BREDERO PROPERTIES PLC

Directors	A. K. Cook R. D. Kingston M. L. Taylor D. R. Wilson
Secretary:	J. R. Probert FCIS
Registered Office and Head Office:	234 Bath Road, Slough SL1 4EE
Registered Number:	1681497

Directors' Report
The directors submit their annual report together with the audited financial statements for the year ended 31st December 1998 which were approved by the board on 19th March 1999.

Principal Activities and Business Review
The group has one principal asset, namely a 50% interest in a retail development site in Buchanan Street, Glasgow. This development, which will create 54,300 sq.m. of new retail accommodation, including a 28,000 sq.m. department store for John Lewis, started in January 1997 and will open in Spring 1999. This is a joint venture with Henderson Investors. An office building constructed at Centre West, Hammersmith was pre-sold to Buena Vista Home Entertainment, a subsidiary of Disney. This was completed during the summer of 1998.

Results and Dividends
The results for the year ended 31st December 1998 are set out on page 5.

Dividends for the full year in respect of the cumulative preference shares amounted to £890,625 but due to the absence of distributable profits, as defined by Section 264(1) of the Companies Act 1985, the directors are unable to declare these dividends and therefore these dividends in addition to 1997 dividends, 1996 dividends, 1995 dividends, 1994 dividends, 1993 dividends and the final dividend for 1992 fall into arrears. The directors are unable to recommend a dividend in respect of the ordinary shares (1997 : £Nil). The ability to pay preference dividends is dependent on the company having sufficient distributable profits, and, in respect of ordinary dividends, once the arrears of preference dividends have been discharged.

Pension Scheme
Details of the group's arrangements are provided in note 3 to the financial statements.

Directors' Interests
The present directors of the company are as shown above. HL Thomson resigned as a director of the company on 31st August 1998.

None of the directors had any interest in the shares of the company during the year.

Set out below is a summary table of the beneficial interests of directors and their families in the share capital of Slough Estates plc. Full details are disclosed in the accounts of Slough Estates plc.

	Own Holdings		Other Interests		Under Option	
	31.12.98	1.1.98	31.12.98	1.1.98	31.12.98	1.1.98
R D. Kingston	28,830	23,144	1,266	1,266	82,893	72,228
M.L. Taylor	56,571	52,455	-	-	52,368	60,072
D.R. Wilson	82,119	79,289	-	-	150,704	99,899

The non-beneficial interests of directors are as follows (As a trustee of the Profit Sharing Scheme):

	Ordinary Shares 31.12.98	Ordinary Shares 1.1.98
D.R. Wilson	402,623	438,784

The ordinary shares under option are at option prices ranging from 191.3p to 403.66p expiring on various dates up to 3rd April 2005.

Slough Estates plc has operated an approved SAYE Share Option Scheme since 1981. Saving contracts can be for a three, five or seven year period.

The following are details of the option held by the directors:

	Date of Grant	Maturity Date	Option Price	Number of Shares
R. D. Kingston	22.4.96	7.5.2003	160.99p	12,112
M. L. Taylor	22.4.96	7.5.2003	160.99p	12,112
D. R. Wilson	22.4.96	7.5.2001	160.99p	10,714

During the year the share price of Slough Estates plc ranged between a high of 414p and a low of 259.5p.

No director had an interest during or at the end of the year in any contract which was significant.

Corporate Governance
A note on corporate governance is disclosed in the financial statements of Slough Estates plc, the company's ultimate holding company.

Payment of Suppliers
It is the company's policy in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders. The company had no outstanding trade creditors at 31st December 1998.

Year 2000
In recognition of the serious implications of the year 2000 date change, the Slough Group commenced its year 2000 programme in June 1996, under the control of a Group director. The objective of the programme was to ensure that all business-critical computer systems function properly in the year 2000 and beyond. The work has been substantially completed by the end of 1998, thereby allowing testing and associated verification work to be undertaken in 1999. It is expected that all work in this connection will be completed by June 1999. As far as our properties are concerned, we have conducted a review of the facilities for which we are responsible. Where necessary, replacement and modification work is under way. We have encouraged our customers to take proper action over those facilities for which they are responsible under the terms of their leases. We believe that appropriate steps have been taken to ensure that the Group's future operation will not be significantly affected by the year 2000 issue. However, there can be no absolute assurance that this will be so, as the Group may be adversely affected by third parties' difficulties in solving the year 2000 problem. We do not anticipate that the costs incurred as a result of this programme will be significant.

Auditors
The auditors, Coopers & Lybrand, merged with Price Waterhouse on 1st July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution concerning their reappointment will be placed before the annual general meeting.

By Order of the Board

J. R. Probert

J. R. Probert
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF BREDERO PROPERTIES Plc

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described above, 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 audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading
13 April 1999

STATEMENT OF ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements:-

Basis of preparation of financial statements

i) The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable Accounting Standards and with the Companies Act 1985.

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

iii) The company's subsidiaries and joint venture are included in the balance sheet at cost less amounts written off.

iv) The company and group are subsidiaries of Slough Estates plc and the cash flows of the group are included in the consolidated group cash flow statement of Slough Estates plc. Consequently, the group is exempt under the terms of FRS1 from publishing a cash flow statement.

v) The company has taken advantage of the exemption allowed by FRS8 from disclosing transactions with other group companies.

vi) The group has adopted, for the preparation of the 1998 financial statements, the requirements of Financial Reporting Standard (FRS) 9 (Associates and Joint Ventures).

The adoption of FRS9 has resulted in presentational changes to the profit and loss account, balance sheets and cash flow statement but has no effect on previously reported profits or reserves. The effect on the group's profit and loss account is to present the group's share of operating results from joint ventures and associates below the group's operating income and before interest. The group's share of the joint ventures and associates net interest cost, profit from the sale of investment properties and taxation are included with the group's figures. The effect on the balance sheet is to present the share of assets and liabilities of joint ventures on the face of the balance sheet whereas previously one figure was shown for total joint ventures and associates.

Group funding

The Bredero group is presently supported by short-term funding from a subsidiary of the ultimate parent company, Slough Estates plc. Although there is no formal obligation on Slough Estates plc to support the Bredero group, the directors presently consider it appropriate for the financial statements of the Bredero group to be prepared on the going concern basis.

The financial statements do not include any adjustments that would need to be made if Slough Estates plc were to withdraw its support for the Bredero group.

Consolidation

The consolidated financial statements incorporate the financial statements of Bredero Properties Plc and its subsidiaries, all of which are made up to 31st December. Associated undertakings are accounted for under the equity accounting method.

Turnover

Turnover comprises: rents and recharges charged to tenants; the net realised value of trading properties and the value of work, including attributable profit carried out during the year on pre-sold trading property developments.

Trading property

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

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

Leased assets

Expenditure on operating leases is charged in the profit and loss account on a basis representative of the benefit derived from the asset, normally corresponding to the basis on which rentals accrue.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1998

	Note	1998 £000	1997 Restated £000
Turnover	1	17,537	36,679
Operating profit	2	5,594	8,081
Interest (net)	4	(3,128)	(1,194)
Profit on ordinary activities before taxation		2,466	6,887
Taxation	6	(198)	21
Profit on ordinary activities after taxation		2,268	6,908
Preference dividends	8	(981)	(891)
Retained profit for the financial year	16	1,287	6,017

The results in the group profit and loss account relate to continuing operations.

There are no recognised gains or losses other than the profits shown above and therefore no separate statement of total recognised gains and losses has been prepared.

BALANCE SHEETS

At 31st December 1998

	Note	Group 1998 £000	Group 1997 Restated £000	Company 1998 £000	Company 1997 £000
FIXED ASSETS					
Investments	9	-	-	70,868	93,620
Investments in joint ventures:					
Share of gross assets	9	64,594	49,823		
Share of gross liabilities	9	(2,091)	(2,232)		
		62,503	47,591	70,868	93,620
CURRENT ASSETS					
Trading property	10	555	2,738	-	-
Debtors: amounts falling due within one year	11	1,810	40,332	1,093	1,353
Investments	12	100	100	-	-
Cash and deposits		46	281	4	27
		2,511	43,451	1,097	1,380
Creditors: amounts falling due within one year	13	(39,376)	(67,100)	(43,407)	(69,144)
Net current liabilities		(36,865)	(23,649)	(42,310)	(67,764)
Total assets less current liabilities		25,638	23,942	28,558	25,856
Provision for liabilities and charges	14	(4,330)	(4,902)	-	-
Net assets		21,308	19,040	28,558	25,856
CAPITAL AND RESERVES					
Called up share capital	15	19,177	19,177	19,177	19,177
Share premium account		42,396	42,396	42,396	42,396
Profit and loss account	16	(40,265)	(42,533)	(33,015)	(35,717)
Shareholders' funds		21,308	19,040	28,558	25,856
Shareholders' funds attributable to:					
Equity shareholders - ordinary shares		5,898	4,611	13,148	11,427
Non-equity shareholders - preference shares		15,410	14,429	15,410	14,429
		21,308	19,040	28,558	25,856
Net assets per ordinary share		16p	13p		

R. D. Kingston
Director

The notes on pages 4 and 7 to 13 inclusive form part of these financial statements.

Notes to the Financial Statements

1. **Segmental information**

Contributions to group turnover and profit before taxation, all of which arose in the United Kingdom, and net assets, were as follows:

	1998 £000	1997 £000
(a) Turnover		
Trading property	17,489	36,631
Property investment	48	48
	17,537	36,679
(b) Profit before taxation		
Trading property	5,341	2,341
Commercial developments	(71)	6,165
Property investment	617	(86)
Central costs - other	(230)	(237)
	5,657	8,183
(c) Net assets		
Trading property	555	2,738
Property investment	62,503	47,591
Net borrowings	(697)	(2)
Other - net current liabilities	(41,053)	(31,287)
	21,308	19,040

2. **Operating profit**

	1998 £000	1997 £000
Turnover	17,537	36,679
Costs attributable thereto	(11,713)	(35,040)
Release of provision	-	6,679
Administration expenses	(230)	(237)
Operating profit	5,594	8,081

The release of the provision is in respect of the Buchanan Partnership (Note 9).

	1998 £000	1997 £000
Operating profit is stated after charging:		
Auditors' remuneration - as auditors (group and company)	12	16
Operating lease rentals:		
Total operating lease rentals for the year	1,669	1,669
Charged against provision	(1,589)	(1,589)

Notes to the Financial Statements

3. **Staff numbers, costs and pensions**

The average number of persons, including directors, employed by the Group during the year was 7 (1997 : 6).

The aggregate payroll costs of these persons were as follows:

	1998 £000	1997 £000
Wages and salaries	285	252
Social security costs	27	25
Pension costs	24	23
	336	300

The group operates a pension scheme for directors and members of staff on a money purchase basis. The group makes contributions to the present Scheme varying between 7% and 12% of the basic salaries of the members, who individually contribute 5% of their basic salary. The assets of the Scheme are held separately from group assets and are administered by Scottish Widows' Fund and Life Assurance Society in whose "With Profits Fund" they are invested. There is no direct investment in the shares of the company.

4. **Interest**

	1998 £000	1997 Restated £000
Interest payable to a related company:	(5,510)	(3,831)
Interest receivable	11	18
Allocated to interests in properties in the course of development	2,308	2,517
Charged to profit and loss account – Group	(3,191)	(1,296)
Credited to profit and loss account – Joint venture	63	102
	(3,128)	(1,194)

5. **Directors' remuneration**

H.L. Thomson resigned as a director of Bredero Properties Plc on 31st August 1998. The remuneration of H.L. Thomson prior to resignation, and of R.D. Kingston and D.R. Wilson are disclosed in the financial statements of Slough Estates plc, the company's ultimate holding company. It is not possible to make an accurate apportionment of their remuneration in respect of each of the subsidiaries and therefore the details given below include no remuneration in respect of these directors.

M.L. Taylor is a director of Slough Properties Limited, a fellow subsidiary company and his remuneration is disclosed in the financial statements of that company. He is also a director of a number of other companies within the group. It is not possible to make an apportionment of his remuneration in respect of each of the these companies.

The remuneration of A. Cook is as follows:-

	1998 £000	1997 £000
Aggregate remuneration (excluding pension contributions)	105,673	87,385
Company pension contributions to a money purchase scheme	8,651	8,263

A.K. Cook is also a director of number of other subsidiary companies. It is not possible to make an accurate apportionment of his remuneration in respect of each of these subsidiaries.

6. **Taxation**

	1998 £000	1997 £000
Taxation based on the results for the year:		
Payment for the surrender of group relief from the ultimate holding company	(198)	(315)
Prior year adjustments	-	336
	(198)	21

7. **Profit attributable to shareholders**

In accordance with the exemption allowed by Section 230 of the Companies Act 1985, the company has not presented its own profit and loss account. The profit dealt with in the financial statements of the company amounts to £2,702,000.

8. **Dividends**

The interim and final dividends for the year in respect of the cumulative preference shares total £981,250 (1997 : £890,625). However, due to the absence of distributable profits, as defined by Section 264(1) of the Companies Act 1985, the directors were unable to declare these dividends which therefore fall into arrears (see note 15).

9. **Investment in joint venture**

At 31st December 1998, the group had a 50% non-controlling interest in Buchanan Partnership, which has been formed to carry out the development of the Buchanan Galleries, Glasgow.

	1998 £000	1997 £000
Group:		
Cost less amounts written off at 1st January 1998	47,591	23,379
Additions	14,850	17,430
Reduction in provision	-	6,679
Share of profits	62	103
Cost at 31st December 1998	62,503	47,591
Analysed as follows		
Cost	62,286	47,436
Share of profits	217	155
	62,503	47,591

	1998 £000	1997 £000
Group's share of the Buchanan Partnership's profit before and after tax (see note 4)	63	102

The group's share of the net assets of the Buchanan Partnership is made up as follows:

	1998 £000	1997 £000
Fixed assets	63,697	48,431
Current assets	897	1,392
Liabilities due within one year	(2,091)	(2,232)
	62,503	47,591

Company:

	Subsidiaries Shares £000	Subsidiaries Loans £000	Total £000
Cost less amounts written off at 1st January 1998	599	93,021	93,620
Repayments	-	(14,041)	(14,041)
Increase in provisions	(101)	(8,610)	(8,711)
Cost less amounts written off at 31st December 1998	498	70,370	70,868

Related party transactions

Bredero Projects Limited and Buchanan Galleries Centre Management Limited, both wholly owned subsidiaries of Bredero Properties Plc receive management fees and staff cost recharges from Buchanan Partnership, a 50% associate of the group.

The aggregate amounts of these recharges and amounts outstanding at 31st December are detailed below.

	1998 £000	1997 £000
Management and staff costs recharged	485	397
Amounts outstanding at 31st December	137	419

10. **Trading property**

	1998 £000	1997 £000
Property under development	555	2,738

11. **Debtors:**
amounts falling due within one year

	1998 £000	1997 £000
Group:		
Trade debtors	209	769
Amounts recoverable on contracts	-	36,011
Other debtors	75	364
Deposits held in escrow	-	1,414
Prepayments and accrued income	1,526	1,774
	1,810	40,332
Company:		
Prepayments	1,093	1,353

12. **Investments**

	1998 £000	1997 £000
Exchequer stock - at cost	100	100

At 31st December 1998 the market value of the investment in Exchequer stock amounted to £121,029 (1997: £108,230).

13. **Creditors: amounts falling due within one year**

	1998 £000	1997 £000
Group:		
Bank loans and overdrafts	697	2
Trade creditors	231	230
Amounts due to group undertakings	36,355	63,766
Other creditors including taxation and social security	217	179
Accruals and deferred income	1,876	2,923
	39,376	67,100
Other creditors including taxation and social security comprise:		
Other taxes and social security	34	20
Other creditors	183	159
	217	179

	1998 £000	1997 £000
Company:		
Amounts due to group undertakings	43,390	69,088
Other creditors including taxation and social security	4	24
Accruals and deferred income	13	32
	43,407	69,144

14. **Provision for liabilities and charges**

	Provisions for future costs £000
Group:	
Balance at 1 January 1998	4,902
Paid	(572)
Balance at 31 December 1998	4,330

15. **Share capital**

	1998 £000	1997 £000
Authorised:		
48,000,000 ordinary shares of 25p each	12,000	12,000
10,000,000 Unlisted First Cumulative Redeemable Preference Shares of £1 each	10,000	10,000
	22,000	22,000
Allotted, called up and fully paid:		
36,708,992 ordinary shares of 25p each	9,177	9,177
10,000,000 Unlisted First Cumulative Redeemable Preference Shares of £1 each	10,000	10,000
	19,177	19,177

The Unlisted First Cumulative Redeemable Preference Shares have been issued to the holding company, Slough Estates plc. The shares, which are transferable, were fully redeemable at par by 31st December 1994. Dividends are payable at a rate of 2% above Libor.

The final dividend for the year ended 31st December 1992 and the dividends in respect of 1993, 1994, 1995, 1996, 1997 and 1998, relating to the cumulative preference shares, amounting to £5,410,000 (1997 : £4,429,000) have fallen into arrears.

16. **Profit and Loss Account**

	Group £000	Company £000
Balance at 1st January 1998	(42,533)	(35,717)
Retained profit for the year	1,287	1,721
Adjustment for preference dividends	981	981
Balance at 31st December 1998	(40,265)	(33,015)

17 **Reconciliation of movement in Shareholders' funds**

	1998 £000	1997 £000
Profit attributable to ordinary shareholders	1,287	6,017
Adjustment for preference dividends	981	891
	2,268	6,908
Shareholders' funds at 1st January 1998	19,040	12,132
Shareholders' funds at 31st December 1998	21,308	19,040

18. **Leasing commitments**

At 31st December 1998 annual commitments in respect of operating leases were as follow:

Land and Buildings	1998 £000	1997 £000
Expiring:		
Between one and five years	-	28
After more than five years	1,641	1,641
	1,641	1,669

The above commitments have been provided for in the profit and loss account to the extent that they are not expected to be matched by income.

19. **Capital and financial commitments**

At 31st December 1998 the group had the following commitments for future expenditure which have not been provided for:

	1998 £000	1997 £000
Centre West, Hammersmith	-	7,257
Buchanan Galleries, Glasgow	7,500	19,468
	7,500	26,725

20. **Contingent liabilities and gains**

The company has a contingent liability to pay £5,410,000 to the preference shareholder representing seventy eight months arrears of preference shares dividend.

Under the terms of sale on 28th November 1994 of a subsidiary company, Paisley Developments Limited, the group is entitled to a deferred consideration from the purchaser. The deferred consideration is dependent upon the ability of the purchaser, Barclays Bank PLC, to utilise the tax losses of the former subsidiary. At 31st December 1998 the balance of the deferred consideration receivable by the group, at current tax rates, was £Nil (1997 £597,000).

21. **Ultimate holding company and controlling party**

The company's immediate, ultimate holding company and controlling party is Slough Estates plc which holds 96.5% of the company's issued ordinary shares. The company has taken advantage of the exemption allowed by FRS8 from disclosing transaction with other group companies. Copies of the consolidated financial statements of Slough Estates plc may be obtained from 234 Bath Road, Slough, Berkshire, SL1 4EE.

22. **Principal subsidiary and associated undertakings are listed below**

Unless otherwise indicated the group undertakings are wholly owned, operate entirely in the United Kingdom, have share capital consisting solely of ordinary shares and are registered in Great Britain.

COMMERCIAL
Bredero Centre West Limited
Carrycroft Limited

PROJECT MANAGEMENT
Bredero Projects Limited

PARTNERSHIP
Buchanan Partnership 50% owned and not held directly by Bredero Properties plc.

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