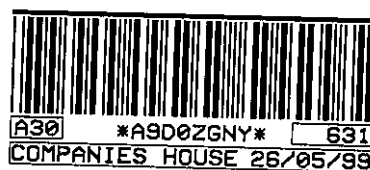


**Oxford, Swindon & Gloucester
Co-operative Estates Limited**

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 JANUARY 1999

REGISTERED NO. 3051198



Oxford, Swindon & Gloucester Co-operative Estates Limited

Annual report for the year ended 31 January 1999

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Oxford, Swindon & Gloucester Co-operative Estates Limited

Directors' report for the year ended 31 January 1999

The directors present their report and the audited financial statements for the year ended 31 January 1999.

Principal activity

The profit and loss account for the year is set out on page 5.

The principal activity of the company is property investment and management.

Review of the business

The directors consider the results for the year and the year end financial position are satisfactory and expect that the present level of activity will be sustained for the foreseeable future.

Dividends

An interim dividend of £2,200,000 (1998: £2,500,000) was paid during the year. The directors do not recommend the payment of a further dividend.

Directors

The directors of the company at 31 January 1999, all of whom had held office for the whole of the year then ended, were:

S R Allsopp	G J Day	C J Nyland
D M Ledger	J A Gardiner	N Thompson
M A Alder	P H Gray	D M Page
S E Allen	W Hawkins	V S Woodell
M Burton	D Morrison	

Directors' Interests

None of the directors had any interest in the shares of the company or any other group companies at any time during the year, other than investments in the non-equity shares of the ultimate parent undertaking.

Oxford, Swindon & Gloucester Co-operative Estates Limited

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 January 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Year 2000

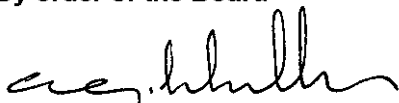
The directors do not consider that the year 2000 issue will have a significant impact on the business operations or financial performance of the company.

Auditors

Following the merger of Coopers & Lybrand and Price Waterhouse, Coopers & Lybrand resigned and the new firm, PricewaterhouseCoopers, was appointed by the directors to fill the casual vacancy.

PricewaterhouseCoopers resigned at the conclusion of the 1999 audit. A resolution to appoint KPMG in their stead will be proposed at the annual general meeting.

By order of the Board



C G Wallis
Secretary

22 March 1999

Oxford, Swindon & Gloucester Co-operative Estates Limited

**Auditors' report to the members of
Oxford, Swindon & Gloucester Co-operative Estates Limited**

We have audited the financial statements on pages 5 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

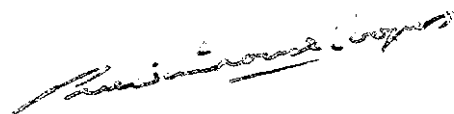
Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 January 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

22 March 1999

Oxford, Swindon & Gloucester Co-operative Estates Limited

Profit & loss account for the year ended 31 January 1999

	Note	1999 £	1998 £
Turnover	2	<u>2,617,422</u>	<u>2,949,501</u>
Gross Profit		2,617,422	2,949,501
Administrative expenses		682,950	659,709
Exceptional charges	5	<u>-</u>	<u>442,363</u>
Operating profit and profit on ordinary activities before taxation	6	1,934,472	1,847,429
Taxation on profit on ordinary activities	7	<u>-</u>	<u>8,883</u>
Profit on ordinary activities after taxation		1,934,472	1,838,546
Dividend	8	<u>2,200,000</u>	<u>2,500,000</u>
Deficit for the year	13	<u>(265,528)</u>	<u>(661,454)</u>

The results relate wholly to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the deficit for the year stated above, and their historical cost equivalents.

Oxford, Swindon & Gloucester Co-operative Estates Limited

**Statement of total recognised gains and losses
for the year ended 31 January 1999**

	1999	1998
	£	£
Profit for the year	1,934,472	1,838,546
Revaluation surplus on investment properties	41,696	685,000
Total recognised gains relating to the year	<u>1,976,168</u>	<u>2,523,546</u>

Oxford, Swindon & Gloucester Co-operative Estates Limited

Balance sheet as at 31 January 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	9	<u>20,580,255</u>	<u>27,825,748</u>
Current assets			
Debtors	10	27,492	61,787
Current liabilities			
Creditors: amounts falling due within one year	11	<u>(19,464,996)</u>	<u>(26,520,952)</u>
Net current liabilities		<u>(19,437,504)</u>	<u>(26,459,165)</u>
Net assets		<u>1,142,751</u>	<u>1,366,583</u>
Capital and reserves			
Called up share capital	12	2	2
Profit and loss account	13	481,053	746,581
Revaluation reserve	13	<u>661,696</u>	<u>620,000</u>
Equity shareholders' funds	14	<u>1,142,751</u>	<u>1,366,583</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 22 March 1999 and were signed on its behalf by:



S R Allsopp Director



V S Woodell Director

Oxford, Swindon & Gloucester Co-operative Estates Limited

Notes to the financial statements for the year ended 31 January 1999

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However, compliance with SSAP 19 'Accounting for investment properties', requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the note relating to depreciation below. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of Accounts

The financial statements have been prepared under the historical cost accounting convention modified to include the revaluation of investment properties, and on the going concern basis, based on assurances of continuing financial support received from the ultimate parent undertaking.

Turnover

Turnover represents property rentals receivable, exclusive of value added tax.

Depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated to write off the total cost of tangible fixed assets or, where appropriate, the original cost to the group over the estimated useful lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold properties	2%
Leasehold properties	over the unexpired period of the lease
Plant	4%
Fixtures and fittings	10% - 33.3%

In accordance with SSAP 19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made the profit for the financial year would have been reduced by depreciation on the revalued properties of £10,000 (1998: £91,000). Depreciation is not provided on land, or on other assets in the year of acquisition.

Investment properties

Investment properties are defined as those which are rented (or are available to rent) wholly to third parties. These properties are restated annually at their open market values and the revalued amounts included within fixed assets.

Oxford, Swindon & Gloucester Co-operative Estates Limited

Notes to the financial statements for the year ended 31 January 1999

Taxation

Provision is made for deferred taxation using the liability method, except in respect of timing differences which are unlikely to result in a tax liability in the foreseeable future.

Cash flow statement

The company is a wholly owned subsidiary of Oxford, Swindon & Gloucester Co-operative Society Limited. The cash flow of the company is included in the consolidated group cash flow statement of that Society. Consequently the company itself is exempt under Financial Reporting Standard 1 from publishing a cash flow statement.

2 Turnover

Turnover consists entirely of income from property rentals arising in the United Kingdom.

3 Directors' remuneration

The directors receive remuneration from Oxford, Swindon & Gloucester Co-operative Society Limited in respect of their services to the Society and receive no emoluments from the company. Their remuneration is reflected in the group financial statements of Oxford, Swindon & Gloucester Co-operative Society Limited.

4 Employees

The company has no employees other than the directors listed on page 2.

5 Exceptional charges

	1999 £	1998 £
Permanent diminution in the value of land & buildings	<u>-</u>	<u>442,363</u>

6 Profit on ordinary activities before taxation

	1999 £	1998 £
Profit on ordinary activities is stated after charging:		
Depreciation	486,850	488,022
Property rentals - operating leases	<u>35,615</u>	<u>35,954</u>

The audit fee is met by the ultimate parent undertaking.

Oxford, Swindon & Gloucester Co-operative Estates Limited

Notes to the financial statements for the year ended 31 January 1999

7 Taxation on profit on ordinary activities

	1999 £	1998 £
United Kingdom corporation tax at 31% (1998:31%)		
Current	-	8,883

No provision has been made for deferred taxation.

The full deferred tax liability or asset at the year end (excluding that relating to gains previously rolled over, or in respect of revalued properties which are dealt with below) is:

	Full potential liability/(asset) 1999 £	Full potential liability/(asset) 1998 £
Accelerated capital allowances	(8,202)	(17,837)
Full potential asset	(8,202)	(17,837)

No deferred tax liability is provided in respect of those properties which have been revalued giving rise to the revaluation reserve. In the opinion of the directors no tax liability would arise on disposal of these revalued properties at their revalued amounts because of the availability of indexation to reduce the taxable capital gain.

8 Dividend

	1999 £	1998 £
Dividend on equity shares:		
Ordinary interim paid of £1,100,000 per share (1998: £1,250,000)	2,200,000	2,500,000

Oxford, Swindon & Gloucester Co-operative Estates Limited

Notes to the financial statements for the year ended 31 January 1999

9 Tangible fixed assets

	Land and buildings £	Investment properties £	Plant, fixtures & fittings £	Total £
Cost				
At 1 February 1998	26,093,707	7,484,304	129,625	33,707,636
Intra-group transfers	(41,907)	(6,734,304)	(103,388)	(6,879,599)
Surplus on revaluation	-	50,000	-	50,000
Disposals	-	-	(2,418)	(2,418)
At 31 January 1999	26,051,800	800,000	23,819	26,875,619
Depreciation				
At 1 February 1998	5,810,112	-	71,776	5,881,888
Intra-group transfers	(1,378)	-	(69,578)	(70,956)
Provided this year	472,614	-	14,236	486,850
Disposals	-	-	(2,418)	(2,418)
At 31 January 1999	6,281,348	-	14,016	6,295,364
Net book value				
At 31 January 1999	19,770,452	800,000	9,803	20,580,255
Net book value				
At 31 January 1998	20,283,595	7,484,304	57,849	27,825,748

The net book value of properties comprises:

	Land and buildings		Investment properties	
	1999	1998	1999	1998
	£	£	£	£
At cost or valuation:				
Freehold	18,665,015	19,150,113	800,000	7,484,304
Long leasehold	704,076	1,133,482	-	-
Short Leasehold	401,361	-	-	-
Net book value	19,770,452	20,283,595	800,000	7,484,304

All investment properties have been revalued as at 31 January 1999 by Richard Holmes, FRICS, the group's property and development manager.

Bank borrowings of the ultimate parent undertaking are secured by a legal charge over the company's land and buildings and investment properties.

Oxford, Swindon & Gloucester Co-operative Estates Limited

Notes to the financial statements for the year ended 31 January 1999

10 Debtors

Amounts falling due within one year	1999 £	1998 £
Trade debtors	21,622	51,291
Amount owed by group undertaking	2	2
Prepayments	5,868	-
Other debtors	-	10,494
	<u>27,492</u>	<u>61,787</u>

11 Creditors: amounts falling due within one year

	1999 £	1998 £
Trade creditors	1,633	5,119
Amounts owed to group undertakings	18,932,155	25,983,175
Accruals and deferred income	449,500	523,775
Corporation tax	-	8,883
Other creditors	81,708	-
	<u>19,464,996</u>	<u>26,520,952</u>

12 Called up share capital

	1999 £	1998 £
Authorised: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

13 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 February 1998	620,000	746,581
Deficit for the year	-	(265,528)
Revaluation surplus on investment properties	41,696	-
At 31 January 1999	<u>661,696</u>	<u>481,053</u>

Oxford, Swindon & Gloucester Co-operative Estates Limited

Notes to the financial statements for the year ended 31 January 1999

14 Reconciliation of movements in shareholders' funds	1999	1998
	£	£
Profit for the year	1,934,472	1,838,546
Dividends	<u>2,200,000</u>	<u>2,500,000</u>
	(265,528)	(661,454)
Other recognised gains and losses relating to the year	<u>41,696</u>	<u>685,000</u>
Net (decrease)/increase in shareholders' funds	(223,832)	23,546
Opening shareholders' funds	<u>1,366,583</u>	<u>1,343,037</u>
Closing shareholders' funds	<u><u>1,142,751</u></u>	<u><u>1,366,583</u></u>

15 Operating lease commitments

At 31 January 1999 the company had annual commitments under non-cancellable property leases as follows:-

Expiring in over five years	<u>35,700</u>	<u>35,700</u>
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16 Ultimate parent undertaking

The directors regard Oxford, Swindon & Gloucester Co-operative Society Limited as the ultimate parent and ultimate controlling entity. Copies of the parent's consolidated financial statements may be obtained from the Secretary, New Barclay House, 234 Botley Road, Oxford, OX2 0HP.

The company is not required to disclose transactions with related parties within the group, under the exemption provided by Financial Reporting Standard 8.