 sq.m. (190,000 sq.ft.) of retail in: Marly la Ville, Cergy Pontoise, Evry, Bures Orsay, Colombes, Le Blanc Mesnil, Aulnay sous Bois, Nanterre and Paris
56 hectares (138 acres) in total
20 customers
Customers include: Geodis, Daher, Deluxe, Staci, Conforama, Stockalliance, Gefco, Mory Team, Guilbert, UPS Patisfrance
Rent passing £10.3m pa
Average passing rent: £43.00 per sq.m.
9,858 sq.m. under construction at Le Blanc Mesnil, 33% preleased
96% occupancy by area

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

- A total of 20,160 sq.m. let in 2004.
- Delivery of 1<sup>st</sup> phase of 7,472 sq.m. of light industrial units at Le Blanc Mesnil, close to Le Bourget (48% leased on delivery).

## Germany

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Trading book value £52.8m
60,224 sq.m. (650,000 sq.ft.) business space in: Neuss, Hamburg, Ratingen, Mönchengladbach, Frankfurt, Kapellen, Krefeld
27 hectares (67 acres) in total
57 customers
Customers include: CC Bank, Qits, SATO, Listan, Phonet, Flashpoint, Spacelabs, ADCO, Bernd John, Junkers, Tholstrup, Robin (Europe)
100% owned
Rent passing £2.5m pa
Average passing rent: £40.93 per sq.m.

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

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

## California

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Investment property £541.4m
343,431 sq.m. (3.7m sq.ft.) business space in: San Francisco, San Diego
129 hectares (319 acres) in total
50 customers

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

Customers include: Amgen, Exelixis, Pfizer, Rigel, Robert Half International, FibroGen, Raven, SkyePharma, Aradigm, Millenium Pharmaceuticals, Syrrx, ProBusiness Services
Rent passing £45.0m pa
Average passing rent: £131.17 per sq.m.
62,336 sq.m. under construction at South San Francisco and Poway, 67% preleased

*health science industry.*

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

- Genentech, Inc. agreed to terms to lease approx. 72,464 sq.m (780,000 sq.ft.) of office and laboratory space in eight new buildings on the Britannia East Grand site, South San Francisco. Construction will take place in two phases over 4 years and is estimated to cost over £169 million.
- Acquisition of 32.5 ha of land at Parkway Business Centre, Poway, San Diego.
- Purchase of 3 ha site in San Francisco containing a 15,128 sq.m. redundant building which will be redeveloped.
- Completion and letting of last two buildings (approximately 18,821 sq.m.) of the Pfizer Global Research and Development Center in Torrey Pines Science Center (totalling 71,709 sq.m.).
- Sale of Pfizer Center in San Diego for £190.7 million."

## TAXATION

**The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.**

### **A. Interest on the Notes**

#### *1. Payment of interest on the Notes*

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the **Act**). The London Stock Exchange is a recognised stock exchange. Under an HM Revenue and Customs published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and admitted to trading by the London Stock Exchange. Provided, therefore, that the Notes remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner of the interest is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue and Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the beneficial owner of the interest is not within the charge to United Kingdom corporation tax as regards such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HM Revenue and Customs can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders who are individuals may wish to note that HM Revenue and Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by HM Revenue and Customs with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

#### *2. EU Savings Directive*

On 3 June 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive, Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1

July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

3. *Further United Kingdom Income Tax Issues*

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (or, where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Noteholders.

**B. United Kingdom Corporation Tax Payers**

4. In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes broadly in accordance with the way such amounts and fluctuations are recognised in accordance with generally accepted accounting practice.

**C. Other United Kingdom Tax Payers**

5. *Taxation of Chargeable Gains*

The Notes will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

6. *Accrued Income Scheme*

A disposal of Notes by a Noteholder who is resident or ordinarily resident in the United Kingdom or who carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable may give rise to a charge to United Kingdom income tax in respect of an amount treated (under the rules known as the "accrued income scheme" set out in Chapter II of Part XVII of the Act) as representing interest which has accrued since the last interest payment date.

**D. Stamp Duty and Stamp Duty Reserve Tax (SDRT)**

7. No United Kingdom stamp duty or SDRT is payable on a transfer by delivery of the Notes.

## SUBSCRIPTION AND SALE

Barclays Bank PLC, The Royal Bank of Scotland plc and UBS Limited (together, the **Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 16 June 2005, jointly and severally agreed to subscribe or procure subscribers for £30,355,000 in aggregate principal amount of the Notes at the issue price of 99.229 per cent. of the principal amount of Notes, less a combined selling concession and management and underwriting commission of 0.50 per cent. of the principal amount of the Notes. The Issuer will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### *United States*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### *United Kingdom*

Each Manager has represented and agreed that, except as permitted by the Subscription Agreement:

- (a) it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part VI of the FSMA except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSMA;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and



- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

***General***

No action has been taken by the Issuer or any of the Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

## GENERAL INFORMATION

### Authorisation

1. The issue of the Notes was duly authorised by resolutions of the Board of Directors of the Issuer dated 17 December 2004 and 26 January 2005, and of a Committee of the Board of Directors dated 9 May 2005.

### Listing

2. The admission of the Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that official listing will be granted on or about 20 June 2005 subject only to the issue of the Temporary Global Note. Prior to official listing, dealings will be permitted by the London Stock Exchange in accordance with its rules.

### Clearing Systems

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0221324154 and the Common Code is 022132415.

### No significant change

4. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Group since 31 December 2004 and there has been no material adverse change in the financial position or prospects of the Group since 31 December 2004.

### Litigation

5. Neither the Issuer nor any other member of the Group is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a significant effect on the financial position of the Issuer or the Group.

### Investor Presentations

6. The Issuer intends to arrange, on an annual basis, investor presentations to which Noteholders (or their duly authorised representatives) will be invited.

### Accounts

7. The auditors of the Issuer are PricewaterhouseCoopers LLP, Chartered Accountants who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for each of the three financial years ended on 31 December 2004.

### U.S. tax

8. The Notes and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws,

including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

**Documents**

9. Copies of the following documents will be available for inspection from the offices of Citibank, N.A. in London for 14 days from the date hereof:
  - (a) the memorandum and articles of association of the Issuer;
  - (b) the audited financial statements of the Issuer in respect of the financial years ended 31 December 2003 and 31 December 2004; and
  - (c) the Trust Deed and the Agency Agreement.

**THE ISSUER**

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