press release

For immediate release 8 March 2007

RESULTS FOR THE YEAR TO 31 DECEMBER 2006

A STRONG PERFORMANCE FROM EUROPE'S LEADING PROVIDER OF FLEXIBLE BUSINESS SPACE

"We entered 2006 in good shape and left it in even better shape."
Ian Coull, Chief Executive

Highlights	2006	2005	**Change %**
Profit before tax (£m's)	690.1	582.3	**18.5**
Adjusted* profit before tax (£m's)	142.7	119.5	**19.4**
Basic EPS (p)	201.8	91.7	**120.0**
Adjusted* diluted EPS (p)	25.1	24.3	**3.3**
Total dividend for the year (p)	19.0	17.5	**8.6**
NAV per share (p)	718	579	**24.0**
Adjusted* diluted NAV per share (p)	775	680	**14.0**
- excluding REIT conversion charge (p)	792	680	**16.5**
Adjusted* gearing (debt to equity) (%)	61	62	**-**
Total property portfolio (including joint ventures) (£m's)	6,013	5,138	**17.0**

*Note: for definitions of "adjusted" items, see footnotes on page 5 of full press release

- **ANOTHER STRONG OPERATING PERFORMANCE IN 2006**
  - Adjusted profit before tax up 19%
  - Group lettings of 440,000 sq m. In addition, pre-lettings of 159,000 sq m
  - Continental European expansion going from strength to strength - 169,000 sq m of lettings
  - UK developments, acquisitions and core asset management skills driving robust £10m growth in UK gross property rental income

- **FURTHER STRONG PORTFOLIO PERFORMANCE AND TOTAL RETURNS**
  - Valuation surplus of 11%. (UK Industrial up 11.5%, ahead of IPD at 11.3%)
  - Portfolio growth of 17% to £6.0bn. Reported NAV up 24%, diluted adjusted NAV up 14%
  - Total return (increase in EPRA NAV plus dividends paid) 16.6% (19.2% excluding REIT conversion charge)

- **WELL PLACED TO DELIVER SUPERIOR SHAREHOLDER RETURNS**
  - REIT status in UK from 1 January 2007
  - Future growth underpinned by strengthening development pipeline
  - Investment yields in Continental Europe continue to be attractive
  - US strategic review progressing well, no further announcement anticipated until 2nd quarter of 2007

NIGEL RICH, Chairman said:
"In my first year as Chairman of Slough Estates, I have been impressed with the Group's financial and operational performance. The development pipeline in both the UK and Continental Europe is very strong and focused. The balance sheet provides opportunities for further investment and the portfolio is being actively managed. The Board is recommending a final dividend of 12.1p, making a total dividend of 19.0p, an overall increase of 8.6%.

IAN COULL, Chief Executive said:
"We entered 2006 in good shape and we left it in even better shape. With our clear strategic focus on Flexible Business Space, a highly motivated team and the right organisational structure, we have consolidated on the strengthened position of recent years. Given the scale of our expansion in Continental Europe I am particularly pleased to be able to report that the European business delivered an outstanding performance in 2006.

The 19 per cent increase in underlying adjusted profit before tax highlights another strong operating performance in 2006. Group lettings in the year increased to 440,000 sq m, with a further 159,000 sq m in pre-lets for the future benefit of the business. Robust customer demand, our active management of assets and our sharpened focus on customer needs were the main factors behind this strong performance. Continental Europe alone delivered an excellent 169,000 sq m. Across the Group, we invested £243 million in developments and £216 million in acquisitions, with £173 million of disposals crystallising £43 million of gains in value from previous investment. In the UK we recycled over £170 million of capital but we were net sellers of assets. The Group valuation surplus was 11 per cent, with the major UK industrial element of our portfolio up 11.5 per cent ahead of the equivalent IPD industrial index which increased by 11.3 per cent. Even allowing for the non-cash effects of new shares issued for the preference share conversion and deferred tax charges, adjusted EPS growth was 3.3 per cent.

IMPLEMENTATION OF STRATEGY During 2006 the UK team has concentrated on shaping the portfolio to produce stronger returns by four primary routes. We acquired estates or assembled a critical mass of properties in areas that enabled customers to expand their businesses within our holdings and for the most cost-effective provision of services. We disposed of underperforming or non-conforming assets where there was limited opportunity to add value – with £173 million of disposals. We aggressively pursued and delivered redevelopments that allowed us to effectively replace older buildings and recycle the portfolio whilst retaining key holdings. We also worked closely with our customers to provide a level of service that contrasts positively with other landlords.

Opportunities in Continental Europe currently offer attractive yields, low borrowing costs and strong prospects for growth. Employing fundamentally the same model as in the UK, the strategy has been to identify the areas with the best growth potential in each country and then to assemble a critical mass or "cluster" of properties in these locations. We have already secured this critical mass in the northern sector of Paris, France, and in the Düsseldorf region, Germany, where SEI is now established as the leading provider of modern and flexible light industrial, office and logistics space. We are also already very well established in the vicinity of Brussels airport in Belgium and Schiphol airport in the Netherlands where further land and income-producing properties have been acquired in these important strategic areas. During 2006, SEI made some major and highly successful inroads into Central European locations providing a platform for future growth in that region. As our strategy evolves, we seek to acquire and develop industrial and logistics space, as well as land for development, in the growth zones of key markets across Continental Europe.

A £70 million acquisition and leaseback agreement with Antalis, was largely complete by 31 December 2006. This agreement included properties in two new major target countries, Italy and Spain, and provides SEI with a platform in key locations, including potential to make further strategic acquisitions.

In the USA, the business focuses on the implementation of the biotechnology strategy and on value-add opportunities in major biotechnology clusters in the San Francisco Bay Area and San Diego County. The business model concentrates on development, redevelopment, conversions and strategic acquisitions. In 2006 investment momentum accelerated in response to biotechnology industry activity during the year, buoyed by increased funding from the major pharmaceutical companies and the Venture Capital community. During the year, we have added several new clients to the portfolio: clients who have the potential to provide opportunities for future expansion.

2006 PERFORMANCE REVIEW
UK. With most commentators forecasting the end of yield compression in the UK and in the context of the generally positive rental levels, the UK team is demonstrating the quality of its core property skills. In 2006 we recycled capital, completed the latest phase of the development programme and implemented our asset management strategy - successfully driving gross property rental income up by £10 million. UK underlying year on year vacancy levels by space remained unchanged at 8 per cent, but we generated an extra £4 million of rental income from space let over space returned. We achieved overall rental growth of 3.7 per cent on rent reviews, ahead of the IPD industrial figure of 1.4 per cent. Rental growth on new lettings was flat, consistent with the priority we give to generating cash from unoccupied space.

As expected, the potential from development completions coming on stream and from vacancy actively acquired with major new properties resulted in headline vacancy in the UK increasing, from 10.9 per cent to 11.6 per cent. We selectively acquired £145 million of properties in the UK, in attractive locations.

CONTINENTAL EUROPE. Having doubled in size and firmly established a presence in Central Europe at the start of the year, our Continental European business delivered an outstanding performance in 2006. Its excellent 169,000 sq m of lettings increased the rent roll by over £7 million pa and brought investment property vacancy levels down from 10.2 per cent to 8.7 per cent, with overall vacancy levels – including trading properties – down from 12.3 per cent to 7.5 per cent. 77 per cent of our pre-lettings were delivered in Continental Europe.

USA. In the USA, the business had a good year with the £0.9 billion book valuation at the end of 2006 representing a 28 per cent increase on the end of 2005, reflecting development completions and yield compression in a market which is increasingly seeing biotech real estate as an attractive asset class. Gross rental income increased 25.3 per cent to £76 million, reflecting the full year effect of some strong lettings in 2005 and the benefit of development completions in 2006. Further progress was made with lettings and with new acquisitions for future developments, although the market in San Diego County, unlike the San Francisco peninsula, has remained somewhat subdued, leaving the USA vacancy high at 18.9 per cent.

REIT CONVERSION. Slough Estates became a Real Estate Investment Trust (REIT) on 1 January 2007. We believe Slough is well placed to deliver superior shareholder returns as a REIT, with its strong development pipeline and pan-European business model. In addition to the UK tax advantages which REIT status provides for most eligible companies, the UK REIT legislation also enhances our ability to implement an efficient international tax structure – enabling us to take greater advantage of the already stronger yields and lower borrowing costs available in Continental Europe. The Board announced its new post REIT dividend policy in November 2006. In future the Board ordinarily expects total dividends to exceed the mandatory 90 per cent ”Property Income Distribution” element, and to comprise between 85 per cent and 95 per cent of the aggregate of UK and overseas sourced recurring property rental earnings plus a proportion of trading property profits and other income from non-property activities. This new policy will take effect during 2007 and is not reflected in the proposed final dividend for 2006.

DEVELOPMENT. Our £3 billion development pipeline, a key driver of our future returns, is building momentum. With 154,000 sq m of developments completed during 2006 and 338,000 sq m of construction in progress at the year end, the pipeline now stands at 2.4m sq m with £226 million of rental income potential.

OUTLOOK. Market conditions are encouraging. In the UK, enquiry levels are in line with last year, with some areas seeing particular strength in rental levels – such as Bristol, Heathrow and the Thames Valley. Conditions are generally stronger across Continental Europe. Our Central European locations are seeing continuing strong demand across the board, there are also some specific areas of strength in Western Europe, such as in light industrial markets in France and in the logistics market in France and in Belgium. In the USA, demand for SEI's biotech' product remains strong in the San Francisco Bay area, but there has been little pick up as yet in San Diego.

The momentum in the development pipeline continues to grow, with 338,000 sq m under construction at the end of 2006 and with 734,000 sq m of construction starts expected during 2007 – 515,000 sq m of it in Continental Europe alone – underpinned by the healthy occupier demand levels across the Group. The sale and leaseback agreement with Antalis in late 2006 moved us into a number of high growth European business centres – including key locations in two new countries, Italy and Spain – and gave us another important partnership relationship with a substantial corporate occupier, thereby enhancing our platform for growth. We continue to see a steady flow of attractive investment and acquisition opportunities. With our strategy and structure now firmly in place, we are meeting or beating our targets and our growth plans remain firmly on track.”

USA STRATEGIC REVIEW In November 2006 SEI announced that, consistent with its previously-stated strategy of focusing on the provision of Flexible Business Space in the UK and in Continental Europe, it was exploring the strategic options for its USA business. It was announced that the process involved consideration of a range of possible options, including an immediate or phased divestment and also joint venturing or merging SEI's USA business with a third party. In assessing the options the Board has regard to all relevant considerations including the current and potential future value of the business as well as the tax implications of the various options. The process is well underway and we anticipate making a further announcement during the second quarter of the year.

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CONTENTS

1) SUMMARY DATA TABLES – FINANCIAL HIGHLIGHTS & PROPERTY PORTFOLIO

INCOME STATEMENT

	2006	2005
Net rental income[1] (£m's)	247.2	223.9
Net interest costs (£m's) – excluding 2005 exceptional cost of refinancing	95.2	103.5
Realised gains on disposals of assets (£m's)	43.1	18.8
Revaluation gain (£m's)	532.2	409.1
Profit before taxation (£m's)	690.1	582.3
Adjusted profit before taxation[2] (£m's)	142.7	119.5
Basic earnings per share (p)	201.8	91.7
Adjusted diluted earnings per share[3] (p)	25.1	24.3
Total dividends declared for the year (p)	19.0	17.5
Dividends paid in the year (p)	17.9	16.35
Adjusted underlying tax rate[4] (%)	19	13
Property return[9] (ungeared) (%)	15.3	14.6
Total return[10] (%)	16.6	24.8

BALANCE SHEET

	31 December 2006	31 December 2005
Total properties, including share of joint ventures' properties (£m's)	6,013.1	5,137.8
Net assets excluding minority interests (£m's)	3,372.7	2,440.4
Adjusted net assets[5] (£m's)	3,648.8	3,089.6
Net assets per share (p)	718	579
Adjusted diluted net assets per share[6] (p)	775	680
Group:		
Net debt (£m's)	2,223.4	2,092.3
Debt to equity[7] (%)	61	62
Loan to value[8] (%)	38	42
Including share of joint ventures:		
Net debt (£m's)	2,288.5	2,121.9
Loan to value (%)	38	41

1. Including rental income on trading properties but excluding exceptional surrender premiums received in 2005.
2. Profit before tax excluding exceptional gains and losses, property revaluation surpluses and the gains and losses on derivative instruments. Lease surrender premiums which are exceptional by virtue of their size are excluded from adjusted profit before tax.
3. Earnings per share based on adjusted profit before tax, and reflecting the dilutive effects of preference shares and shares held by the ESOP trust properties.
4. Tax charge, excluding deferred tax on valuation surpluses, as a percentage of adjusted profit before tax.
5. Net assets adjusted to add back deferred tax associated with investment properties.
6. NAV per share adjusted to add back deferred tax associated with investment properties and to reflect the dilution caused by preference Shares and shares held in the ESOP.
7. Net debt as a percentage of shareholders' funds adjusted to add back deferred tax associated with investment properties and treating Preference shares as equity.
8. Net debt as a percentage of the total property portfolio excluding joint ventures.
9. Increase in the capital value of properties plus net rental income and gain/loss on disposals.
10. Adjusted NAV growth plus dividends paid in the period.

THE INVESTMENT PORTFOLIO

Completed Investment Properties			**Rental Data***			
Properties	**Lettable space (sq m)**	**% of Total**	**Passing rent at 31.12.06 (£m)**	**Market rental value (ERV) at 31.12.06 (£m)**	**Gross rental income for 2006 (£m)**	**Net rental income for 2006 (£m)**
UK - by asset type						
Industrial	2,312,525	62	143.7	169.9	154.5	129.7
Offices	177,506	5	28.4	31.5	30.0	23.8
Retail	64,532	1	12.6	13.5	13.8	11.5
Total UK	2,554,563	68	184.7	214.9	198.3	165.0
Continental Europe - by asset type						
Industrial	652,900	18	19.8	23.5	18.4	15.7
Offices	85,684	2	10.3	10.7	8.9	7.6
Total Continental Europe	738.584	20	30.1	34.2	27.3	23.3
USA - Biotech / Office	453,317	12	60.0	70.5	78.6	60.4
Group Totals						
Industrial	2,965,425	80	163.5	193.4	172.9	145.4
Offices	263,190	7	38.7	42.2	38.9	31.4
Retail	64,532	1	12.6	13.5	13.8	11.5
Biotech / Office (USA)	453,317	12	60.0	70.5	78.6	60.4
Group Total	3,746,464	100	274.8	319.6	304.2	248.7

	Lettable space (sq. m.)		**Passing rent at 31.12.06 (£m)**	**Market rental Value (ERV) at 31.12.06 (£m)**	**Gross rental income for the year (£m)**	**Net rental income for the year (£m)**
Continental Europe - by country						
France	354,325	10	10.9	12.9	11.1	10.1
Germany	193,781	5	5.0	6.1	3.6	3.2
Belgium	138,734	4	12.4	13.2	12.1	10.7
Netherlands	8,733	-	0.6	0.8	0.1	-0.3
Central Europe	43,011	1	1.2	1.2	0.4	-0.4
Total	**738,584**	**20**	**30.1**	**34.2**	**27.3**	**23.3**

	Vacancy Rate by Space %	**Valuation 31.12.06 (£m)**	**Valuation % of total**	**Valuation surplus (£m)**	**Valuation Data*** **Valuation Surplus %**	**Initial yield %**	**Reversionary yield %**
UK - by asset type							
Industrial	11.3	2,941.5	59	302.4	11.5	4.9	5.8
Offices	21.3	494.7	10	27.4	5.9	5.7	6.4
Retail	0.1	262.4	5	24.2	10.2	4.8	5.1
Total UK	11.6	3,698.6	74	354.0	10.6	5.0	5.8
Continental Europe - by asset type							
Industrial	9.1	267.0	5	16.6	6.6	7.4	8.8
Offices	8.0	143.9	3	8.6	6.4	7.1	7.4
Total Continental Europe	8.7	410.9	8	25.2	6.5	7.3	8.3
USA - Biotech / Office	18.9	902.6	18	118.8	15.2	6.6	7.8
Group Totals							
Industrial	10.8	3,208.5	64	319.0	11.0	5.1	6.0
Offices	16.7	638.6	13	36.0	6.0	6.1	6.6
Retail	0.1	262.4	5	24.2	10.2	4.8	5.1
Biotech / Office (USA)	18.9	902.6	18	118.8	15.2	6.6	7.8
Group Total	11.9	5,012.1	100	498.0	11.0	5.5	6.4

* Including the Group's share of joint ventures' properties. Excluding land held for investment and properties in the course of construction.

	Valuation at 31.12.06 (£m)	Valuation % of total	Valuation surplus (£m)	Valuation surplus %	Initial yield %	Reversionary yield %
Continental Europe - by country						
France	149.6	3	14.5	10.7	7.3	8.6
Germany	73.2	2	4.7	6.9	6.8	8.2
Belgium	166.4	3	3.3	2.0	7.4	7.9
Netherlands	6.9	-	-	-	8.7	11.1
Central Europe	14.8	-	2.7	22.3	8.4	8.4
Total - including share of JVs	410.9	8	25.2	6.5	7.3	8.3

REVERSIONARY POTENTIAL as at 31.12.06

	Reversion to ERV on occupied properties £m	ERV of vacant properties £m
UK – Industrial	8.3	17.9
- Offices	(2.6)	5.8
- Retail	0.9	0.0
Continental Europe	0.2	4.0
USA	2.2	8.3
Total	9.0	36.0

LETTINGS ANALYSIS

	By area 000's sq m				By rent[(1)] pa (£m)	
	Lettings		Space Returned		Lettings	Space Returned
	2006	2005	2006	2005	2006	2006
UK - Lettings of new developments	38	42			4.0	
UK - Existing vacant	129	147			9.9	
UK- Licenses	17	35			0.3	
Total UK	184	224	169	198	14.2	10.7
Continental Europe	169	107	86	40	7.0	3.2
North America	87	33	39	25	10.8	3.8
Total Group	440	364	294	263	32.0	17.7

(1) Rent passing

VACANCY ANALYSIS

Headline (excludes trading properties)	31.12.06 %	31.12.05 %
UK	11.6	10.9
Continental Europe	8.7	10.2
North America	18.9	19.5
Group Total	**11.9**	**11.8**
Analysis of Underlying UK Vacancy		
Recent acquisitions	2.5	2.3
Completed development sites (less than 18 months)	1.1	0.5
Underlying UK vacancy	8.0	8.1
Total UK	**11.6**	**10.9**

DEVELOPMENT PIPELINE SUMMARY		**Construction In Progress**	**Potential Development Starts in 2007**	**Potential Developments 2008 & Beyond**	**Total Programme**
Land area	**ha**	**55**	**151**	**264**	**470**
Space:					
Industrial	sq m	197,510	619,511	735,404	1,552,425
Offices	sq m	71,841	80,287	515,636	667,764
Retail	sq m	0	6,065	1,858	7,923
Research & Development	sq m	68,951	27,870	87,812	184,633
Total	sq m	338,302	733,733	1,340,710	2,412,745
Investment properties	%	76	74	77	76
Trading properties	%	24	26	23	24
Pre-Let	%	57	4	1	10
Planning status					
- fully approved	%	100	20	5	26
- zoned/outline approval	%	0	58	55	48
Rental value when completed	£m	42.3	56.8	138.7	237.9
Current book value – at valuation	£m	359.9	235.9	507.8	1,103.6
Forecast future costs to completion	£m	251.4	501.7	1,249.3	2,002.4

Further details of the investment portfolio and the development pipeline will be published on the Investor Relations pages of the website: www.sloughestates.com/SEI/InvestorRelations All amounts are indicative only and are liable to change. Certain properties included above are currently income producing and are expected to be redeveloped; such properties have a current book value of £288 million and produce current rental income of approximately £12 million per annum.

2) FINANCIAL REVIEW

REIT conversion and dividend policy

A major event in the year was the EGM on 14 December 2006 which approved the Group's election to become a REIT. This took effect from 1 January 2007 after many months of hard work and careful preparation. In financial terms, the one-off conversion charge amounts to approximately £82 million and this will be paid in four quarterly instalments commencing July 2007.

REIT conversion means that income and capital gains from the Group's eligible UK investment activities will be tax exempt. This includes development gains provided that the properties are retained for at least three years following completion. Accordingly, whilst the 2006 accounts include provision for the conversion charge, they also include the release of £416 million of previously provided deferred tax which is no longer payable.

Following its December 2005 listing on Euronext, the Group also intends to elect into France's tax exempt regime for real estate companies - to become a "SIIC" - with similar benefits to REIT status in the UK. This should be with retrospective effect from 1 January 2007.

With REIT status in the UK, SIIC status in France and prudent tax planning in respect of other taxable activities, we believe we will be able to operate a very efficient international structure with a low overall tax charge.

Operating as a REIT will require us to distribute, in the form of dividends, at least 90 per cent of the eligible UK property rental profits, after certain deductions. However, the Board has taken the opportunity to review its overall dividend policy, recognising that the Group is now operating in a market in which there is global competition for capital. The Board's aim will be to achieve a sustainable, progressive policy which satisfies shareholders' expectations of a relatively high pay-out of recurring property rental income, whilst supporting the ongoing needs for capital.

The precise proportion of recurring property rental income that the Slough Group distributes may vary between years and will be flexed as appropriate, according to the needs of the business. Ordinarily, however, the Board would expect the total dividend to exceed the mandatory 90% Property Income Distribution element, and to comprise between 85% and 95% of world-wide recurring property rental earnings plus a proportion of trading property profits and other income from non-property activities.

Total return to Equity Shareholders

A commonly used measure of total return is the increase in adjusted diluted net asset value per share plus dividends paid in the year. On this basis, Slough delivered a total return for the year of 16.6 per cent (112.9 pence per share), or 19.2 per cent (130.3 pence per share) before the REIT conversion charge. With similarly strong portfolio performance in each of the two previous years, the total return over the last three years has averaged 18.6 per cent per annum.

	2006	2005	Increase
NAV per share	718.0p	579.0p	24.0%
Adjusted diluted NAV per share	775.0p	680.0p	14.0%
Total dividend paid in the year	17.9p	16.35p	9.5%
Total return per share	130.3p*	138.35p	(5.8%)
Total return	19.2%*	24.8%	

* After adding back the REIT conversion charge of £81.9m (17.4 pence per share).

The principal driver of the total return was the increased adjusted diluted NAV per share which grew by 14.0 per cent, largely as a result of property valuation gains, which added £563.8 million or 119.7 pence on a diluted adjusted basis to NAV. Adjusted profits after tax added a further £114.9 million or 24.4 pence per share.

The increased NAV is analysed further in the table below.

	£m	Pence per share
Adjusted diluted equity attributable to shareholders at 31 December 2005	3,197.3	680.4
Dilution adjustment	-	(1.4)
Property valuation gains	563.8	119.7
Adjusted profit after tax	114.9	24.4
REIT conversion charge	(81.9)	(17.4)
Decrease in value of available-for-sale investments, net of tax	(1.7)	(0.4)
Actuarial gain on pension scheme, net of tax	3.2	0.7
Currency translation differences	(58.5)	(12.4)
Ordinary dividends paid	(84.0)	(17.8)
Other items	(4.3)	(0.9)
Adjusted diluted equity attributable to shareholders at 31 December 2006	**3,648.8**	**774.9**

We have provided for the one-off REIT conversion charge of £81.9 million which has reduced NAV by 17.4 pence per share and this amount will be paid over four quarterly instalments commencing in July 2007. Currency translation differences on the conversion of foreign currency denominated assets reduced NAV by £58.5 million, or 12.4 pence per share – this mostly relates to US dollar differences arising in the first half of the year. We have subsequently increased our hedging such that as at 31.12.06 only 6% of the Group's adjusted NAV was exposed to foreign currency movements.

Valuation movements

Property gains, including the Group's share of joint ventures, amounted to £568.6 million (2005: £482.4 million), and were comprised of:

Property valuation gains	**2006 £m**	**2005 £m**
Valuations gains in income statement	532.2	409.1
Valuation gains in recognised income and expense	22.3	48.4
Share of joint ventures' valuation gains	9.3	10.5
Total valuation gains	**563.8**	**468.0**
Profits from the sale of investment properties	4.8	14.4
Total property gains	**568.6**	482.4

The strongest valuation gains experienced were in the USA, Central Europe, the UK and France, in all cases driven mainly by further significant yield compression due to the weight of money being targeted at prime real estate assets in most sectors.

Valuation uplifts – geographical analysis	**2006 %**	**2005 %**
UK – Industrial	11.5	10.8
UK - Offices	5.9	9.9
USA	15.2	13.8
France	10.7	6.5
Germany	6.8	-
Belgium	2.0	0.9
Central Europe	22.3	-
Group	11.0	10.9

Income statement

The Income Statement appears on page 24 and analyses the results on an IFRS and "adjusted basis". The adjustments are made to exclude the effects of valuations, profits and losses on the sale of investment properties, as recommended by EPRA, and items deemed exceptional by virtue of their size of nature. The only exceptional item in 2006 was the REIT conversion charge (£81.9 million) whilst in 2005, exceptional items comprised a lease surrender premium of £36.4m, the gain of £16.1m on the disposal of Quail West, bond refinancing costs of £126.0 million and the gain on the disposal of Tipperary (£99.7 million). Full details of all the adjustments are provided in note 11 to the attached Financial Statements.

Adjusted profit before tax
Adjusted profit before tax increased by 19.4 per cent to £142.7 million (2005: £119.5 million) primarily due to an increase in adjusted net rental income of £23.3 million plus improved performance from Slough Heat & Power (and the elimination of losses following the sale of Tipperary Corporation in 2005), and increased gains from venture capital fund realisations (shown as "investment income"). These were partly offset by an increase in administration expenses.

Reconciliation of adjusted profit before tax	2006 £m
Adjusted profit before tax – 2005	119.5
Increase in net rental income	23.3
Improved performance from Slough Heat & Power/Tipperary	3.0
Increased investment income	3.0
Reduced finance costs	1.3
Increased administration expenses	(8.2)
Other changes	0.8
Adjusted profit before tax – 2006	**142.7**

Rental income
Gross rental income, excluding exceptional surrender premiums of £36.4 million in 2005, increased by £35.2 million (13.1 per cent) to £304.8 million for the year and net rental income, on the same basis, increased by 10.4 per cent to £247.2 million.

The key drivers of the increase in net rental income are set out in the table below:

	£m
Net rental income 2005 (excluding exceptional surrender premium)	223.9
Acquisitions	20.7
Disposals	(11.1)
New developments, relettings & rent reviews	36.5
Space returned	(12.2)
Increase in property operating expenses, net of recoveries	(7.5)
Other	(3.1)
Net rental income 2006	**247.2**

Acquisition led growth arises principally from the full year effect of acquisitions made in 2005, specifically KarstadtQuelle AG in Germany (£3.6 million) and Heywood and Woodside (£9.2 million), plus the 2006 acquisition of Treforest (£2.1 million) in the UK. This was offset by reduced rental during the year from strategic disposals, including £7.9 million in the UK.

Record lettings, particularly of new developments in all locations (£10.2 million) and strong relettings in the UK (£5.6 million), contributed significantly to the growth in net rental income. The effects of rent averaging increased the net rental income for the year by £12.2 million, of which £10.1 million arose in the USA.

The increase in property operating expenses, arises mainly due to acquisitions (£7.2 million) – Karstadt, Grontmij and Mainland in Continental Europe in 2005. The increased costs arising from acquisitions are partly recovered from tenants and are included in rental income.

Other income and expenses
Profit on sale of trading properties was £6.1 million (2005 excluding exceptional gains on Quail West of £16.1 million: £7.0 million), with the gains mainly arising on the sale of trading property in Germany (£4.7 million).

The Group's share of adjusted profits from joint ventures and associate after tax increased by £1.7 million to £7.0 million (2005: £5.3 million) due to higher profits on the sale of trading properties (£6.5 million compared to £0.8 million in 2005), offset by reduced rental income, higher finance costs and tax. The higher trading property profits in joint ventures was mainly attributable to the Group's UK logistics venture, HelioSlough

(£5.1 million). The Group's share of gains, net of tax, have been excluded from the adjusted profits before tax, in accordance with EPRA guidelines.

The performance of Slough Heat & Power continues to improve, returning an operating profit of £2.1 million for 2006, an increase of 75 per cent from £1.2 million in 2005. The total improvement in net income from utilities and gas of £3.0 million, from a loss of £0.9 million in 2005, also reflects the disposal of the Tipperary group at the beginning of the second half of 2005.

Other investment income, which represents the Group's share of realisations from available-for-sale private equity investments, increased by £3.0 million to £8.5 million in the year. At 31 December 2006 the Group had available-for-sale investments held at fair value of £44.1 million (2005: £54.7 million) and a remaining commitment to invest further funds of £9.0 million (2005: £11.7 million).

Administration costs increased by £8.2 million to £28.9 million (2005: £20.7 million). The increase primarily is attributable to a number of one-off costs including professional advice in connection with REIT conversion and the USA strategic review (£2.6 million), higher IFRS charges in relation to share based incentive payments (£1.8 million) and staff costs and other increases due to the expansion of the Group's activities, particularly in Continental Europe.

Net finance costs

Adjusted net finance costs for the year are classified as follows:

	2006 **£m**	**2005** **£m**
Interest on overdrafts & loans	131.2	116.9
Interest on convertible preference shares	4.1	13.2
Interest receivable	(10.1)	(9.9)
Other net income	(2.4)	(0.5)
Net finance costs before capitalisation	122.8	119.7
Less amounts capitalised in respect of development activities	(23.5)	(19.1)
Adjusted net finance costs	**99.3**	**100.6**

Adjusted net finance costs were broadly unchanged. The convertible preference shares were converted into equity during the year and the resulting reduction in interest on these preference shares was offset by increased interest on overdrafts and loans related to the Group's capital expenditure programme.

Tax

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

		2006		**2005**
	£m	**%**	**£m**	**%**
Underlying tax charge on adjusted profit				
– current	18.2	13	15.6	13
– deferred	9.6	6	0.4	-
Total	27.8	19	16.0	13
REIT conversion charge	81.9	-	-	-
Deferred tax reversal	(416.1)	-	-	-
Tax relating to exceptional items & EPRA adjustments	77.4	14	178.2	39
Total Group tax (credit)/charge	**(229.0)**	**(33)**	**194.2**	**33**

The tax credit for the year arises due to the reversal of the deferred tax provision of £416.1 million relating to investment properties, which will no longer be payable under the REIT regime. This has been partly offset with a provision for the REIT conversion charge of £81.9 million. The underlying tax charge on the adjusted profit before tax was 19 per cent (2005:13 per cent) with the increase primarily due to adjustments in respect of previous years.

Earnings per share and dividend
Diluted adjusted earnings per share increased to 25.1 pence (2005: 24.3 pence) and basic earnings per share increased 120 per cent to 201.8 pence (2005: 91.7 pence). The 3.3 % increase in diluted adjusted earnings per share is lower than the increase in adjusted profit before tax mainly due to the increased deferred tax charges in 2006 and the effects of new equity shares issued upon conversion of the convertible redeemable preference shares.

The directors have proposed a final dividend of 12.1 pence per share, taking the total dividend for the year to 19.0 pence per share, an increase of 8.6 per cent from 2005.

Dividends
The key dates for dividend payments are as follows:

- ex-dividend date	18 April 2007
- record date	20 April 2007
- dividend payment date	25 May 2007

Cash flow and net debt
A summary of the cash flow for the year is set out in the table below:

	2006 £m	2005 £m
Cash flow from operations	137.6	237.3
Finance costs (net)	(122.8)	(116.4)
Dividends received	35.7	0.1
Tax paid (net)	(11.6)	(91.8)
Additional pension scheme contributions	-	(16.2)
Free cash flow	38.9	13.0
Capital expenditure	(451.9)	(738.9)
Property sales (including joint ventures)	164.1	147.0
Sale of Tipperary	–	110.5
Cash cost of bond exchange	–	(40.8)
Ordinary dividends	(84.0)	(69.0)
Other items	(3.6)	0.8
Net funds flow	(336.5)	(577.4)
Investments in term deposits	–	185.6
Net increase in borrowings	321.4	340.0
Net cash outflow	(15.1)	(51.8)
Opening cash and cash equivalents	166.9	218.1
Exchange rate changes	(0.8)	0.6
Closing cash and cash equivalents	**151.0**	**166.9**

Cash flows generated from operations for the year were £137.6 million, a decrease of 42% from 2005 as a result of the exceptional surrender premium and significant trading property proceeds in 2005. Dividends received from joint ventures and associates are £35.6 million higher than 2005 mainly due to higher distributions from HelioSlough and a one-off dividend from the Group's joint venture with Tesco. Finance costs of £122.8 million, net of interest income, were higher by £6.4 million due to property acquisitions in 2005 and 2006, partly offset by the lower interest paid on the preference shares which were converted into ordinary shares during the year. Tax paid during the year of £11.6 million was significantly lower than 2005 (£91.8 million) mainly due to taxes paid in 2005 relating to the Pfizer campus sale and other US taxes. Additional pension contributions in 2005 comprised a one-off payment of £15 million.

After payment of the dividend, there was a net funds outflow of £336.5 million (2005 £577.4 million). Allowing for the movement in borrowings, the net cash outflow for the year was £15.1 million (2005 £51.8 million).

Capital expenditure of £451.9 million (2005: £738.9 million) included development expenditure of £236 million (2005: £142 million) and acquisitions of £216 million (2005: £589.6 million). Provided market conditions remain favourable, we expect to maintain the high rate of expenditure with £350 million to £400 million being planned for both 2007 and 2008.

Major Disposals and Acquisitions – Investment Properties

Disposals	Price £m	Gain/(loss) over book value %
Cambridge Research Park (part)	26.3	(2)
Kingswood, Ascot	35.4	(2)
Deva, Retail Park, Chester	34.8	1
Victoria Road Retail Park, Ruislip	38.3	9
Centennial Park, Elstree, (Phase 300)	19.9	16
Eddison Road, Basingstoke	10.5	(5)
Since 31 December 2006		
Juniper 1&2, Basildon	30.8	3

Acquisitions	Price (inc costs) £m	Group Share %
Treforest Industrial Estate, Cardiff	62.3	100
Sunbury International Estate	27.3	100
Manasty Road Industrial Estate, Peterborough	18.4	100
Pucklechurch, Bristol	17.0	100
Logistics Centre, Colnbrook (Partnership with BAA plc and Morley)	16.9	50
Plenty Site, Newbury	10.7	100
Ligand Pharma', San Diego	26.1	100
KarstadtQuelle, Germany (residual element)	12.3	100
Kimbal, USA	14.9	100
Anatalis Portfolio*	69.9	100

* Currently classified as trading properties

Financing

At 31 December 2006, the Group's borrowings totalled £2,384.8 million. Cash balances totalled £161.4 million resulting in reported net debt amounting to £2,223.4 million (2005: £2,092.3 million). The weighted average maturity of the debt portfolio was 10.5 years.

On 22 March 2006 the Company had the opportunity to issue a redemption notice in respect of the 8.25 pence convertible redeemable preference shares 2006-2011. Such a notice was indeed served and, as anticipated, virtually all holders instead exercised their conversion options at 37.0793 new ordinary shares for each 100 preference shares. After enforcing conversion on those holders that did not specifically request redemption, 99.9 per cent of the preference shares were converted to 47,053,908 new 25 pence ordinary shares. As a result of this conversion Group net debt was reduced by £107.7 million compared to year end 2005.

Unsecured borrowings represent 97 per cent of gross debt at the year end. Secured debt totalled £77.1 million representing some historical mortgage debt domiciled in the Group's overseas operations. £1,471.8 million of debt domiciled in the UK is unsecured and is issued by the Parent Company direct without any supporting up-stream guarantees. £835.9 million of unsecured debt is issued by subsidiary companies located overseas.

Reported financial gearing was 66 per cent (2005: 86 per cent) or 61 per cent (2005: 62 per cent) after adding back deferred tax of £276.1 million (2005: £649.2 million). The reduction in deferred tax is significant due to the release of the provision in respect of the UK property rental business following the adoption of REIT status. The loan to value ratio (net debt divided by property assets) at 31 December 2006 was 38 per cent (2005:42 per cent).

Interest cover based upon adjusted profit before interest and tax and adjusted net finance costs was 2.4 times (2005: 2.2 times), or 1.94 times (2005: 2.0 times) if capitalised interest is included. The market value of borrowings at the end of December 2006 was £83.7 million higher than the book value.

Funds availability at year end 2006 totalled £671.3 million, comprised of £161.4 million of cash deposits and £509.9 million of undrawn bank facilitates. Only £25 million of this total is uncommitted overdraft lines with the balance of undrawn facilities being fully committed and with £461.7 million remaining available to 2010/11.

In April a new €200 million five year committed revolving credit facility was closed on behalf of Slough Commercial Properties GmbH to refinance the acquisition cost of the KarstadtQuelle portfolio in Germany and to provide some additional finance for development purposes. In July a new €100 million five-year committed revolving credit facility was closed on behalf of Slough BV and its subsidiaries to provide finance for the Group's new operations in Central Europe following the takeover of Grontmij Real Estate International at the end of 2005. This €100 million facility has subsequently been increased to €225 million.

Hedging Policies
The Group has set policies on interest rate and foreign currency translation exposures, liquidity and funding. These policies state that around 85 per cent (increased from 70 per cent effective January 2006) of the Group's debt portfolio should attract a fixed or capped rate of interest and that between 75 per cent – 90 per cent of foreign currency assets should be matched with liabilities of the same currency.

Interest rate exposure
As at 31 December 2006, 83 per cent (2005: 87 per cent) of the debt portfolio attracted a fixed or capped rate of interest at a weighted average rate of 6.03 per cent (2005: 6.19 per cent). Much of this debt is in the form of fixed rate debt issues raised through Sterling Eurobonds and US dollar private placements. Such fixed-rate debt issues are held in the balance sheet at amortised cost. Interest rate swaps, caps, collars and forward rate agreements are also used to convert variable rate bank debt to fixed rate. The 17 per cent of debt remaining at a variable rate of interest brought the overall weighted average cost of debt down to 5.84 per cent (2005 5.81 per cent).

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

Foreign currency translation exposure
Due to the nature of the Group's business it has no cross-border trading transactions and therefore, foreign exchange transaction exposure is negligible. However, it does have operations located overseas which transact business in the domestic currency of the country in which the business is located – mostly in US dollars and Euros. The Group's main currency exposure therefore is the translation risk associated with converting net currency assets back into sterling in the Group consolidated accounts at each balance sheet date. As mentioned above the policy is that between 75 per cent – 90 per cent of currency denominated assets must be matched with liabilities of the same currency. At 31 December 2006, £223.5 million or 14 per cent of currency denominated net assets were exposed to exchange movements. A 10 per cent movement in the value of sterling against all currencies in which the Group operates would therefore change net assets by £22.3 million and net assets per share by 5 pence or 0.6 per cent.

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

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

3) OPERATING REVIEW BY GEOGRAPHY

REVIEW OF THE UK

"Record levels of take up over the last two years encouraged us to significantly increase the volume of development being delivered to the market in 2006. The UK development programme is now at a record level with 802,000 sq m in the pipeline. In 2006, 13 development projects were completed, delivering 61,388 sq m of new space, 30 per cent of which has been let. A further 12 projects are underway with 46 per cent pre-let."

Profile
The UK business serves 1,478 customers, has 84 property holdings, a current rent roll of £184.7 million and includes £4.2 billion of property (including land and trading properties), representing 70 per cent of the Group by value. The business focus covers the full range of Flexible Business Space products although 'big-box' warehouses are generally developed with our joint venture HelioSlough.

The UK properties are located mainly in the south of England; they are concentrated in outer London but extend out as far as Cardiff in the west and Chelmsford in the east; there is also an important base in the Midlands which manages our holdings north of Birmingham. There are six regions employing less than two hundred people directly; functions not core to the property skill base are outsourced – construction having been re-organised along these lines during the first half of 2006.

More detailed information on the UK business, its assets and its development pipeline will be published on the investor relations section of our corporate website.

Our Strategy
Our strategy is to provide Flexible Business Space to the widest range of potential occupiers.

During 2006 the teams priorities centered on shaping the portfolio to produce stronger returns: by acquiring larger estates or assembling a critical mass of properties within an area that enables customers to expand their businesses within our holdings and for the most cost-effective provision of services; by disposing of underperforming or non-conforming assets where there are limited opportunities to add value – with £166 million of acquisitions (including investment in a new joint venture) and £173 million of disposal - we were net sellers; by aggressively pursuing and delivering redevelopments that allow us to effectively replace older buildings and recycle the portfolio whilst retaining key ownerships; by working closely with our customers to provide a level of service that contrasts positively with other landlords – customer satisfaction is regularly measured and the most recent independent survey highlighted that 73 per cent of our customers rated their satisfaction as good or excellent and that an increasing number see business benefits from being our customers

The regional structure introduced in 2005 is embedded as a way of working that gives the six multi-disciplined teams the opportunity to maximise returns from their individual portfolios by concentrating on the highest value-added local issues. The previous structure was based on functional disciplines; by contrast the regional structure gives full project life cycle responsibility to individual managers and this has been a key factor in the improved operational performance which has been delivered since its introduction. A lean central team is responsible for ensuring that best practice is shared across the business as well as supporting the Regional teams and managing large acquisitions across the UK.

Performance Summary
The UK market defied most commentators by producing a further year of strong returns with the widely-predicted slowdown in yield compression only becoming evident in the final quarter of the year.

Over the full year the value of our UK portfolio increased from £3.6 billion to £4.2 billion. This increase was the result of capital growth, but importantly also from the successful conclusion of major development projects.

The total net valuation surplus is £354 million (10.6 per cent). The uplift, excluding land held for future development and acquisitions made during the year, is 11.2 per cent while the surplus for our core industrial property is 11.5 per cent, ahead of the IPD Index of Industrial Property.

The market for all types of commercial property remains positive but there are signs of purchasers becoming increasingly selective. Against this background, we continued to recycle capital by selling underperforming and low-yielding properties with few untapped opportunities to add value. These sales generated £173 million (including Phase 300 Centennial Park where the sale was contracted in 2006 and completed in 2007).

We secured £166 million of property acquisitions – opportunities which were mainly generated off market. The purchases will help to fuel our future growth and also help with our medium term site assembly plans. These acquisitions delivered a year-end surplus of £8.8 million (a 5.4 per cent surplus net of all costs).

In 2006 184,000 sq m of new and existing buildings were let. This secured rent, including licence fees, of £14.2 million pa. This was an excellent achievement and above our internal targets for the year. 45 per cent (by rent) of the lettings were to existing occupiers underlining the benefits of long-standing relationships and highlighting the success of our major programme of customer initiatives. Rent review and lease renewals in respect of leases with passing rents of £21.9 million produced an uplift of £1.3 million pa. The rental growth demonstrated by 2006 rent reviews was 3.7 per cent, significantly ahead of the IPD Industrial figure of 1.4 per cent. As expected, the level of buildings returned during 2006 was again high at 169,000 sq m (with £10.7 million of related rental income) although considerably lower than the lettings achieved and the team managed to bring this in below the levels it had forecast at the start of the year. The level of returns is high partly as a result of our flexible approach – which is valued by our customers and consistently leads to higher levels of repeat business. Of the property returned or vacated during 2006, 40 per cent will eventually be incorporated in redevelopment plans. Of the remainder, 36 per cent has been re-let.

The underlying vacancy rate held firm at 8 per cent, which as we have indicated previously is approaching an acceptable level given the need for some capacity in which to decant occupiers to facilitate development. As expected, the headline vacancy rate at the year end had risen to 11.6 per cent, reflecting the opportunity to increase revenue from acquisitions and completed developments coming on stream.

The net benefit of the intense application of our core asset management skills, plus the effects of development completions and acquisitions, helped to drive an overall £9.6m uplift in gross property rental income.

Acquisitions

The strong competition for commercial property has reduced yields to new historic lows. Against this background it has become increasingly challenging to identify opportunities that will deliver a significant contribution to future profitability. We successfully acquired £166 million of properties that meet our financial and strategic targets – by complementing existing holdings or by enabling us to gain a major presence in areas that are anticipated to benefit from economic growth. The acquisitions provide opportunities to add value by redeveloping or refurbishing parts of the sites, and the regional teams are actively pursuing a programme to positively integrate our new customers. These acquisitions, several of which were in the second half of 2006, already show a 5.4 per cent surplus when comparing the year-end valuation with the purchase price (including costs).

Treforest in Wales was the location of one of our major acquisitions in 2006, and SEI’s first move into Wales. Purchased at a price of £62.3 million (including costs), its year-end valuation was £70 million, representing a surplus of £6.1 million or 9.5 per cent. The holding entity owning this 53 hectares industrial estate was acquired in April 2006. It is in a prime growth location just north of Cardiff, close to the M4 and has been an established trading estate since 1936. Existing customers include the BBC, GE, Honeywell, WH Smith, Barclays and Lloyds TSB. In addition to providing over 94,000 sq m of space, the site includes 4.4 hectares of development land.

One of the attractions of the site was the opportunity represented by its high 23 per cent vacancy levels and the fact that occupier relationships had been under-managed. Since acquisition the SEI team has launched a range of new customer initiatives and is working closely with the existing customer base to deliver new buildings to suit their particular requirements. The team has also been successful in securing planning consent for a new 1,800 sq m trade counter scheme with construction anticipated to start shortly.

Other key acquisitions during the year included the £16.9 million (inclusive of costs) acquisition of a 50 per cent share of the Logistics Centre in Colnbrook, a 20.3 hectare site acquired in partnership with The Airport Property Partnership (a specialist joint venture between BAA plc and Morley) and located immediately adjacent to the M25 and to Terminal 5 at Heathrow airport. The majority of the site is leased to Heathrow Airport Limited who occupy a 14,000 sq m facility and will be paying a rent of £2.6 million pa. The strategic location of the site, adjacent to Heathrow and the motorway network, makes it a natural fit for SEI's portfolio. SEI already owns 87 hectares of land in the west London and Heathrow area, with 356,665 sq m of business space.

Also very near Heathrow on a 1.26 hectare site, is the 4,400 sq m former Japanese Airline’s facility in Poyle. This redevelopment opportunity was acquired off market in a transaction that involved relocating an existing SEI customer – Air Fayre – to refurbished accommodation in nearby Heston.

Several other major acquisitions were agreed at the end of 2006 including the £27.3 million (including costs) acquisition of Sunbury International Estate, representing an initial yield of 6.7 per cent. It is a multi-let estate comprising 16,000 sq m of industrial units, data centre and offices immediately adjacent to Junction 1 of the M3. Acquired in December 2006, this property provides a mix of secure income and also opportunities to add value through using the Company's leasing, marketing and refurbishment skills. It produces £1.5 million of income and adds to our critical mass of property within close proximity of Heathrow Airport – theLHR.com – that now includes 17 estates in 11 locations.

Also at the end of the year, we acquired the Manasty Road Industrial Estate in Peterborough for £18.4m (including costs). This multi-let industrial estate, strategically located adjacent to Junction 17 of the A1(M), extends to 7.8 hectares and provides 30,000 sq m of business space in 45 units, used mainly for warehousing and light industrial purposes. The passing rent is £867,000 per year and major tenants include the Inland Revenue and ChoicesUK, the home entertainment company. The acquisition extends the portfolio into a new geographic location that presents good potential for growth.

The 26,000 sq m Pucklechurch Industrial Estate, which increases our holdings in the strong letting market of North Bristol, was also acquired in December, for £17 million (including costs). There is scope to improve the current (£1 million pa) income through active management and letting of vacant space. The estate extends to 8 hectares and includes 26,000 sq m of buildings.

Disposals

During the year we actively recycled capital and took the opportunity to realise value created by selling over £173 million of property. Sales receipts exceeded book value by over 4.8 per cent

Several of these disposals were completed in August including the largest individual assets sold – the Deva Retail Centre, Chester, together with a retail warehouse and industrial premises at South Ruislip, in a combined transaction to CMG/Insight for £73.1 million. CMG/Insight already owned neighbouring property. Together, these two assets total 18,437 sq m and the disposals represented an attractive overall exit yield of 4.22 per cent (4.42 per cent on Chester and 3.75 per cent on Ruislip) and were sold at £4 million above the book value. The disposals also further advanced the final stages of the strategic realignment of SEI’s property portfolio, moving away from remote offices and stand-alone retail warehousing and focusing on Flexible Business Space.

Reinforcing the more active asset management approach of recent years, land sales have also been undertaken where this has resulted in more attractive, enhanced facilities for the benefit of estate occupiers generally. These include two agreements at Farnborough Business Park. One was a conditional £5.3 million sale agreement with De Vere and with Quadrant Estates to respectively provide a 130 bedroom hotel (with restaurant and gym) and a new children’s nursery. The Farnborough team also conditionally sold a 4.85 hectare site subject to planning consent for £21 million (precise realisation dependent upon planning conditions) to Redrow Homes. These will all enhance the estate and complement the existing business activities.

Development

Record levels of take up over the last two years encouraged us to significantly increase the volume of development being delivered to the market in 2006. The UK development programme is now at a record level with 802,000 sq m in the pipeline. In 2006, 13 development projects were completed, delivering 61,388 sq m of new space, 30 per cent of which has been let. A further 12 projects are under way with 46 per cent pre-let.

Pre-lets remove the letting risk associated with speculative development and enable our customers to enjoy a bespoke facility designed to suit their particular requirements. However, many occupiers still require buildings to be available without delay – accordingly whilst several developments in 2006, as in previous years, were built speculatively, by year end 37 per cent of these buildings had been let, sold or were under offer.

In a market showing modest levels of rental growth our ambitious development programme is making an increasingly important contribution to value and revenue enhancement.

The UK represents 33 per cent of the total Group development pipeline by space to be built, with 158 hectares (802,000 sq m) in the land bank being scheduled for future development of built space at an estimated total spend of £1 billion. It’s the nature of SEI’s schemes that individually very few projects would ever represent more than ten per cent of the pipeline. Extensive information on these schemes can be found in the investor relations section of the corporate website.

Lettings
Major transactions include:

Customer	Building Type	Location	Annual Rent £
Existing customer (confidential)	Offices	Slough	900,000
Jacobs K Ltd *	Offices	Reading	560,593
Bibby Distribution	Warehouse	Manchester	500,000
AgustaWestland	Offices	Farnborough	402,560
Agilent	Warehouse	Reading	330,000
Next	Retail Warehouse	Slough	315,000
Skan Dansk	Warehouse	Basildon	303,372
Modular Heating	Warehouse	Basildon	266,869
Twinmar	Warehouse	Dunstable	249,790
Aristocrat	Warehouse	Uxbridge	239,253
Business Post	Warehouse	Fareham	230,319
Safestore	Warehouse	Slough	219,991
Pre-lettings agreed during 2006			
IX Europe	Data Centre	Slough	847,333
Agilent	Offices	Reading	463,581
Direct UK	Warehouse	Manchester	190,000
Safestore	Warehouse	Hayes	186,993

* Serviced office – inclusive rent

HelioSlough Joint Venture
HelioSlough is a 50:50 joint venture between Slough Estates plc and Helios Properties plc focused on the UK 'big box' logistics market. It is a trading company with the objective of maximising development profit distribution to the partners.

The Company now has 10 schemes with a development pipeline (including land owned, development agreements and options) totalling approximately 560,000 sq m at various stages of development and a substantial land bank.

HelioSlough secured a pre-construction sale worth £42 million to CBRE Investors for its 69,680 sq m distribution facility at Nimbus Park, Thorne, near Doncaster at the beginning of the year and achieved practical completion of the unit in December. Nimbus Park is well connected with the opportunity for a dedicated rail spur ultimately connecting to the East Coast Mainline to the south of Doncaster. The scheme has immediate access the M18, which provides an important route to the East Coast ports. HelioSlough expects to begin the second phase of 18,580 sq m at the 20 hectare park during 2007.

Following the success of the Nimbus Park relationship, in December HelioSlough secured a further circa £100 million forward sale agreement with CBRE Investors for an additional six speculative distribution properties across the UK, totalling 145,860 sq m. Work has already commenced on the units, which will be completed in 2007. Each of the sites is in a prime location, with excellent access to the road networks. SIRFT, Sheffield also offers £3 million of new railfreight facilities, together with rail services provided by EWS. The growing demand for high quality B8 space in these locations coupled with increasing demand for rail connectivity was an important factor in securing this funding. The transaction has helped HelioSlough accelerate profits for these schemes, providing an excellent platform for future growth in 2007 and beyond.

A major part of HelioSlough's activity in 2007 will be ensuring the successful completion of the substantial development programme outlined above. The joint venture will also continue its marketing and development contracts at these and other existing developments such as Wynyard 360 and Wynyard Park (both at Teeside) where it has a completed building ready for occupation of 27,870 sq m, a further consented 37,160 sq m and 49 hectares of development land. We will take forward planning consent discussions at our key strategic holdings at Stainforth, Doncaster, Rossington and Radlett. And there will be a major focus on our land acquisitions programme to drive our future growth plans.

Outlook for the UK
There has been a positive start to the new year with 29,230 sq m let to the end of February producing an additional £2.8 million of annualised income. With a consistent take-up of new space, we are planning to start development of up to 225,376 sq m in 2007 across all 6 regions of the UK.

Since the year end our 41,000 sq m holding in Basildon has been sold for £30.8m which is in line with the 2006 year end book value.

Looking ahead, total returns are expected to be lower in 2007 as five years of market driven yield compression generally continues to flatten or comes to an end. This will underline the importance of proactive asset management – attracting and retaining customers as a key driver of performance.

We look forward to the challenge of working in partnership with new and existing customers to deliver the standards of accommodation, service and required level of service required in 2007 and beyond.

REVIEW OF CONTINENTAL EUROPE

“A record 169,000 sq m was leased up over the course of 2006, increasing the rent roll by £7m and reducing the overall vacancy across the portfolio to 7.5 per cent.”

Profile

The Continental European business serves 221 customers, has 100 property holdings, generates a rent roll of £30 million per annum, includes £411 million of investment property and 522 hectares of land. The business focus covers the full range of flexible business space product and, unlike the UK, we will directly develop ‘big-box’ warehouses or ‘sheds’ which are a key part of our product offering, particularly in Central Europe.

The Continental European business is based in key locations in nine countries, in specific areas with high economic growth potential at key transport infrastructure inter modal hubs – often close to airports or major road intersections. Following the December 2006 agreement of a major portfolio acquisition from Antalis, SEI now has additional presence in its key existing markets of France, Germany, Belgium, Central Europe and, for the first time, in Spain and Italy.

More detailed information on the Continental European business, its assets and its development pipeline will be published in the investor relations section of our corporate website.

Strategy

Continental Europe currently offers attractive yields, low borrowing costs and strong prospects for growth– in the general economies in which we operate and particularly in the specific locations in which we have a presence. Employing fundamentally the same model as in the UK, the strategy has been to identify the areas with the best growth potential in each country and then to assemble a critical mass or “cluster” of properties in these locations.

We have already secured this critical mass in the northern sector of Paris, France, and in the Düsseldorf region, Germany, where SEI is now established as the leading provider of modern and flexible light industrial, office and logistics space. We are also already very well established in the vicinity of Brussels airport in Belgium and Schiphol airport in the Netherlands where further land and income-producing properties have been acquired in these important strategic areas. During 2006, SEI made some highly-successful inroads into Central European locations providing a platform for future growth in that region. As our strategy evolves, we seek to acquire and develop industrial and logistics space, as well as land for development, in the growth zones of key markets across Continental Europe.

Over the course of 2006, SEI centralised the individual country support functions into a single enhanced Continental European base in Paris to lead and support the Continental country offices, their major growth plans and the new wave of expansion in Europe. SEI now has 67 employees in Continental Europe. It successfully integrated the Central European property development operations of GREI (Grontmij Real Estate International), the property development arm of a Dutch consulting engineering firm, which was acquired for £13 million giving SEI an established presence in Poland, the Czech Republic and Hungary, with development teams already in place and further sites to develop.

A £70 million acquisition and leaseback agreement with Antalis, the largest European distributor of communications support products (including packaging, paper, print and office materials), was largely completed by 31 December 2006. In addition to expansion in existing countries, this agreement enabled SEI to acquire properties in two new major target countries, Italy and Spain. This provides SEI with a platform in key locations, including potential to make further strategic acquisitions.

2006 Performance

Including joint ventures and trading properties, 1.2 million sq m of space was under management by the end of 2006, representing a 7.2 per cent increase year on year. This followed the acquisition of 164,680 sq m of space and 116 hectares of land, the disposal of 45,160 sq m of non-core property and the demolition of a further 75,926 sq m of redundant buildings for redevelopment. Of the existing total stock, 169,239 sq m has been leased up over the course of the year, increasing the rent roll by £7.0 million pa and reducing the overall vacancy rate across the portfolio to its lowest ever level of 7.5 per cent overall. In addition to this, 105,213 sq m of space under development was pre-leased, including joint ventures on a 100 per cent basis, representing additional annual rent of £3.4 million pa when this comes on stream.

Acquisitions and lettings helped to drive a £10.2 million or 40.5 per cent uplift in gross property rental income, translating into a £5.4 million or 23.7 per cent increase in net property rental income. The lower percentage increase at the net income level reflects increased operating costs as the operational infrastructure scales up to match the significantly increased size of the business. Over the year, due to the ongoing acquisition programme, rental growth and further yield compression, the value of the existing portfolio in Continental Europe has grown from £499 million to £690 million as at December 2006 representing an increase of 38 per cent.

Acquisitions
Although generally higher than in the UK, yields in Continental Europe have also been driven to historic lows. Partly in response to this, resources were targeted at identifying properties with further development potential in key strategic clusters in each country which will ultimately complement the performance of our existing holdings.

Two strategically-important acquisitions were agreed and completed around the turn of the year from 2005 to 2006, the £13 million purchase of GREI, an existing corporate entity with property assets in Central Europe and with an established management team; also the £110 million acquisition from KarstadtQuelle AG (in a sale and leaseback transaction) of a substantial logistics and ancillary office portfolio in Germany, bringing an existing income stream from these investment assets along with a substantial development land bank.

Then, as referred to above, in December 2006 for £70 million, we secured an acquisition and leaseback of a significant pan-European portfolio from Antalis. The core properties are in SEI's strategic growth markets. The buildings are a mixture of old and new properties in good locations, providing excellent future development potential underpinned by an income stream. Antalis is committed to the properties it occupies for an average of approximately 7.5 years. This transaction represented a post acquisition costs yield of 7.2 per cent. SEI and Antalis have also signed a partnership agreement, covering both the extension of existing properties and the potential development of new properties. This partnership agreement will also provide potential synergies in other markets as it covers the UK as well as Continental Europe.

In Germany SEI agreed the acquisition of a 29 hectare future logistics site from ThyssenKrupp group, at a phased purchase price of £12.9 million. This prime site to the west of Düsseldorf, in close proximity to the airport, has direct access to the A44 motorway. The site will also be connected to the railway network and is one of the only viable sites for logistics development close to the city of Düsseldorf and its airport. SEI will develop 117,000 sq m of light industrial and logistics accommodation in a low density environmentally-sensitive scheme. The delivery of the first phase is anticipated for the end of 2007.

We plan to continue this strategy of acquiring property in each strategic area across Europe over the course of 2007 via corporate acquisitions, large-scale sale and leasebacks and the purchase of investment portfolios where these have potential for growth through restructuring leases or redevelopment.

Disposals
Our strategy is to dispose of property that does not fall into one of the key regional clusters identified in each country as having growth potential and where there is no critical mass or where the asset is commercially mature with little scope to add further value.

In 2006 SEI was successful in disposing of 45,160 sq m and 9.52 hectares of surplus or non-strategic property in Germany. In Neuss and Ratingen, we sold 33,000 sq m of logistics and Flexible Business Space at two sites, to Standard Life at a total sale price of £21.4 million. In a separate deal, at Ratingen, SEI sold units comprising 5,670 sq m on a site of 1.1 hectares to JEF Holdings BV, a subsidiary of the Dubai Islamic Bank. Both for £4.2 million and in a further deal in Neuss we sold a scheme to IVG for £4 million. All four sales transactions were at initial yields better than our normal target levels.

Sales over the course of the year have generated cash of £29.6 million and net gains of £5.2 million.

Development
At the year end SEI had 161,000 sq m under construction across Continental Europe with plans to develop a further 515,000 sq m in 2007. Of this 161,000 sq m under construction, 50 per cent has been pre-let.

An important driver in the development program has been the acquisition of GREI which initially brought 79 hectares of land and a further 17 hectares under short-term options. Following further acquisitions, the logistics sites include 61 hectares at Strykow near Lodz, a strategic location in central Poland, 22 hectares in

Poznan, Western Poland, 31 hectares adjacent to Prague airport and 9 hectares near the M1 motorway running west out of Budapest. Also included is a site for a 16,000 sq m suburban office development in the Mokotow district of Warsaw.

Further extensive information on these can be found in the investor relations section of the corporate website.

Lettings – A Record Year
2006 was a record year for SEI In Continental Europe with 169,000 sq m being taken up across all countries through 55 separate transactions which have increased the customer base to a total of 221 occupiers.

The market has been relatively buoyant in all countries with demand coming from both local and international end users for good quality well-located light industrial, office and logistics product in key strategic areas. SEI has also been able to benefit from synergies with its existing customer base to generate new business across the different countries, for example the 17,081 sq m office pre-let to Ernst and Young in Brussels and a 42,433 sq m logistics pre-let in Rumst, Belgium to Exel were both achieved through existing relationships with corporate customers.

Net absorption of the overall portfolio has been 7.5 per cent and the average vacancy rate has fallen to 7.5 per cent (including trading properties), a 40 per cent decrease since 2005. We believe that this strong take-up will continue throughout 2007 with a general shortage of good quality product in many of SEI's key European markets, most notably in Central Europe.

Outlook
During 2006, 169,000 sq m of space has been leased producing an additional £7.0 million pa of rental income. The level of take up of core product – evidenced by the number of transactions and the levels of rent secured – has encouraged us to plan for a significant increase in development starts to over 515,000 sq m (including 100 per cent of joint ventures) in 2007.

In addition to this, we will be expanding the portfolio both organically and through external acquisitions and aim to build upon our existing strong base to become the leading provider of flexible business space in all key markets.

REVIEW OF USA

"Our £0.9 billion portfolio at the end of 2006 represents a 28 per cent increase on the end of 2005, reflecting our development completions and increased market demand for life sciences real estate assets."

Profile
The USA business serves 61 customers, has 77 buildings, generates a rent roll of £60 million per annum, including 453,000 sq m of property and 171 hectares of land, representing 12 per cent of the Group in terms of built space. The business model is based on Flexible Business Space products but – unlike the European business – it is concentrated primarily on research and development facilities serving the biotechnology industry. Its clients include some of the largest biotechnology companies in the world including Amgen and Genentech and SEI's relationship with many of its biotech clients dates back to when they were small business start ups. The business is based in two main locations in California, in San Francisco Bay Area and in San Diego County. We focus on the mission-critical core property skills with most other functions being outsourced – consequently it only requires nine direct employees to manage the business.

Extensive information on the North American business, its assets and its development pipeline will be published in the investor relations section of our corporate website.

Strategy
The business focuses on the implementation of the North American biotechnology strategy and on value-adding opportunities in major life sciences clusters in the San Francisco Bay Area and San Diego County. The business model concentrates on development, redevelopment, conversions and strategic acquisitions. In 2006 investment momentum accelerated in response to life sciences industry activity during the year, buoyed by increased funding from the major pharmaceutical companies and the Venture Capital community. During the year, we have added several new clients to the portfolio, including OncoMed, Cordis, Portola, Alexza, Covalent and Ligand, who have the potential to provide opportunities for future expansion.

In November 2006 SEI announced that, consistent with its previously-stated strategy of focusing on the provision of Flexible Business Space in the UK and in Continental Europe, it was exploring the strategic options for its USA business. It was announced that the process involved consideration of a range of possible options, including an immediate or phased divestment and also joint venturing or merging SEI's US business with a third party. In assessing the options the Board has regard to all relevant considerations including the current and potential future value of the business as well as the tax implications of the various options. The process is well underway and we anticipate making a further announcement during the second quarter of the year**.**

2006 Performance

The general US economy slowed during the year in response to volatile and uncertain energy prices, slowdown in housing market and interest rate increases. Despite the economic slowdown during the latter part of the year, real estate markets experienced further yield compression and steady improvements in occupancy and rental rates. Against this general backcloth, the life sciences industry experienced a resurgence in activity, with demand accelerating for our product and increased supply of funding to the sector, mainly through the major pharmaceutical companies.

In 2006 our USA business (SEUSA) maintained it focus on core life sciences portfolio, expanding and consolidating in existing locations through prudent acquisition and assembly of buildings with redevelopment potential; marketing/leasing existing vacant space aggressively; and executing major life sciences campus construction programmes for Genentech and Amgen.

Our £902.6m investment portfolio valuation (excluding developments) at the year end showed a 15.2 per cent valuation surplus. This, and the year on year increase, reflects development completions and increased demand for life sciences assets as a real estate investment class. During the year, SEUSA added $250 million of fixed assets to the balance sheet. Gross property rental income – excluding exceptionals – increased by £15.4m to £76.2m. This 25.3 per cent increase reflected both the 2006 resurgence in activity in our life sciences' markets and the full year benefit of some key lettings and acquisitions in 2005. In 2006 we secured 86,000 sq m in leasing, with a year end vacancy of 18.9 per cent or 88,000 sq m – a similar position to the 19.5 per cent at the end of 2005.

Market performance was mixed, with buoyant levels of activity in the San Francisco Bay Area offset to some extent by softer conditions in San Diego County. In the Bay Area we have experienced relatively high levels of enquiries and made solid progress in leasing vacant space, including several vacant units which are currently under negotiation. The San Diego life sciences market suffered from the downsizing of several pharmaceutical companies and is gradually recovering. However, the real estate fundamentals of this market are attractive, featuring relatively low availability of vacant land entitled for development.

We acquired approximately 57 hectares of land in Central and Northern San Diego County over the past two years to exploit the value creation opportunity afforded by the increasing scarcity of sites against the backcloth of the continued expansion of the life sciences industry. We are confident that our patience will be rewarded.

Key 2006 transactions included; further expansion/consolidation in existing life sciences clusters with acquisitions of several buildings to create over 37,000 sq m of development and redevelopment potential in the Bay Area and San Diego; major leasing transaction with Amgen to consolidate their campus life sciences development in South San Francisco, adding four buildings (over 37,000 sq m) to their existing 31,000 sq m; important leasing transactions with several new life sciences clients to add to our pipeline of future expansion opportunities; continuing high levels of development with 69,000 sq m of buildings currently under construction and a 48,000 sq m of completions in the year.

Acquisitions and Disposals

Our strategy of securing sites for future development, redevelopment or conversion, was progressed with the assembly of several existing industrial facilities in the Bay Area which will form the platform for the third phase of our Britannia Modular Labs concept as well as a 21,368 sq m, three-building, life sciences campus. In San Diego, we acquired the Ligand Pharmaceutical facility for $47.6 million, in an attractive sale and leaseback transaction that featured additional land for two future life sciences buildings (7,700 sq m).

We evaluated several other opportunities during the year and will continue to acquire sites and product wherever appropriate to expand our market position. At the same time, we will maintain our strict investment criteria and disciplines to ensure that we focus on value creation opportunities and do not over-invest in inventory in anticipation of demand.

At the end of January 2007, we acquired for $37 million the Sierra Point site in Brisbane, CA., to the immediate north of our Oyster Point projects in South San Francisco, CA. The nine hectare parcel will feature a five-building, 50,168 sq m, state-of-the-art, Silver LEED standard, life sciences project. It is hoped this project will receive planning consent during the first half of 2007.

Development The construction of the Genentech campus is more than half completed following the completion and leasing of the Phase I element comprising four buildings totalling 42,000 sq m. Phase II is well underway with the delivery of four buildings (31,000 sq m) scheduled during 2007 and 2008.

We are also making excellent progress with the Amgen campus at Oyster Point, with the delivery of two buildings (17,000 sq m) and commencement of construction on Britannia Oyster Point II, a three-building, 29,000 sq m campus adjacent to BOP I, of which two buildings are pre-leased to Amgen (22,000 sq m).

Following the completion of our Britannia Modular Labs II facility during the year, we have entered into discussions with a major life sciences company to lease the entire building. We have several enquiries and proposals outstanding for Phase I of this exciting new life sciences product concept and anticipate that it will be leased during the coming year. With the completion of the assembly of three nearby industrial buildings, SEUSA has embarked on the necessary planning consents for a Phase III, 8,361 sq m, two-building, modular labs development.

Another four building assembly in south San Francisco will provide a 21,400 sq m life sciences redevelopment opportunity in due course. This site expands and consolidates our premier position in this critical life sciences market and we are optimistic about the prospects for demand.

Another component of the life sciences strategy is the profitable redevelopment of some of our existing life sciences business parks. In this respect, we are in the process of securing consent for the redevelopment of the original, four-building, 16,258 sq m core element of our Pointe Grand estate into a four-building, 44,594 sq m, modern life sciences campus complex. We are also reviewing various options to add density through the redevelopment of part of our Gateway life sciences campus in south San Francisco. We should also receive planning consent during the first quarter of 2007 for the development of a two-building, 28,000 sq m life sciences project on our Forbes site in South San Francisco. We are optimistic about pre-leasing at least part of this project, but under the right circumstances will also consider a speculative development.

Lettings. Although we ended the year with an 18.9 per cent vacancy rate, this figure masks substantial leasing activity during the year. As part of our investment strategy, it is crucial to have available vacant space to accommodate the uncertain and volatile demand patterns that characterise the industry. There is no optimal inventory since demand can vary significantly over space and time. Of the 88,306 sq m of vacant space, 26,105 sq m is comprised of buildings in Poway and another 19,045 sq m in Torrey Pines, of which 12,077 sq m were buildings vacated in mid-2006. In the Bay Area, we are anticipating leasing transactions during the first part of 2007 that have the potential to largely eliminate the outstanding vacancies in our modular labs buildings and the Shoreline project.

During the year, we agreed new leases on 86,000 sq m of new and existing space, and a pre-let of 22,000 sq m to Amgen. This was offset by vacancies of 39,000 sq m, resulting in net absorption of 47,000 sq m. We have also been the beneficiaries of increasing demand during the year which has delivered new lettings and a measurable improvement in the tone of our rental rates. We expect this trend to continue throughout 2007, especially as we anticipate that the inventory of appropriate life sciences product should be steadily absorbed.

Outlook. The solid if not spectacular economy, together with continued rapid growth in the life sciences industry, fuels our optimism for development and leasing activities during 2007 and beyond. The wider real estate sector remains an investment commodity very much in demand and the highly-competitive demand for real estate product has driven up prices. In spite of this, the fundamentals of supply and demand are robust and we anticipate continued improvements in occupancy and rental rates. The life sciences industry activity is expected to further strengthen in response to increased funding from the pharmaceutical sector, but also due to more approvals of the many drugs, vaccines and devices that are in late stage clinical trials or under review with the FDA (Food & Drug Administration).

Our strategy is firmly rooted in the development of critical mass in major life sciences clusters and, over the years, we have been rewarded for maintaining our value-focused investment philosophy. We have established a solid platform for the future expansion of our life sciences portfolio in California.

2006 Preliminary Results
Slough Estates plc
Group income statement
For the year ended 31 December 2006

	Note	2006 Adjusted Income & Expense[1] £m	2006 Adjustments [2] £m	2006 IFRS Income & Expense £m	2005 Adjusted Income & Expense[1] £m	2005 Adjustments [2] £m	2005 IFRS Income & Expense £m
Revenue		**384.1**	**-**	**384.1**	405.2	-	405.2
Gross property rental income		304.8	-	**304.8**	269.6	36.4	306.0
Property operating expenses		(57.6)	-	**(57.6)**	(45.7)	-	(45.7)
Net property rental income	2	**247.2**	**-**	**247.2**	223.9	36.4	260.3
Profit on sale of trading properties	2	6.1	-	**6.1**	7.0	16.1	23.1
Share of profits from property joint ventures and associates after tax	5	7.0	6.3	**13.3**	5.3	8.2	13.5
Net income from utilities and gas	2	2.1	-	**2.1**	(0.9)	-	(0.9)
Other investment income		8.5	-	**8.5**	5.5	-	5.5
Administration expenses	3	(28.9)	-	**(28.9)**	(20.7)	-	(20.7)
Property gains	4	-	537.0	**537.0**	-	423.5	423.5
Gain on disposal of joint ventures		-	-	**-**	-	7.8	7.8
Gain from sale of gas interests		-	-	**-**	-	99.7	99.7
Operating profit		**242.0**	**543.3**	**785.3**	220.1	591.7	811.8
Finance income	6	31.1	4.7	**35.8**	19.9	1.5	21.4
Finance costs	7	(130.4)	(0.6)	**(131.0)**	(120.5)	(130.4)	(250.9)
Profit before tax		**142.7**	**547.4**	**690.1**	119.5	462.8	582.3
Tax (charge)/credit - current		(18.2)	(71.1)	**(89.3)**	(15.6)	(28.8)	(44.4)
- deferred		(9.6)	327.9	**318.3**	(0.4)	(149.4)	(149.8)
Total tax	**8**	**(27.8)**	**256.8**	**229.0**	(16.0)	(178.2)	(194.2)
Profit for the year		**114.9**	**804.2**	**919.1**	103.5	284.6	388.1
Attributable to equity shareholders		113.9	802.6	**916.5**	100.9	284.2	385.1
Attributable to minority interests		1.0	1.6	**2.6**	2.6	0.4	3.0
		114.9	**804.2**	**919.1**	103.5	284.6	388.1
Basic earnings per share	10			**201.8p**			91.7p
Diluted earnings per share	10			**196.0p**			85.0p

Notes

1. 'Adjusted Income & Expense' relates to the Group's income and expense after EPRA adjustments and excluding exceptional items.

2. EPRA adjustments arise from adopting the recommendations of the Best Practices Committee of the European Public Real Estate Association ("EPRA") as appropriate. Exceptional items are disclosed separately due to their size or incidence to enable a better understanding of performance. Both these types of adjustments are described in Note 11.

Group statement of recognised income and expense (SORIE)
For the year ended 31 December 2006

	Note	2006 £m	2005 £m
Revaluation gains on properties in the course of development	4	**22.3**	48.4
Exchange movement arising on translation of international operations		**(34.3)**	25.4
Actuarial gains/(losses) on defined benefit pension schemes		**10.2**	(4.0)
Increase in value of available-for-sale investments		**7.5**	10.8
Tax on items taken directly to equity		**(10.9)**	(25.4)
Net (loss)/gain recognised directly in equity		**(5.2)**	55.2
Transfer to income statement on sale of available-for-sale investments		**(6.2)**	(1.1)
Profit for the year		**919.1**	388.1
Total recognised income and expense for the year		**907.7**	442.2
Adoption of IAS 39		**-**	(103.9)
Total recognised income and expense for the year after restatement		**907.7**	338.3
Attributable to:			
- equity shareholders		**905.8**	334.8
- minority interests		**1.9**	3.5
		907.7	338.3

Group balance sheet
As at 31 December 2006

	Note	2006 £m	2005 £m
Assets			
Non-current assets			
Goodwill		**0.7**	0.7
Investment properties	12	**5,090.0**	4,440.1
Development and owner occupied properties	12	**469.7**	436.3
Plant and equipment		**48.1**	45.0
Investments in joint ventures and associates		**84.5**	100.1
Finance lease receivables		**10.6**	10.9
Available-for-sale investments		**44.1**	54.7
		5,747.7	5,087.8
Current assets			
Trading properties	12	**232.3**	123.6
Trade and other receivables		**185.7**	162.8
Cash and cash equivalents	13	**161.4**	172.6
Current tax assets		**5.1**	8.1
Non-current assets classified as held for sale	12	**56.6**	-
Finance leases receivables		**0.2**	0.1
Inventories		**1.0**	1.6
		642.3	468.8
Total assets		**6,390.0**	5,556.6
Liabilities			
Non-current liabilities			
Borrowings	14	**2,307.2**	2,250.2
Deferred tax provision	15	**298.5**	635.9
Provisions for liabilities and charges		**17.7**	29.6
Trade and other payables		**31.7**	7.6
		2,655.1	2,923.3
Current liabilities			
Borrowings	14	**77.6**	14.7
Tax liabilities		**82.5**	7.2
Trade and other payables		**192.4**	162.4
		352.5	184.3
Total liabilities		**3,007.6**	3,107.6
Net assets		**3,382.4**	2,449.0
Equity			
Share capital	16	**118.0**	137.5
Share premium account		**367.3**	256.8
Own shares held		**(10.6)**	(6.9)
Revaluation reserve		**2,129.3**	1,419.6
Other reserves		**70.4**	52.0
Retained earnings		**698.3**	581.4
Total shareholders' equity	17	**3,372.7**	2,440.4
Minority interests		**9.7**	8.6
Total equity		**3,382.4**	2,449.0
Net assets per ordinary share			
- basic	10	**718p**	579p
- diluted	10	**716p**	542p

Approved by the Board on 7 March 2007

Group cash flow statement
For the year ended 31 December 2006

	Note	2006 £m	2005 £m
Cash inflow generated from operations	18(i)	**137.6**	237.3
Interest received on deposits and loans		**13.1**	10.3
Dividends received		**36.5**	4.3
Interest paid		**(130.7)**	(156.7)
Dividends paid to preference shareholders		**(5.2)**	(10.8)
Minority dividends paid		**(0.8)**	(4.2)
Tax paid		**(11.6)**	(91.8)
Additional pension scheme contributions		**-**	(16.2)
Net cash inflow/(outflow) from operating activities		**38.9**	(27.8)
Cash flows from investing activities			
Purchase of subsidiary undertakings		**-**	(9.3)
Purchase and development of investment properties		**(262.6)**	(587.4)
Sale of investment properties		**158.3**	118.6
Receipts on property swaps		**-**	0.2
Purchase and development of property, plant and equipment		**(189.3)**	(142.4)
Sale of property, plant and equipment		**5.8**	7.6
Purchase of available-for-sale investments		**(4.7)**	(11.9)
Proceeds from disposal of available-for-sale investments		**15.7**	16.4
Proceeds from disposal of gas interests		**-**	122.8
Investments and loans to joint ventures and associates		**(21.3)**	(16.5)
Repayments of loans by joint ventures		**9.2**	-
Proceeds from the disposal of investments in joint ventures		**-**	20.8
Investment in term deposits		**-**	185.6
Transfer to restricted deposit		**(3.9)**	-
Net cash used in investing activities		**(292.8)**	(295.5)
Cash flows from financing activities			
Dividends paid to ordinary shareholders		**(84.0)**	(69.0)
Proceeds from new loans		**66.9**	644.7
Repayment of loans		**(10.1)**	(366.8)
Net increase in other borrowings		**264.6**	62.1
Proceeds from the issue of ordinary shares		**5.9**	1.5
Purchase of own shares		**(4.5)**	(1.0)
Net cash from financing activities		**238.8**	271.5
Net decrease in cash and cash equivalents		**(15.1)**	(51.8)
Cash and cash equivalents at the beginning of the year		**166.9**	218.1
Effect of foreign exchange rate changes		**(0.8)**	0.6
Cash and cash equivalents at the end of the year	13	**151.0**	166.9

Notes to the financial statements

1. Significant accounting policies

Basis of preparation

This preliminary report is audited. The financial information contained in this announcement does not constitute statutory accounts within the meaning of s240 of the Companies Act 1985. The statutory accounts for 2005, which were prepared under International Financial Reporting Standards (IFRS), have been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under s237(2) or s237(3) of the Companies Act 1985.

The financial information has been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS), IFRIC Interpretations, and the Companies Act 1985 applicable to companies reporting under IFRS. In addition, the Group has also followed best practice recommendations issued by the European Public Real Estate Association ("EPRA") as appropriate.

Presentation of Group income statement

The Group income statement has been presented by analysing the results into three columns; Adjusted Income and Expense, Adjustments and IFRS Income and Expense. In addition, the results of the property joint ventures and associates have been included immediately after net property rental income and profit on sale of trading properties.

This has been adopted so as to explain more clearly the different aspects of the Group's financial performance.

The adjustments column represents items of income and expense and related taxation and minority interest that have been recommended by the Best Practices Committee of EPRA as requiring adjustment in arriving at the EPRA adjusted measure of earnings per share, together with items classified as exceptional items. Exceptional items are significant items, separately disclosed for their size or incidence to enable a better understanding of performance, and primarily consist of significant premiums received on early surrender of leases, significant gains on the sale of assets and the UK Real Estate Investment Trust ("REIT") conversion charge. Details of amounts included within the adjustments column are set out in Note 11.

Notes to the financial statements (continued)

2. Segmental analysis

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

Geographical segments	UK		Continental Europe		USA		Group	
	2006	2005	2006	2005	2006	2005	2006	2005
	£m	£m	£m	£m	£m	£m	£m	£m
Segment revenue	**237.7**	222.8	**70.0**	55.3	**76.4**	127.1	**384.1**	405.2
Gross property rental income	**193.2**	183.6	**35.4**	25.2	**76.2**	97.2	**304.8**	306.0
Property operating expenses	**(32.6)**	(28.9)	**(7.2)**	(2.4)	**(17.8)**	(14.4)	**(57.6)**	(45.7)
Net property rental income	**160.6**	154.7	**28.2**	22.8	**58.4**	82.8	**247.2**	260.3
Proceeds on sale of trading properties	**1.2**	1.1	**34.6**	30.1	**0.2**	26.1	**36.0**	57.3
Carrying value of trading properties sold	**(1.2)**	(0.5)	**(28.7)**	(23.7)	-	(10.0)	**(29.9)**	(34.2)
Profit on sale of trading properties	**-**	0.6	**5.9**	6.4	**0.2**	16.1	**6.1**	23.1
Share of profits/(losses) from property joint ventures and associates after tax	**9.1**	8.3	**0.6**	(0.2)	**3.6**	5.4	**13.3**	13.5
Revenue from sale of utilities and gas	**43.3**	38.1	-	-	-	3.8	**43.3**	41.9
Cost of sale of utilities and gas	**(41.2)**	(36.9)	-	-	-	(5.9)	**(41.2)**	(42.8)
Net profit/(loss) from utilities and gas	**2.1**	1.2	**-**	-	**-**	(2.1)	**2.1**	(0.9)
Other investment income	**5.0**	4.0	-	-	**3.5**	1.5	**8.5**	5.5
Administration expenses	**(20.7)**	(15.0)	**(4.6)**	(2.7)	**(3.6)**	(3.0)	**(28.9)**	(20.7)
Property gains	**374.9**	312.1	**22.6**	8.1	**139.5**	103.3	**537.0**	423.5
Gain on disposal of joint ventures	**-**	-	**-**	-	-	7.8	**-**	7.8
Gain from sale of gas interests	**-**	-	-	-	-	99.7	**-**	99.7
Operating profit	**531.0**	465.9	**52.7**	34.4	**201.6**	311.5	**785.3**	811.8
Finance income	**26.8**	18.1	**6.1**	0.4	**2.9**	2.9	**35.8**	21.4
Finance costs	**(99.5)**	(225.2)	**(13.0)**	(6.6)	**(18.5)**	(19.1)	**(131.0)**	(250.9)
Profit before tax	**458.3**	258.8	**45.8**	28.2	**186.0**	295.3	**690.1**	582.3
Taxation - current	**(79.0)**	4.6	**(2.6)**	(3.8)	**(7.7)**	(45.2)	**(89.3)**	(44.4)
- deferred	**399.5**	(85.1)	**(11.1)**	(6.5)	**(70.1)**	(58.2)	**318.3**	(149.8)
Net profit after tax	**778.8**	178.3	**32.1**	17.9	**108.2**	191.9	**919.1**	388.1
Adjusted profit before tax	**78.4**	66.8	**19.9**	20.9	**44.4**	31.8	**142.7**	119.5
Adjusted profit after tax	**68.9**	51.4	**16.2**	17.1	**29.8**	35.0	**114.9**	103.5
Property assets[1]	**4,192.8**	3,658.6	**707.7**	515.2	**1,112.6**	964.0	**6,013.1**	5,137.8
Other assets (excluding cash)	**98.6**	129.9	**34.8**	17.6	**82.1**	98.7	**215.5**	246.2
Segment assets	**4,291.4**	3,788.5	**742.5**	532.8	**1,194.7**	1,062.7	**6,228.6**	5,384.0
Deferred tax liability	**(7.1)**	(401.1)	**(70.8)**	(59.9)	**(220.6)**	(174.9)	**(298.5)**	(635.9)
Other liabilities (excluding borrowings)	**(260.9)**	(158.8)	**(40.5)**	(25.2)	**(22.9)**	(22.8)	**(324.3)**	(206.8)
Segment liabilities	**(268.0)**	(559.9)	**(111.3)**	(85.1)	**(243.5)**	(197.7)	**(622.8)**	(842.7)
Net segment assets	**4,023.4**	3,228.6	**631.2**	447.7	**951.2**	865.0	**5,605.8**	4,541.3
Net external borrowings	**(1,350.3)**	(1,629.2)	**(366.0)**	(203.3)	**(507.1)**	(259.8)	**(2,223.4)**	(2,092.3)
Net inter-segment borrowings	**72.9**	123.0	**(57.6)**	(56.1)	**(15.3)**	(66.9)	**-**	-
Net assets	**2,746.0**	1,722.4	**207.6**	188.3	**428.8**	538.3	**3,382.4**	2,449.0
Depreciation by segment	**4.2**	3.9	**0.5**	0.1	**-**	1.1	**4.7**	5.1
Capital expenditure in the year	**300.2**	406.9	**202.7**	136.9	**128.0**	258.1	**630.9**	801.9

1. The figure for property assets includes trading properties and the Group’s share of joint ventures’ properties.

2006 Preliminary Results
Slough Estates plc
Notes to the financial statements (continued)
2. Segmental analysis (continued)

Business segments

	Property investment		Trading property		Slough Heat & Power		Other activities		Group	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Segment revenue	**296.4**	302.7	**44.4**	60.6	**43.3**	38.1	**-**	3.8	**384.1**	405.2
Gross property rental income	**296.4**	302.7	**8.4**	3.3	**-**	-	**-**	-	**304.8**	306.0
Property operating expenses	**(54.4)**	(45.1)	**(3.2)**	(0.6)	**-**	-	**-**	-	**(57.6)**	(45.7)
Net property rental income	**242.0**	257.6	**5.2**	2.7	**-**	-	**-**	-	**247.2**	260.3
Proceeds on sale of trading properties	**-**	-	**36.0**	57.3	**-**	-	**-**	-	**36.0**	57.3
Carrying value of trading properties sold	**-**	-	**(29.9)**	(34.2)	**-**	-	**-**	-	**(29.9)**	(34.2)
Share of profits from property joint ventures and associates after tax	**9.5**	13.0	**3.8**	0.5	**-**	-	**-**	-	**13.3**	13.5
Revenue from sale of utilities and gas	**-**	-	**-**	-	**43.3**	38.1	**-**	3.8	**43.3**	41.9
Cost of sale of utilities and gas	**-**	-	**-**	-	**(41.2)**	(36.9)	**-**	(5.9)	**(41.2)**	(42.8)
Other investment income	**-**	-	**-**	**-**	**-**	-	**8.5**	5.5	**8.5**	5.5
Administration expenses	**-**	-	**-**	-	**-**	-	**(28.9)**	(20.7)	**(28.9)**	(20.7)
Property gains	**537.0**	423.5	**-**	-	**-**	-	**-**	-	**537.0**	423.5
Gain on disposal of joint ventures	**-**	7.8	**-**	-	**-**	-	**-**	-	**-**	7.8
Gain from sale of gas interests	**-**	-	**-**	-	**-**	-	**-**	99.7	**-**	99.7
Operating profit	**788.5**	701.9	**15.1**	26.3	**2.1**	1.2	**(20.4)**	82.4	**785.3**	811.8
Finance income							**35.8**	21.4	**35.8**	21.4
Finance costs							**(131.0)**	(250.9)	**(131.0)**	(250.9)
Profit/(loss) before tax	**788.5**	701.9	**15.1**	26.3	**2.1**	1.2	**(115.6)**	(147.1)	**690.1**	582.3
Taxation							**229.0**	(194.2)	**229.0**	(194.2)
Profit/(loss) for the year	**788.5**	701.9	**15.1**	26.3	**2.1**	1.2	**113.4**	(341.3)	**919.1**	388.1
Segment assets/(liabilities)	**5,846.5**	5,060.3	**261.9**	185.2	**52.4**	52.8	**67.8**	85.7	**6,228.6**	5,384.0
Segment liabilities	**(510.7)**	(757.8)	**(23.3)**	(10.2)	**(16.4)**	(11.4)	**(72.4)**	(63.3)	**(622.8)**	(842.7)
Net segment assets	**5,335.8**	4,302.5	**238.6**	175.0	**36.0**	41.4	**(4.6)**	22.4	**5,605.8**	4,541.3
Net borrowings	-	-	-	-	-	-	**(2,223.4)**	(2,092.3)	**(2,223.4)**	(2,092.3)
Net assets /(liabilities)	**5,335.8**	4,302.5	**238.6**	175.0	**36.0**	41.4	**(2,228.0)**	(2,069.9)	**3,382.4**	2,449.0
Capital expenditure in the year	**460.2**	714.0	**163.0**	76.0	**4.7**	3.4	**3.0**	8.5	**630.9**	801.9

Slough Heat & Power supplies electricity, water and steam. There are no significant inter-segment trading activities. The total cost of sales amounts to £128.7 million (2005 £122.7 million) and comprises property operating expenses, the carrying value of trading properties sold and the cost of sale of utilities and gas.

Notes to the financial statements (continued)

3. Administration expenses

	2006 £m	2005 £m
Directors' remuneration	**3.1**	2.7
Compensation to director for loss of office	**0.6**	-
Depreciation	**1.2**	0.9
Other administration expenses	**24.0**	17.1
Total administration expenses	**28.9**	20.7

4. Property gains

The total property gains for the period are shown in the financial statements as follows:	2006 £m	2005 £m
Income statement - valuation surpluses	**532.2**	409.1
- profits from the sale of investment properties	**4.8**	14.4
Total property gains per income statement	**537.0**	423.5
Statement of recognised income and expense - valuation surpluses	**22.3**	48.4
Total property gains	**559.3**	471.9
The valuation surpluses arise on the following properties:		
Investment properties	**535.5**	423.3
Development and owner occupied properties	**19.0**	34.2
	554.5	457.5
Net valuation surpluses of joint ventures and associates included within share of joint ventures' and associates' profits on the face of the income statement	**9.3**	10.5
Total valuation surpluses	**563.8**	468.0

5. Share of profits from property joint ventures and associates

	Investment property		Trading property		Total	
	2006 £m	2005 £m	**2006 £m**	2005 £m	**2006 £m**	2005 £m
Revenue	**7.8**	9.5	**37.2**	7.6	**45.0**	17.1
Gross property rental income	**7.8**	9.5	**0.8**	0.4	**8.6**	9.9
Property operating expenses	**(1.0)**	(1.2)	**(1.0)**	(0.1)	**(2.0)**	(1.3)
Proceeds on sale of trading properties	**-**	-	**36.4**	7.2	**36.4**	7.2
Carrying value of trading properties sold	**-**	-	**(29.9)**	(6.4)	**(29.9)**	(6.4)
Finance costs	**(3.1)**	(2.7)	**(1.2)**	(0.5)	**(4.3)**	(3.2)
	3.7	5.6	**5.1**	0.6	**8.8**	6.2
Valuation surpluses	**9.3**	10.5	**-**	-	**9.3**	10.5
Profit before tax	**13.0**	16.1	**5.1**	0.6	**18.1**	16.7
Current tax	**(0.5)**	(0.9)	**(1.5)**	-	**(2.0)**	(0.9)
Deferred tax	**(3.0)**	(2.2)	**0.2**	(0.1)	**(2.8)**	(2.3)
Group share of profit after tax	**9.5**	13.0	**3.8**	0.5	**13.3**	13.5
Adjusted profit after tax [1]	**3.2**	4.8	**3.8**	0.5	**7.0**	5.3

1. Represents the Group's share of profit after tax and after EPRA adjustments.

The total income and total expenses amount to £45.0 million (2005 £17.1 million) and £36.2 million (2005 £10.9 million) respectively.

6. Finance income

	2006 £m	2005 £m
Interest received on bank deposits	**10.1**	9.9
Fair value gains on interest rate swaps and other derivatives	**4.7**	1.5
Unwinding of discount on amounts receivable	**0.9**	1.4
Return on pension assets less unwinding of discount on pension liabilities	**0.5**	-
Exchange differences	**19.6**	8.6
	35.8	21.4

Fair value adjustments on derivatives equal £4.1 million income (£0.6 million finance costs, £4.7 million finance income). 2005 was £1.0 million expense (£2.5 million expense, £1.5 million income).

7. Finance costs

	2006 £m	2005 £m
Interest on overdrafts and loans	**131.2**	116.9
Interest on convertible redeemable preference shares	**4.1**	13.2
Unwinding of discount on the pension liabilities less return of assets	**0.2**	0.5
Unwinding of discount on other provisions	**-**	0.2
Total borrowing costs	**135.5**	130.8
Less amounts capitalised on the development of		
- trading properties	**(1.6)**	(0.7)
- investment and development properties	**(21.9)**	(17.9)
- other assets	**-**	(0.5)
Net borrowing costs	**112.0**	111.7
Fair value losses on interest rate swaps and other derivatives	**0.6**	0.2
Swaption close out cost	**-**	2.3
Borrowing close out cost relating to property disposals	**-**	1.9
Exchange differences	**18.4**	8.8
Total finance costs before exceptional expense	**131.0**	124.9
Exceptional cost of refinancing	**-**	126.0
Total finance costs	**131.0**	250.9

8. Tax charge/(credit)

	2006 £m	2005 £m
Current tax		
United Kingdom		
Corporation tax charged at 30 per cent (2005 30 per cent)	**-**	-
REIT conversion charge	**81.9**	-
Over provision in earlier years	**(2.9)**	(4.6)
	79.0	(4.6)
International		
Current tax charge	**11.9**	15.4
Over provision in earlier years	**(1.6)**	(2.3)
Tax charge on sale of gas interests (Tipperary)	**-**	34.0
Tax charge on sale of investment properties	**-**	1.9
	10.3	49.0
Total current tax	**89.3**	44.4
Deferred tax		
Release on conversion to REIT	**(416.1)**	-
Origination and reversal of timing differences	**7.7**	19.1
(Released)/charged in respect of property disposals in the year	**(0.4)**	11.5
On valuation surpluses	**65.5**	130.5
Total deferred tax in respect of investment properties	**(343.3)**	161.1
Released in respect of Quail West	**-**	10.6
Other deferred tax	**25.0**	(21.9)
Total deferred tax	**(318.3)**	149.8
Total tax (credit)/charge on profit on ordinary activities	**(229.0)**	194.2

9. Dividends

	2006 £m	2005 £m
Ordinary dividends paid		
Interim dividend for the year ended 31 December 2006 @ 6.9 pence per share	**32.4**	-
Final dividend for the year ended 31 December 2005 @ 11.0 pence per share	**51.6**	-
Interim dividend for the year ended 31 December 2005 @ 6.5 pence per share	-	27.4
Final dividend for the year ended 31 December 2004 @ 9.85 pence per share	-	41.6
	84.0	69.0

In respect of the current year, the directors propose that a dividend of 12.1 pence per ordinary share, amounting to £57.1 million will be paid to shareholders on 25 May 2007. This dividend is subject to approval by the shareholders at the Annual General Meeting (AGM). As required by IFRS this final dividend is not recognised in the financial statements.

Preference dividends paid during 2006 of £5.2 million (2005 £10.8 million) are included within finance costs.

2006 Preliminary Results
Slough Estates plc
Notes to the financial statements (continued)
10. Earnings and net assets per ordinary share

10(i) - Earnings per ordinary share

		Basic		Diluted	
		2006	2005	**2006**	2005
		pence	pence	**pence**	pence
Earnings per ordinary share	e/a, f/c	201.8	91.7	196.0	85.0
Adjusted earnings per ordinary share	g/a, h/c	25.1	24.0	25.1	24.3

10(ii) - Number of shares

The number of shares used in calculating earnings and net assets per share is :

		Weighted average in year		In issue at year end	
		2006	2005	**2006**	2005
		millions	millions	**millions**	millions
Shares in issue		**456.4**	421.8	**472.0**	423.0
Less shares held by the ESOP		**(2.2)**	(1.7)	**(2.2)**	(1.7)
Basic number of shares	a, b	**454.2**	420.1	**469.8**	421.3
Dilution adjustment for preference shares		**14.3**	47.1	**-**	47.1
Dilution adjustment for share options and save-as-you-earn schemes		**1.1**	1.5	**1.1**	1.5
Diluted number of shares	c, d	**469.6**	468.7	**470.9**	469.9

10(iii) – Earnings

Earnings used in calculating earnings per share are :

		Basic		Diluted	
		2006	2005	**2006**	2005
		£m	£m	**£m**	£m
Profit attributable to equity shareholders		**916.5**	385.1	**916.5**	385.1
Adjustment for interest on preference shares		**-**	-	**4.1**	13.2
	e, f	**916.5**	385.1	**920.6**	398.3
EPRA adjustments (note 11 below)		**(889.5)**	(272.0)	**(889.5)**	(272.0)
Minority interest on EPRA adjustments		**1.6**	0.4	**1.6**	0.4
Adjustments for exceptional items (note 11 below)		**85.3**	(12.6)	**85.3**	(12.6)
Adjusted earnings	g, h	**113.9**	100.9	**118.0**	114.1

10(iv) - Net assets per ordinary share

Net asset values (NAV) are as follows :

		Basic		Diluted	
		2006	2005	**2006**	2005
		pence	pence	**pence**	pence
NAV	**i/b, j/d**	**718**	579	**716**	542
Adjustment for deferred tax on investment properties					
- capital allowances		**20**	56	**20**	50
- revaluation surpluses		**39**	98	**39**	88
Adjusted NAV	**k/b, l/d**	**777**	733	**775**	680
Fair value of debt net of tax		**(17)**	(25)	**(16)**	(23)
Deferred tax in respect of capital allowances		**(20)**	(56)	**(20)**	(50)
Deferred tax in respect of valuation surpluses		**(39)**	(98)	**(39)**	(88)
Unrecognised indexation allowances		**-**	22	**-**	20
Triple net NAV (NNNAV)		**701**	576	**700**	539

10(v) - Net assets

Equity used for the calculation of net assets per ordinary share is :

		Basic		Diluted	
		2006	2005	**2006**	2005
		£m	£m	**£m**	£m
Total equity attributable to ordinary shareholders		**3,383.3**	2,447.3	3,383.3	2,447.3
Dilution adjustment for preference shares		**-**	-	-	107.7
Less shares held by the ESOP		**(10.6)**	(6.9)	(10.6)	(6.9)
	i, j	**3,372.7**	2,440.4	**3,372.7**	2,548.1
Deferred tax attributable to investment and development properties		**276.1**	649.2	**276.1**	649.2
Adjusted equity attributable to ordinary shareholders	k, l	**3,648.8**	3,089.6	**3,648.8**	3,197.3

11. Adjustments for EPRA, exceptional items and related tax

The Group has presented the income statement in a three-column format, so as to present adjusted amounts to exclude the impact of EPRA adjustments, exceptional items and related tax. The Directors consider that the adjusted figures give a useful comparison for the periods shown in the consolidated financial statements.

EPRA adjustments arise from adopting the recommendations of the Best Practices Committee of EPRA as appropriate. Exceptional items are items that are disclosed separately due to their size or incidence to enable a better understanding of performance.

Details of adjustments	Income statement line	2006 £m	2005 £m
EPRA adjustments (excluding minority interests)			
Gains after tax on property valuations	Share of profits from property joint ventures and associates	**6.3**	8.2
Property gains	Property gains	**537.0**	423.5
Gain on sale of joint ventures	Gain on disposal of joint ventures	**-**	7.8
Borrowing close out costs on property disposals	Finance costs	**-**	(1.9)
Adjustments for fair value of derivatives	Finance costs	**(0.6)**	(2.5)
Adjustments for fair value of derivatives	Finance income	**4.7**	1.5
EPRA adjustments before tax		**547.4**	436.6
Deferred tax attributable to investment and development property which does not crystallise unless the property is sold	Deferred tax	**343.3**	(161.1)
Current tax and other deferred tax	Current tax	**-**	(3.5)
	Deferred tax	**(1.2)**	-
Total EPRA adjustments after tax		**889.5**	272.0
Exceptional items (excluding minority interests)			
Exceptional surrender premiums	Gross property rental income	**-**	36.4
Profit on sale of Quail West	Profit on sale of trading properties	**-**	16.1
UK REIT conversion charge	Current tax	**(81.9)**	-
Profit on sale of Tipperary	Gain from sale of gas interests	**-**	99.7
Cost of refinancing bonds	Finance costs	**-**	(126.0)
Total exceptional items before tax		**(81.9)**	26.2
Tax effect of exceptional items	Current tax	**10.8**	(25.3)
	Deferred tax	**(14.2)**	11.7
Total exceptional items after tax		**(85.3)**	12.6
Total adjustments (excluding minority interests)		**804.2**	284.6

12. Properties

Properties are included in the balance sheet as follows :

Properties carried at valuation :	Note	2006 £m	2005 £m
Investment properties	12(i)	**5,090.0**	4,440.1
Development and owner occupied properties	12(ii)	**469.7**	436.3
Classified as held for sale in current assets	12(i)/12(ii)	**56.6**	-
		5,616.3	4,876.4
Group's share of investment properties within joint ventures and associates		**137.3**	113.5
Total properties carried at valuation		**5,753.6**	4,989.9
Properties carried at cost :			
Trading properties	12(iii)	**232.3**	123.6
Group's share of trading properties within joint ventures and associates		**27.2**	24.3
Total properties carried at cost		**259.5**	147.9
Total properties at 31 December		**6,013.1**	5,137.8

The investment properties were externally valued as at 31 December 2006 by CB Richard Ellis, DTZ Debenham Tie Leung or Colliers CRE in the United Kingdom, in the USA by Walden-Marling Inc., in Belgium by DTZ Winssinger Tie Leung, in France by CB Richard Ellis, in Germany by Savills GmbH and in Central Europe and the Netherlands by DTZ Zadelhoff Tie Leung. The valuation basis is fair value, conforms to international valuation standards and was arrived at by reference to market evidence of the transaction prices for similar properties. All the valuers listed above are qualified valuers who hold a recognised and relevant professional qualification and have recent experience in the relevant location and category of the properties being valued.

CB Richard Ellis and DTZ Debenham Tie Leung also undertake some professional and letting work on behalf of the Group, although this activity is limited in relation to the activities of the Group as a whole. Both companies advise us that the total fees paid by the Group represent less than 5 per cent of their total revenue in any year and have adopted policies for the regular rotation of the responsible valuer.

2006 Preliminary Results
Slough Estates plc
Notes to the financial statements (continued)
12(i) - Investment properties

These include completed land and buildings and properties being redeveloped, but exclude trading properties, properties occupied by Group companies, land held for development and developments under construction.

Group	UK £m	Continental Europe £m	USA £m	Total £m
At 1 January 2005	**2,776.8**	**264.8**	**411.1**	**3,452.7**
Exchange movement	-	(8.5)	62.2	53.7
Acquisitions	280.0	67.3	168.1	515.4
Additions	47.5	(1.8)	18.1	63.8
Disposals	(74.9)	-	(40.2)	(115.1)
Transfer from development properties	15.6	3.1	15.6	34.3
Transfer from trading properties	-	12.0	-	12.0
Revaluation surplus during period	326.8	9.9	86.6	423.3
At 1 January 2006	**3,371.8**	**346.8**	**721.5**	**4,440.1**
Exchange movement	-	(5.1)	(107.4)	(112.5)
Acquisitions	139.4	19.3	35.9	194.6
Additions	42.3	16.0	25.0	83.3
Disposals	(159.1)	(0.1)	-	(159.2)
Transfer from development properties	37.1	-	107.3	144.4
Transfer (to)/from trading properties	(0.7)	4.5	-	3.8
Revaluation surplus during period	367.4	24.8	143.3	535.5
At 31 December 2006	**3,798.2**	**406.2**	**925.6**	**5,130.0**
Less classified as held for sale and shown in current assets	(40.0)	-	-	(40.0)
	3,758.2	**406.2**	**925.6**	**5,090.0**
Completed properties	3,591.8	406.2	877.0	4,875.0
Properties for or under redevelopment	206.4	-	48.6	255.0
	3,798.2	**406.2**	**925.6**	**5,130.0**

		2006 £m	2005 £m
Properties held at valuation	- cost	**2,856.8**	2,710.5
	- valuation surplus	**2,273.2**	1,729.6
At valuation		**5,130.0**	4,440.1

Long term leasehold values in the above are £57.4 million (2005 £105.0 million). All other properties are freehold. Investment properties have been included at market value after deducting of £66.7 million (2005 £50.6 million) for lease incentives and letting fees included in trade and other receivables.

Investment property rental income and direct operating expenses are :	**2006** £m	2005 £m
Rental income from rented properties, all leased under operating leases	**295.6**	301.8
Operating expenses relating to let properties	**(48.4)**	(40.6)
Net rental income from rented properties	**247.2**	261.2
Operating expenses relating to vacant investment properties	**5.6**	4.1

Certain properties have been pledged to secure £77.1 million (2005 £86.6 million) of borrowings in Continental Europe and USA.

Notes to the financial statements (continued)

12(ii) - Development and owner occupied properties

These include land held for development, developments under construction and properties occupied by Group companies.

Group	UK £m	Continental Europe £m	USA £m	Total £m
Cost or valuation				
At 1 January 2005	**140.7**	**31.7**	**105.6**	**278.0**
Exchange movement	-	(1.1)	17.7	16.6
Additions	71.6	6.6	70.9	149.1
Disposals	(3.1)	-	(4.1)	(7.2)
Transfer to investment properties	(15.6)	(3.1)	(15.6)	(34.3)
Transfer from trading properties	-	1.6	-	1.6
Revaluation (deficit)/surplus during year	(5.4)	(1.4)	41.0	34.2
At 1 January 2006	**188.2**	**34.3**	**215.5**	**438.0**
Exchange movement	-	(0.8)	(24.6)	(25.4)
Additions	97.9	30.1	74.9	202.9
Disposals	(5.4)	-	-	(5.4)
Transfer to investment properties	(37.1)	-	(107.3)	(144.4)
Transfer (to)/ from trading properties	(6.7)	10.4	-	3.7
Revaluation surplus during year	15.5	0.6	2.9	19.0
At 31 December 2006	**252.4**	**74.6**	**161.4**	**488.4**
Depreciation				
At 1 January 2005	1.2	-	-	1.2
Additions	0.5	-	-	0.5
At 1 January 2006	1.7	-	-	1.7
Additions	0.4	-	-	0.4
At 31 December 2006	**2.1**	**-**	**-**	**2.1**
Net book value	**250.3**	**74.6**	**161.4**	**486.3**
Less classified as held for sale and shown in current assets	(16.6)	-	-	(16.6)
At 31 December 2006	**233.7**	**74.6**	**161.4**	**469.7**
At 31 December 2005	186.5	34.3	215.5	436.3

		2006 £m	2005 £m
Properties held at valuation	- cost	**478.7**	362.0
	- valuation surplus	**7.6**	74.3
At valuation		**486.3**	436.3

	UK	Continental Europe	USA
The depreciation rates are (straight line)	3%	n/a	n/a

All the properties are freehold. There are no additions, disposals or transfers of owner occupied properties in the above.

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

Notes to the financial statements (continued)

12(iii) - Trading properties

	UK	Continental Europe	Total
	£m	**£m**	**£m**
2006			
Completed properties	15.3	159.9	175.2
Properties under development	8.4	48.7	57.1
At 31 December 2006	**23.7**	**208.6**	**232.3**
2005			
Completed properties	0.6	60.8	61.4
Properties under development	6.6	55.6	62.2
At 31 December 2005	7.2	116.4	123.6

13. Cash and cash equivalents

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

	2006	2005
	£m	£m
Bank balance	**54.3**	16.3
Call deposits	**107.1**	156.3
Cash and cash equivalents per the balance sheet	**161.4**	172.6
Less restricted deposits	**(3.9)**	-
Bank overdrafts	**(6.5)**	(5.7)
Cash and cash equivalents in the cash flow statement	**151.0**	166.9

Notes to the financial statements (continued)

14. Group borrowings

	2006 £m	2005 £m
Secured Borrowings :		
European mortgages (repayable within 1 year)	**0.9**	3.6
Polish mortgage (repayable between 1-2 years)	**-**	3.5
US dollars 6.9% 2007 first mortgage	**3.5**	4.3
Euro mortgages 2009 to 2012	**7.7**	2.5
US dollars 6.85% to 7.51% 2008 to 2017	**24.4**	30.4
Euro mortgages 5.14% to 6.36% 2014 to 2016	**40.6**	42.3
Total secured (on land, buildings and other assets)	**77.1**	86.6
Unsecured Borrowings :		
Bonds		
7.125% bonds 2010	**124.5**	124.3
6.25% bonds 2015	**148.2**	148.0
5.5% bonds 2018	**197.9**	197.8
5.625% bonds 2020	**246.8**	246.6
7.0% bonds 2022	**148.7**	148.7
6.75% bonds 2024	**220.7**	220.6
5.75% bonds 2035	**197.9**	197.9
Notes		
7.58% US dollar Notes 2007	**10.2**	11.6
7.84% US dollar Notes 2008	**7.6**	8.7
9.27% Canadian dollar Notes 2010	**11.0**	12.5
7.94% US dollar Notes 2010	**46.6**	53.1
6.417% Euro Notes 2011	**33.7**	34.2
6.57% US dollar Notes 2011	**50.9**	58.0
8.0% US dollar Notes 2012	**22.2**	25.3
8.09% US dollar Notes 2015	**5.1**	5.8
6.97% US dollar Notes 2016	**50.9**	58.0
Others		
8.25p Convertible redeemable preference shares	**-**	107.7
	1,522.9	1,658.8
Bank loans & overdrafts	**784.5**	519.2
Preference shares held by subsidiary	**0.3**	0.3
Total unsecured	**2,307.7**	2,178.3
Total borrowings	**2,384.8**	2,264.9

Notes to the financial statements (continued)

15. Deferred tax assets and provisions

Movement in deferred tax was as follows:

2006	Balance 1 January £m	Exchange movement £m	Recognised in income £m	Recognised in equity £m	Transfer £m	Balance 31 December £m
Valuation surpluses on properties	412.1	(16.5)	(214.1)	0.9	-	**182.4**
Accelerated tax allowances	170.4	(9.3)	(129.2)	-	-	**31.9**
Others	66.7	0.7	-	-	(5.6)	**61.8**
Total relating to investment properties	**649.2**	**(25.1)**	**(343.3)**	**0.9**	**(5.6)**	**276.1**
Accelerated tax allowances on plant and equipment	6.3	-	2.4	-	-	**8.7**
Pension deficit	(8.1)	-	-	7.1	-	**(1.0)**
Deferred tax assets	(24.8)	0.3	15.5	-	-	**(9.0)**
Others	13.3	(1.8)	7.1	(0.5)	5.6	**23.7**
Total deferred tax provision	**635.9**	**(26.6)**	**(318.3)**	**7.5**	**-**	**298.5**

2005						
Valuation surpluses on properties	256.6	6.6	130.5	18.4	-	412.1
Accelerated tax allowances	127.6	5.8	37.0	-	-	170.4
Others	73.1	-	(6.4)	-	-	66.7
Total relating to investment properties	457.3	12.4	161.1	18.4	-	649.2
Accelerated tax allowances on plant and equipment	2.6	-	3.7	-	-	6.3
Pension deficit	(11.9)	-	-	3.8	-	(8.1)
Deferred tax assets	(13.1)	(0.8)	(10.9)	-	-	(24.8)
Others	13.5	0.7	(4.1)	3.2	-	13.3
Total deferred tax provision	448.4	12.3	149.8	25.4	-	635.9

At the balance sheet date, the Group has unused revenue tax losses of £30.0 million (2005 £75.4 million) available for offset against future profits. A deferred tax asset has been recognised in respect of all of these losses as it is expected that future profits will be available.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries and joint ventures for which deferred tax liabilities have not been recognised was £nil (2005 £nil). No liability has been recognised because the Group is in a position to control the distribution of these profits and this is unlikely in the foreseeable future.

16. Share capital

	Authorised		Issued and fully paid	
	Shares m	£m	Shares m	£m
Ordinary shares of 25p each				
At 1 January 2006	586.4	146.6	423.0	105.7
Shares issued during the year	-	-	49.0	12.3
At 31 December 2006	**586.4**	**146.6**	**472.0**	**118.0**
Cumulative redeemable convertible preference shares of 25p each				
At 1 January 2006	141.6	35.4	127.0	31.8
Conversions during the year	-	-	(126.9)	(31.8)
Redemptions in the year	-	-	(0.1)	-
At 31 December 2006	**141.6**	**35.4**	**-**	**-**

Notes to the financial statements (continued)

Cumulative redeemable convertible preference shares
The preference shares were issued on 6 June 1991 at a price of 100 pence per share. They carried the right to a fixed cumulative preferential dividend of 8.25 pence (net) per share per annum payable half yearly in arrears in equal amounts on 1 March and 1 September in each year. The terms and conditions of issue provided that the Company could redeem some or all of the preference shares at any time between 1 March 2006 and 31 August 2011. All preference shares not converted were redeemable by the Company at a price of 100 pence per share.

The Company exercised its right to redeem the preference shares and those preference shares that did not convert to ordinary shares were redeemed on 12 June 2006 on the basis of 37.0793 ordinary shares to 100 preference shares.

Ordinary shares

The following issues of ordinary shares took place during 2006:

Share option schemes : 1,786,052 ordinary shares were subscribed in cash following the exercise of employees' options under the share option schemes. The consideration received by the company was £5,265,917.98.

Conversion of preference shares to ordinary shares in 2006 : During the year, 47,053,908 ordinary shares were issued, credited as fully paid following the conversion of, and in satisfaction of 126,900,749 8.25 pence cumulative redeemable convertible preference shares.

Share incentive plan : 86,810 ordinary shares were subscribed in cash at a price of 581.2 pence per share and were issued to the trustees and allocated at that price to eligible employees under the share incentive plan.

During the year, options to subscribe for ordinary shares of the Company were granted as follows:
Save-as-you-earn option scheme : 100,669 ordinary shares at a subscription price of 483.2 pence per share and 66,802 ordinary shares at a subscription price of 528.4 pence per share.

Executive share option scheme : There were no ordinary shares awarded during the year.

Notes to the financial statements (continued)

17. Statement of changes in equity

2006	Balance 1 Jan £m	Restate for IAS 39 £m	Exchange movement £m	Retained profit for year £m	Other items in SORIE[1] £m	Shares issued £m	Other £m	Dividend paid £m	Reserve Transfers £m	Preference share conversions £m	Balance 31 Dec £m
Revaluation reserve [2]	1,419.6	-	(24.1)	-	21.4	-	(0.3)	-	712.7	-	**2,129.3**
Share based payments reserve	2.9	-	-	-	-	-	2.1	-	(0.5)	-	**4.5**
Fair value reserve for AFS[3]	10.2	-	(0.7)	-	(1.7)	-	-	-	(0.4)	-	**7.4**
Translation and other reserves	38.9	-	-	-	20.3	-	-	-	(0.7)	-	**58.5**
Total revaluation and other reserves	**1,471.6**	**-**	**(24.8)**	**-**	**40.0**	**-**	**1.8**	**-**	**711.1**	**-**	**2,199.7**
Retained earnings	581.4	-	(29.1)	916.5	3.2	-	-	(84.0)	(711.1)	21.4	**698.3**
Ordinary share capital	105.7	-	-	-	-	0.5	-	-	-	11.8	**118.0**
Preference shares	31.8	-	-	-	-	-	-	-	-	(31.8)	**-**
Share premium	256.8	-	-	-	-	5.4	-	-	-	105.1	**367.3**
Own shares held	(6.9)	-	-	-	-	-	(3.7)	-	-	-	**(10.6)**
Total equity attributable to equity shareholders	**2,440.4**	**-**	**(53.9)**	**916.5**	**43.2**	**5.9**	**(1.9)**	**(84.0)**	**-**	**106.5**	**3,372.7**
Minority interests	8.6	**-**	(0.7)	2.6	-	-	-	(0.8)	-	-	**9.7**
Total equity	**2,449.0**	**-**	**(54.6)**	**919.1**	**43.2**	**5.9**	**(1.9)**	**(84.8)**	**-**	**106.5**	**3,382.4**
2005											
Revaluation reserve [2]	1,090.8	-	9.3	-	29.6	-	-	-	289.9	-	1,419.6
Share based payments reserve	0.3	-	-	-	-	-	2.6	-	-	-	2.9
Fair value reserve for AFS [3]	-	4.1	0.7	-	6.5	-	-	-	(1.1)	-	10.2
Translation and other reserves	36.1	2.0	(0.2)	-	(0.1)	-	-	-	1.1	-	38.9
Total revaluation and other reserves	1,127.2	6.1	9.8	-	36.0	-	2.6	-	289.9	-	1,471.6
Retained earnings	565.2	(18.7)	15.3	385.1	(7.8)	-	-	(69.0)	(289.9)	1.2	581.4
Ordinary share capital	104.8	-	-	-	-	0.1	-	-	-	0.8	105.7
Preference shares	34.0	-	-	-	-	-	-	-	-	(2.2)	31.8
Share premium	339.1	(91.0)	-	-	-	1.4	-	-	-	7.3	256.8
Own shares held	(5.2)	-	-	-	-	-	(1.7)	-	-	-	(6.9)
Total equity attributable to equity shareholders	2,165.1	(103.6)	25.1	385.1	28.2	1.5	0.9	(69.0)	-	7.1	2,440.4
Minority interests	19.4	(0.3)	0.8	3.0	-	-	(9.9)	(4.4)	-	-	8.6
Total equity	2,184.5	(103.9)	25.9	388.1	28.2	1.5	(9.0)	(73.4)	-	7.1	2,449.0

1. SORIE is the term used for the "Statement of recognised income and expense". Items in the SORIE column are net of tax.
2. The revaluation reserve is shown net of deferred tax.
3. AFS is the term used for "Available-for-sale investments" and is shown net of deferred tax.

Notes to the financial statements (continued)

18(i) Reconciliation of cash generated from operations

	2006 £m	2005 £m
Operating profit	**785.3**	811.8
Less gain from sale of gas interests separately disclosed	**-**	(99.7)
Adjustments for:		
Depreciation of property, plant and equipment	**4.7**	5.1
Share of profits from joint ventures and associates	**(13.3)**	(13.5)
Profit on sale of properties	**(4.8)**	(14.0)
Profit on disposal of property, plant and equipment	**-**	(0.4)
Profit on disposal of joint ventures	**-**	(7.8)
Revaluation surplus on investment properties	**(532.2)**	(409.1)
Other income reallocated	**(8.5)**	(5.5)
Other provisions	**(1.1)**	(17.8)
	230.1	249.1
Changes in working capital:		
(Increase)/decrease in trading properties	**(108.8)**	14.3
Decrease in inventories	**0.6**	0.3
Increase in debtors	**(13.9)**	(21.6)
Increase/(decrease) in creditors	**29.6**	(4.8)
Net cash inflow generated from operations	**137.6**	237.3

18(ii) - Analysis of net debt	**Note**	**At 1 January 2006 £m**	**Cash flow £m**	**Non-cash adjustment * £m**	**Net debt disposed of £m**	**Exchange movement £m**	**At 31 December 2006 £m**
Bank loans and loan capital		(2,259.2)	(321.4)	(1.2)	106.5	97.0	**(2,378.3)**
Bank overdrafts		(5.7)	(0.9)	-	-	0.1	**(6.5)**
Total borrowings	14	**(2,264.9)**	**(322.3)**	**(1.2)**	**106.5**	**97.1**	**(2,384.8)**
Cash in hand and at bank	13	172.6	(10.3)	-	-	(0.9)	**161.4**
Net debt		**(2,092.3)**	**(332.6)**	**(1.2)**	**106.5**	**96.2**	**(2,223.4)**

* The non-cash adjustment relates to the amortisation of issue costs offset against borrowings.

GLOSSARY OF TERMS

Adjusted earnings per share
EPS based on adjusted profit before tax and excluding deferred tax on investment properties.

Adjusted net asset value per share
NAV per share adjusted to add back deferred tax associated with investment properties, as recommended by EPRA.

Adjusted profit before tax
Reported profit before tax, after reflecting EPRA adjustments and excluding items which are exceptional by virtue of their size or incidence.

Book value
The amount at which assets and liabilities are reported in the accounts.

Combined portfolio
The investment, development and trading properties of the Group, including the relevant share of joint ventures' properties.

Development pipeline
The Group's current programme of developments authorised or in the course of construction at the balance sheet date, together with potential schemes not yet commenced on land owned or controlled by the Group or its joint ventures.

Diluted figures
Reported amounts adjusted to reflect the dilutive effects of convertible preference shares and of shares held by the employee share ownership plan trusts.

Dividend cover
Adjusted earnings per share divided by the ordinary dividend per share.

Earnings per share (EPS)
Profit after taxation attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.

EPRA adjustments
Adjustments to income statement and balance sheet amounts reported under IAS arising from adopting the recommendations of the Best Practices Committee of the European Real Estate Association ("EPRA"). The adjustments to income statement amounts principally relate to the exclusion of valuation gains and losses, whilst the balance sheet adjustments relate to the exclusion of deferred tax on investment properties.

Equivalent yield
The internal rate of return from an investment property, based on the value of the property assuming the current passing rent reverts to ERV and assuming the property becomes fully occupied over time.

Estimated rental value (ERV)
The estimated annual market rental value of lettable space as determined biannually by the Company's valuers. This will normally be different from the rent being paid.

Estimate to complete (ETC)
Costs still to be expended on a development or redevelopment to practical completion (not to complete lettings), including attributable interest.

Finance lease
A lease that transfers substantially all the risks and rewards of ownership from the lessor to the lessee.

Gearing (net)
Total borrowings, including bank overdrafts, less short-term deposits, corporate bonds and cash, at book value, plus non-equity shareholders' funds as a percentage of equity shareholders' funds.

Gross rental income
Contracted rental income recognised in the period, including surrender premiums, interest receivable on finance leases and service charge income. Lease incentives, initial costs and any contracted future rental increases are amortised on a straight line basis over the lease term

Hectares (ha)
The area of land measurement used in this report. The conversion factor used, where appropriate, is 1 hectare = 2.471 acres.

Initial yield
Annualised current passing rent expressed as a percentage of the property valuation.

IPD
Investment Property Databank.

Joint venture
An entity in which the Group holds an interest and which is jointly controlled by the Group and one or more partners under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each partner's consent

Net asset value (NAV) per share
Equity shareholders' funds divided by the number of ordinary shares in issue at the period end.

Net rental income
Gross rental income less ground rents paid, service charge expenses and property operating expenses

Over-rented
Space that is let at a rent above its current ERV.

Passing rent
The annual rental income currently receivable on a property as at the balance sheet date (which may be more or less than the ERV – see over-rented and reversionary).

Pre-let
A lease signed with an occupier prior to completion of a development.

REIT
A qualifying entity which has elected to be treated as a Real Estate Investment Trust for tax purposes. In the UK, such entities must be listed on a recognised stock exchange, must be predominantly engaged in property investment activities and must meet certain ongoing qualifications. Slough Estates plc and its UK subsidiaries have elected for REIT status from 1 January 2007.

Reversionary or under-rented
Space where the passing rent is below the ERV.

Reversionary yield
The ERV of a property, expressed as a percentage of the property's valuation. In the case of portfolio data, the reversionary yield assumes all properties are fully occupied.

Square metres (sq m)
The area of buildings measurements used in this report. The conversion factor used, where appropriate, is 1 square metre = 10.639 square feet.

Total development cost
All capital expenditure on a project including the opening book value of the property on commencement of development, together with all finance costs capitalised during the development.

Total property return
The valuation surplus, profit/(loss) on sale of investment properties and net rental income in respect of investment properties, expressed as a percentage of the closing book value of the investment property portfolio.

Total return
Dividends per share plus annual growth in diluted adjusted net asset value per share, expressed as a percentage of the opening diluted adjusted net asset value per share.

Trading properties
Properties held for trading purposes and shown as current assets in the Balance Sheet.

Voids
The area in a property or portfolio, excluding developments, which is currently available for letting