

**Company Number:** 2782532

**VALUE RETAIL PLC**  
**REPORT AND ACCOUNTS**  
**31 DECEMBER 2004**



**VALUE RETAIL PLC**

**REPORT AND ACCOUNTS 2004**

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## **VALUE RETAIL PLC**

### **DIRECTORS, OFFICERS AND PROFESSIONAL ADVISORS**

#### **DIRECTORS**

S D Malkin	(Chairman)
R V Gibbs	(Managing Director)
C I K Harris	
N G Host	
D Bollier	
D C Bloom	(Non-Executive)
J N Lambert	(Non-Executive)
J C Maples MP	(Non-Executive)
J Ligon	(Non-Executive)

#### **SECRETARY**

J Abrams

#### **AUDITORS**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

#### **BANKERS**

National Westminster Bank plc  
208 Piccadilly  
London  
W1A 2DG

#### **SOLICITORS**

CMS Cameron McKenna  
Mitre House  
160 Aldersgate Street  
London  
EC1A 4DD

#### **REGISTERED OFFICE**

19 Berkeley Street  
London  
W1J 8ED

## VALUE RETAIL PLC

### DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company, together with the Group accounts and auditors' report for the year ended 31 December 2004.

### RESULTS AND DIVIDENDS

The Group profit after tax for the year was £772,119 (2003 – £1,240,961) as set out on page 6. The Directors do not recommend the payment of an ordinary dividend (2003 - £nil).

### PRINCIPAL ACTIVITY

The principal activity of the Group is the identification of sites, and the provision of services, for the development, operation and management of outlet shopping villages.

### REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

During the year, the Group has been actively developing and managing sites, acquired on behalf of third parties, at a variety of locations throughout Europe.

### DIRECTORS AND THEIR INTERESTS

The names of the Directors of the Company who served during the year were as follows:

S D Malkin	(Chairman)
R V Gibbs	(Managing Director)
C I K Harris	
N G Host	
D Bollier	
D C Bloom	(Non-Executive)
J N Lambert	(Non-Executive)
J C Maples MP	(Non-Executive)
J L Ligon	(Non-Executive)

S D Malkin had interests at 31 December 2004 in the shares of the Company through his ownership of SDMP Services, Inc., comprising a beneficial interest in 339,423 (2003 – 339,423) 'A' Ordinary Shares of £1 each and a non-beneficial interest in 15,422 (2003 - 15,422) 'B' Ordinary Shares of £1 each, and his ownership of VR Holdings LLC which owns 123,077 (2003 – 123,077) 'A' Ordinary Shares of £1 each. S D Malkin has a non-beneficial interest in the shares of the Company through his ownership of S. D. Malkin Properties, Inc. which at 31 December 2004 held 37,500 (2003 - 37,500) 'C' Ordinary Shares of £1 each.

R V Gibbs had an interest at 31 December 2004 in the shares of the Company, owning 23,078 (2003 - 23,078) 'B' Ordinary Shares of £1 each.

J N Lambert had an interest at 31 December 2004 in the shares of the Company through a beneficial interest in a trust owning 18,750 (2003 – 18,750) 'C' Ordinary Shares of £1 each. These shares were registered in the name of ZRH Nominees (0018) Limited.

C I K Harris had an interest at 31 December 2004 in the shares of the Company through his ownership of a controlling interest in the shares of London & Metropolitan International Limited which owned 74,000 (2003 – 74,000) 'B' Ordinary Shares of £1 each.

No other Director had a disclosable interest in the shares of the Company or any other Group company.

## **VALUE RETAIL PLC**

### **DIRECTORS' REPORT (cont.)**

#### **CREDITOR PAYMENT POLICY AND PRACTICE**

It is the Company's policy that payments are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 December 2004, the Company had an average of 26 days (2003 – 49 days) purchases outstanding in trade creditors.

#### **CHARITABLE DONATIONS**

During the year the Group made charitable donations of £400 (2003 - £12,500).

#### **AUDITORS**

A resolution to reappoint Ernst & Young LLP as the Company's auditors will be put to the members at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'J H Abrams', with a stylized flourish at the end.

J H Abrams  
Secretary

## VALUE RETAIL PLC

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently; and
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## VALUE RETAIL PLC

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALUE RETAIL PLC

We have audited the Group's financial statements for the year ended 31 December 2004 which comprise the Group Profit and Loss Account, Group Statement Of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement Of Cash Flows and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.


### BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 affairs of the Company and of the Group as at 31 December 2004 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
London  
18 May 2005

VALUE RETAIL PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2004

	Note	2004 £	2003 £
<b>Turnover</b>	2	33,959,676	29,362,092
Cost of sales	3	(31,805,163)	(27,656,028)
<b>Gross profit</b>		2,154,513	1,706,064
Operating expenses	3	(351,928)	(273,223)
<b>Operating profit</b>	4	1,802,585	1,432,841
Interest receivable and similar income		4,242,315	3,839,800
Other income	6	-	470,840
Interest payable and similar charges	7	(4,707,954)	(3,929,874)
<b>Profit on ordinary activities before taxation</b>		1,336,946	1,813,607
Tax on profit on ordinary activities	8	(564,827)	(572,646)
<b>Profit for the financial year after taxation</b>		772,119	1,240,961
Dividend - non-equity shares	9	(162,667)	-
<b>Profit retained</b>	18, 19	609,452	1,240,961

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 December 2004

		2004 £	2003 £
Profit for the financial year after taxation		609,452	1,240,961
Exchange (loss) on consolidation	18, 19	(277,505)	(81,284)
<b>Total recognised gains relating to the year</b>		331,947	1,159,677



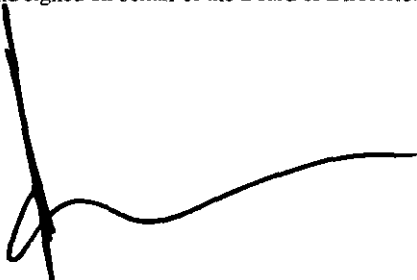
VALUE RETAIL PLC

CONSOLIDATED BALANCE SHEET  
as at 31 December 2004

	Note	2004	2003
		£	£
<b>Fixed assets</b>			
Tangible assets	11	260,785	291,681
<b>Current assets</b>			
Stock	13	90,146	114,444
Debtors	14	75,315,606	66,690,941
Cash at bank		4,040,580	2,238,672
		<u>79,446,332</u>	<u>69,044,057</u>
<b>Creditors - amounts falling due within one year</b>	15	<u>(13,485,807)</u>	<u>(17,080,399)</u>
<b>Net current assets</b>		65,960,525	51,963,658
<b>Total assets less current liabilities</b>		<u>66,221,310</u>	<u>52,255,339</u>
<b>Creditors - amounts falling due after more than one year</b>	16	<u>(59,369,225)</u>	<u>(45,735,201)</u>
<b>Net assets</b>	2	<u>6,852,085</u>	<u>6,520,138</u>
<b>Capital and reserves</b>			
Called up share capital	17	2,787,731	2,787,731
Profit and loss account	18	4,064,354	3,732,407
<b>Total shareholders' funds</b>	19	<u>6,852,085</u>	<u>6,520,138</u>
<b>Analysis of shareholders' funds</b>			
Equity		4,689,418	4,520,138
Non-equity		2,162,667	2,000,000
		<u>6,852,085</u>	<u>6,520,138</u>

Approved and signed on behalf of the Board of Directors.

R V Gibbs  
Director



13/5/05

VALUE RETAIL PLC

COMPANY BALANCE SHEET  
as at 31 December 2004

	Note	2004		2003	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	11		-		-
Investments	12		314		314
			<u>314</u>		<u>314</u>
<b>Current assets</b>					
Stock	13	90,146		114,444	
Debtors	14	70,216,784		60,853,864	
Cash at bank		1,763,826		1,786,202	
		<u>72,070,756</u>		<u>62,754,510</u>	
<b>Creditors - amounts falling due within one year</b>	15	(7,739,930)		(12,365,001)	
		<u></u>		<u></u>	
<b>Net current assets</b>			64,330,826		50,389,509
			<u></u>		<u></u>
<b>Total assets less current liabilities</b>			64,331,140		50,389,823
			<u></u>		<u></u>
<b>Creditors - amounts falling due after more than one year</b>	16		(59,369,225)		(45,735,201)
			<u></u>		<u></u>
<b>Net assets</b>			<u>4,961,915</u>		<u>4,654,622</u>
			<u></u>		<u></u>
<b>Capital and reserves</b>					
Called up share capital	17		2,787,731		2,787,731
Profit and loss account	18		2,174,184		1,866,891
			<u></u>		<u></u>
<b>Total shareholders' funds</b>	19		<u>4,961,915</u>		<u>4,654,622</u>
			<u></u>		<u></u>
<b>Analysis of shareholders' funds</b>					
Equity			2,799,248		2,654,622
Non-equity			2,162,667		2,000,000
			<u>4,961,915</u>		<u>4,654,622</u>
			<u></u>		<u></u>

Approved and signed on behalf of the Board of Directors.

R V Gibbs  
Director

13/5/05

**VALUE RETAIL PLC**

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December 2004

	Note	2004		2003	
		£	£	£	£
<b>Net cash (outflow)</b>					
<b>from operating activities</b>	21		(3,915,114)		(18,848,551)
<b>Returns on investments and servicing of finance</b>					
Interest received		31,546		775,770	
Interest paid		(3,427,010)		(2,400,178)	
<b>Net cash (outflow) from returns on investments and servicing of finance</b>			(3,395,464)		(1,624,408)
<b>Taxation</b>			(772,736)		(425,785)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(53,786)		(168,970)	
Disposal of tangible fixed assets		5,839		34,334	
<b>Net cash (outflow) from investing activities</b>			(47,947)		(134,636)
<b>Net cash (outflow) before financing</b>			(8,131,261)		(21,033,380)
<b>Financing</b>					
New loans received		17,941,403		32,902,329	
Repayment of loans		(7,961,003)		(11,941,051)	
<b>Net cash inflow from financing</b>			9,980,400		20,961,278
<b>Increase/(decrease) in cash in the year</b>			1,849,139		(72,102)
<b>Reconciliation of net cash flow to movement in net debt</b>					
Increase/(decrease) in cash and cash equivalents			1,849,139		(72,102)
Cash (inflow) from increase in debt and lease financing			(9,980,400)		(16,961,279)
Exchange adjustments			(481,018)		(2,433,567)
Other non-cash movements			-		(2,000,000)
<b>Movement in net debt in the year</b>			(8,612,279)		(21,466,948)
<b>Net debt at 1 January</b>	22		(50,601,919)		(29,134,971)
<b>Net debt at 31 December</b>	22		(59,214,198)		(50,601,919)

## VALUE RETAIL PLC

### NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

#### 1. Accounting policies

The principal accounting policies, all of which have been applied consistently throughout this year and the previous year, are as follows:

##### a) Basis of accounting

The accounts have been prepared under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom.

##### b) Basis of consolidation

The Group's accounts consolidate the accounts of Value Retail PLC and all its subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Value Retail PLC as permitted by Section 230 of the Companies Act 1985.

##### c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. These assets are depreciated over their estimated useful lives on the straight line method at the following annual rates:

Motor vehicles	25 per cent
Computer equipment	33 per cent
Fixtures, fittings & equipment	10 per cent

A full year's depreciation is charged in the year of acquisition.

##### d) Stock

Stock consists of work in progress and is valued at the lower of cost and net realisable value. Cost includes attributable and specific overheads, interest and fees, in relation to specific external borrowings, less the value of sites and work done where the value has been recognised in turnover. Overheads, including interest, have been capitalised once the development phase of a project has commenced. Any further amounts payable on property acquisitions at the balance sheet date have not been included in costs but are treated as financial commitments.

##### e) Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes:

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

# VALUE RETAIL PLC

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

### f) Foreign currencies

#### *Company*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### *Group*

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the translation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

### g) Pension costs

Pension contributions are made to an individual's personal pension arrangements under the Value Retail Grouped Personal Pension Scheme. The assets of the scheme are held separately from the Company in an independently administered fund, and costs are accounted for as incurred.

### h) Leases

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Any benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

## 2. Turnover and segmental analysis

Turnover represents the amounts derived from the provision of property development and management services, stated net of value added tax.

The Group operates within the United Kingdom, Ireland and a number of different markets within Continental Europe.

Turnover, Group profit on ordinary activities before taxation, and net assets are analysed as follows:

### a) Turnover

#### *By area of activity*

	2004 £	2003 £
Property development services	22,113,465	21,870,783
Property management services	11,846,211	7,491,309
	<u>33,959,676</u>	<u>29,362,092</u>

#### *By source*

	2004 £	2003 £
United Kingdom and Ireland	7,726,633	4,711,449
Continental Europe	26,233,043	24,650,643
	<u>33,959,676</u>	<u>29,362,092</u>

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

2. Turnover and segmental analysis (continued)

<i>By destination</i>	2004 £	2003 £
United Kingdom and Ireland	5,280,404	4,711,449
Continental Europe	28,679,272	24,650,643
	<u>33,959,676</u>	<u>29,362,092</u>

b) Profit on ordinary activities before taxation

<i>By area of activity</i>	2004 £	2003 £
Property development services	979,715	1,587,281
Property management services	357,231	226,326
	<u>1,336,946</u>	<u>1,813,607</u>

<i>By source</i>	2004 £	2003 £
United Kingdom and Ireland	690,375	1,050,259
Continental Europe	646,571	763,348
	<u>1,336,946</u>	<u>1,813,607</u>

c) Net assets

<i>By area of activity</i>	2004 £	2003 £
Property development services	5,933,870	5,764,476
Property management services	918,215	755,662
	<u>6,852,085</u>	<u>6,520,138</u>

<i>By geographical area</i>	2004 £	2003 £
United Kingdom and Ireland	5,428,158	5,079,619
Continental Europe	1,423,927	1,440,519
	<u>6,852,085</u>	<u>6,520,138</u>

3. Cost of sales and operating expenses

	2004 £	2003 £
Cost of sales	31,805,163	27,656,028
Operating expenses	351,928	273,223
	<u>32,157,091</u>	<u>27,929,251</u>

All cost of sales and operating expenses relate to continuing operations.

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

4. Operating profit

This is stated after charging:	2004 £	2003 £
Depreciation	78,843	54,009
Auditors' remuneration - audit	105,355	105,660
- other services	287,160	150,611
Operating lease rentals - other	881,816	856,845

5. Directors' emoluments and staff costs

The average number of staff, including directors, employed during the year was:

	2004 Number	2003 Number
Administration and finance	84	74
Leasing and marketing	55	46
Development	15	22
Retail operations	46	31
	<u>200</u>	<u>173</u>

Their total remuneration was:

	2004 £	2003 £
Salaries	9,830,568	8,740,225
Social security costs	1,860,815	1,495,508
Pension contributions	149,575	143,344
	<u>11,840,958</u>	<u>10,379,077</u>

Directors' emoluments for the year were:

	2004 £	2003 £
Emoluments (including all benefits)	<u>1,160,038</u>	<u>852,106</u>
Highest paid director (including all benefits)	<u>605,586</u>	<u>310,084</u>
Fees payable to non-executive directors	<u>12,000</u>	<u>12,000</u>

6. Other income

	2004 £	2003 £
Exchange gains	-	470,840
	<u>-</u>	<u>470,840</u>

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

7. Interest payable and similar charges

	2004 £	2003 £
Bank interest	1,156,260	1,387,329
Other interest	3,202,500	2,513,375
Other charges including foreign exchange losses	349,194	29,170
	<u>4,707,954</u>	<u>3,929,874</u>

8. Tax on profit on ordinary activities

a) Analysis of tax charge in the year

	2004 £	2003 £
UK corporation tax on profits of the year		
- Company	198,800	295,101
- Group	40,500	31,500
Adjustments in respect of prior years		
- Company	(17,944)	(3,324)
- Group	8,965	(92)
Foreign tax		
- Corporation tax on profits of the year	335,891	253,325
- Adjustments in respect of prior years	(1,385)	(3,864)
Tax charge on profit on ordinary activities for the year	<u>564,827</u>	<u>572,646</u>

b) Factors affecting the tax charge for the year

The tax charge arising on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 - 30%). The differences are reconciled below:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>1,336,946</u>	<u>1,813,607</u>
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 30% (2003 - 30%)	401,083	544,082
Effects of:		
Disallowed expenses and non-taxable income	81,875	42,649
Depreciation in excess of capital allowances	(76)	(323)
Non-taxable foreign exchange gains arising on consolidation	18,489	(46,384)
Differences in overseas tax rates	71,050	39,902
Adjustments in respect of prior years	(7,594)	(7,280)
Current tax charge for the year	<u>564,827</u>	<u>572,646</u>

c) Factors that may affect future tax charges

There are no factors that may affect future tax charges.



**VALUE RETAIL PLC**

**NOTES TO THE ACCOUNTS**

for the year ended 31 December 2004

**9. Dividends**

	2004 £	2003 £
Non-equity dividends on preference shares - at 8.13p per share	<u>162,667</u>	<u>-</u>

**10. Profit for the year**

The Company has taken advantage of Section 230 of the Companies Act 1985 and consequently its own profit and loss account is not presented. The profit dealt with in the Company amounted to £307,293 (2003 - £691,310).

**11. Tangible assets**

	Fixtures, Fittings & Equipment £	Motor Vehicles £	Total £
<b>THE GROUP</b>			
<b>COST</b>			
At 1 January 2004	489,260	14,200	503,460
Additions	53,786	-	53,786
Disposals	(43,116)	-	(43,116)
At 31 December 2004	<u>499,930</u>	<u>14,200</u>	<u>514,130</u>
<b>DEPRECIATION</b>			
At 1 January 2004	198,413	13,366	211,779
Provided in year	78,009	834	78,843
Disposals	(37,277)	-	(37,277)
At 31 December 2004	<u>239,145</u>	<u>14,200</u>	<u>253,345</u>
<b>NET BOOK VALUE</b>			
At 31 December 2004	<u>260,785</u>	<u>-</u>	<u>260,785</u>
At 31 December 2003	<u>290,847</u>	<u>834</u>	<u>291,681</u>
<b>THE COMPANY</b>			
	£	£	£
<b>COST</b>			
At 1 January and 31 December 2004	<u>6,684</u>	<u>11,700</u>	<u>18,384</u>
<b>DEPRECIATION</b>			
At 1 January and 31 December 2004	<u>6,684</u>	<u>11,700</u>	<u>18,384</u>
<b>NET BOOK VALUE</b>			
At 31 December 2004	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2003	<u>-</u>	<u>-</u>	<u>-</u>

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

12. Investments - the Company

	2004 £	2003 £
Shares in subsidiary undertakings, at cost	314	314

The subsidiary undertakings within the Group are:-

	Country of incorporation	Percentage of ordinary shares held	Activity
Value Retail Management Limited	UK	100	Property Services
Value Retail Management (Bicester Village) Limited	UK	100	Property Services
Value Retail Europe Limited	UK	100	Dormant
New Combination Limited	UK	100	Dormant
Watchplan Limited	UK	100	Dormant
Value Retail Management Germany GmbH	Germany	100	Property Services
Value Retail Management (Wertheim Village) GmbH	Germany	100	Property Services
Value Retail Management Spain SL	Spain	100	Property Services
Value Retail Management (La Roca) SL	Spain	100	Property Services
Value Retail Management (Las Rozas) SL	Spain	100	Property Services
Value Retail Management France SARL	France	100	Property Services
Value Retail Marketing France SARL	France	100	Property Services
Value Retail Tourism & Promotion SARL	France	100	Property Services
Value Retail Management Belgium NV	Belgium	100	Property Services
Value Retail Management Italy Srl	Italy	100	Property Services
Value Retail Management (Fidenza Village) Srl	Italy	100	Property Services

Value Retail Management Limited and Value Retail Europe Limited are directly owned by Value Retail PLC. The remaining companies are indirectly held by various subsidiaries within the Group.

13. Stock

	GROUP		COMPANY	
	2004 £	2003 £	2004 £	2003 £
Work in progress	90,146	114,444	90,146	114,444

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

## 14. Debtors

	GROUP		COMPANY	
	2004 £	2003 £	2004 £	2003 £
Trade debtors	5,990	47,457	-	-
Loans due from related parties	60,165,637	55,801,690	60,165,637	55,801,691
Amounts due from shareholders	1,270,995	-	1,270,995	-
Amounts due from Group companies	-	-	5,733,959	4,126,949
Amounts due from related parties	12,590,859	8,165,211	2,459,420	348,922
Corporation tax recoverable	168,540	-	168,540	-
VAT and other taxes	307,742	245,214	47,261	42,823
Prepayments and accrued income	225,419	1,852,841	6,299	38,132
Other debtors	580,424	578,528	364,673	495,347
	<u>75,315,606</u>	<u>66,690,941</u>	<u>70,216,784</u>	<u>60,853,864</u>

Included in loans due from related parties is a €30,000,000 (£23,028,397) loan dated 27 August 2003 due from Paris Outlet Shopping SCS. This loan has been assigned by way of security to Lone Star (see Note 15 below) in connection with loans made to a related party and to the Company. Since the year end the security has been released as both loans are now repaid.

Amounts falling due after more than one year, included above in Other debtors, amount to £309,075 (2003 - £322,759) and comprise loans made to employees of the Group.

## 15. Creditors - amounts falling due within one year

	GROUP		COMPANY	
	2004 £	2003 £	2004 £	2003 £
Bank loans and overdrafts	3,885,553	47,231	3,885,553	-
Trade creditors	2,861,079	2,353,703	471,875	441,628
Amounts due to shareholders	429,397	8,279,849	429,397	8,279,849
Amounts due to Group companies	-	-	953,885	885,847
Amounts due to related parties	951,050	1,348,577	164,135	429,862
Corporation tax	352,186	458,737	-	215,628
Other taxes and social security	2,445,697	1,979,310	216,943	158,298
Other creditors	646,482	568,046	44,119	357,236
Accruals and deferred income	1,751,696	2,044,946	1,411,356	1,596,653
Dividends payable	162,667	-	162,667	-
	<u>13,485,807</u>	<u>17,080,399</u>	<u>7,739,930</u>	<u>12,365,001</u>

Bank loans consist of a £3,885,553 (£5,500,000) (2003: £1,058,274 (£1,500,000)), included in Creditors - amounts falling due after more than one year), due to LSF4 VRF S.a.r.l ("Lone Star"). The security package provided to Lone Star included an assignment by the Company of its rights in respect of the €30,000,000 loan to Paris Outlet Shopping SCS, as noted above. On 6 January 2005 the Company fully repaid the loan.

In 2003 amounts due to shareholders included a loan of €10,000,000 (£7,058,159) which bore interest of 13% per annum. The loan was repaid during 2004. All other amounts due to shareholders at the balance sheet date are interest free with no fixed repayment date.

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

16. Creditors - amounts falling due after more than one year

	GROUP		COMPANY	
	2004 £	2003 £	2004 £	2003 £
Bank loans	24,726,245	22,939,018	24,726,245	22,939,018
Amounts due to related parties	566,790	387,991	566,790	387,991
Amounts due to shareholders	34,076,190	22,408,192	34,076,190	22,408,192
	<u>59,369,225</u>	<u>45,735,201</u>	<u>59,369,225</u>	<u>45,735,201</u>

Included in bank loans is a €38,500,000 (2003 - €31,000,000) working capital facility with The Royal Bank of Scotland plc of which €35,000,000 (£24,726,245) was drawn at the year end (2003 - €31,000,000 (£21,880,294)). The facility is secured by fixed and floating charges over the assets of the Company and by fixed charges from Bicester Investors LP ('BILP') and Bicester Investors II LP ('BILP II') of their interests in Value Retail Investors LP and Value Retail Investors II LP. The facility bears interest at Euribor plus 2.5% and is repayable on 12 February 2008.

Amounts due to related parties consists of loan of £566,790 (2003 - £387,991) from BILP II.

Amounts due to shareholders includes a loan of £12,601,166 (2003 - £10,838,637) from BILP. BILP acquired preference shares in 2003. The BILP and BILP II loans were obtained at a rate equivalent to that payable on the working capital facility above and are repayable on 30 June 2006.

Amounts due to shareholders also includes a €30,000,000 (2003 - €16,021,000) revolving and credit guarantee facility, of which €30,000,000 (£21,193,924) was drawn at the year end (2003 - €16,021,000 (£11,307,877)). This facility is secured by pledges of receivables from shareholders of Value Retail SARL and Value Retail Madrid SL and by a pledge of receivables of VR Maasmechelen BVBA in respect of its shareholding in VR Maasmechelen Tourist Outlets Comm. VA (all related parties as described in Note 24). The facility bears interest at rate of Euribor plus 5% and is repayable on 10 October 2006

The Company has hedging instruments which hedge the underlying interest rate before margin in respect of the above borrowings:

- a swap on €15,500,000 at 3.18% to 30 June 2006
- a swap on €15,500,000 at 2.77% to 30 June 2006
- a cap on €15,500,000 at 4.00% to 30 June 2006
- a swaption on €31,000,000 at 5.50% from 30 June 2006 to 30 June 2008

	GROUP		COMPANY	
	2004 £	2003 £	2004 £	2003 £
Borrowings are repayable as follows:				
In one year or less, or on demand	3,885,553	7,058,159	3,885,553	7,058,159
In more than one year but not more than two years	34,642,980	1,058,724	34,642,980	1,320,402
In more than two years but not more than five years	24,726,245	44,676,477	24,726,245	44,414,799
	<u>63,254,778</u>	<u>52,793,360</u>	<u>63,254,778</u>	<u>52,793,360</u>

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

17. Share capital

	2004 £	2003 £
Authorised:		
2,750,000 'A' Ordinary Shares of £1 each	2,750,000	2,750,000
750,000 'B' Ordinary Shares of £1 each	750,000	750,000
1,425,000 'C' Ordinary Shares of £1 each	1,425,000	1,425,000
75,000 'D' Ordinary Shares of £1 each	75,000	75,000
2,000,000 8% Preference Shares of £1 each	2,000,000	2,000,000
	<u>7,000,000</u>	<u>7,000,000</u>
Allotted, called up and fully paid:		
462,500 'A' Ordinary Shares of £1 each	462,500	462,500
112,500 'B' Ordinary Shares of £1 each	112,500	112,500
137,731 'C' Ordinary Shares of £1 each	137,731	137,731
75,000 'D' Ordinary Shares of £1 each	75,000	75,000
2,000,000 8% Preference Shares of £1 each	2,000,000	2,000,000
	<u>2,787,731</u>	<u>2,787,731</u>

The 8% Preference Shares have an annual dividend which first becomes payable on 31 December 2005. There are no voting rights attached to the Preference Shares however they hold priority over other classes of shares, in the event of a return of capital on liquidation. The Preference Shares are redeemable at the option of the Company on or after 31 December 2005.

18. Profit and loss account

	GROUP		COMPANY	
	2004 £	2003 £	2004 £	2003 £
At 1 January	3,732,407	2,572,730	1,866,891	1,175,581
Profit retained	609,452	1,240,961	307,293	691,310
Exchange losses on consolidation	(277,505)	(81,284)	-	-
At 31 December	<u>4,064,354</u>	<u>3,732,407</u>	<u>2,174,184</u>	<u>1,866,891</u>

19. Reconciliation of movements in shareholders' funds

	GROUP		COMPANY	
	2004 £	2003 £	2004 £	2003 £
Shareholders' funds at 1 January	6,520,138	3,360,461	4,654,622	1,963,312
Exchange (loss)	(277,505)	(81,284)	-	-
New shares issued	-	2,000,000	-	2,000,000
Profit retained	609,452	1,240,961	307,293	691,310
Shareholders' funds at 31 December	<u>6,852,085</u>	<u>6,520,138</u>	<u>4,961,915</u>	<u>4,654,622</u>

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

20. Commitments under operating leases

At 31 December, there were annual commitments under non-cancellable operating leases as follows:

THE GROUP

	2004	2004	2003	2003
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	553,307	-	191,234
In two to five years	-	602,353	-	651,732
After five years	110,437	-	110,437	-
	110,437	1,155,660	110,437	842,966

THE COMPANY

	2004	2004	2003	2003
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	356,760	-	154,296
In two to five years	-	288,170	-	497,807
After five years	89,076	-	89,076	-
	89,076	644,930	89,076	652,103

21. Reconciliation of operating profit to net cash (outflow) from operating activities

	2004	2003
	£	£
Operating profit	1,802,585	1,432,841
Depreciation	78,843	54,009
Effect of foreign exchange differences	203,514	(81,284)
Decrease in stock	24,298	2,604,729
(Increase) in debtors	(4,413,894)	(19,421,208)
(Decrease) in creditors	(1,610,460)	(3,437,638)
Net cash (outflow) from operating activities	(3,915,114)	(18,848,551)

# VALUE RETAIL PLC

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

### 22. Analysis of changes in net debt

	At 1 Jan 2004 £	Cash Flows £	Other non- cash movements £	Exchange movements £	At 31 Dec 2004 £
Cash at bank	2,238,672	1,801,908	-	-	4,040,580
Overdrafts	(47,231)	47,231	-	-	-
	2,191,441	1,849,139	-	-	4,040,580
Debt due within one year	(7,058,159)	7,058,159	(3,885,553)	-	(3,885,553)
Debt due after one year	(45,735,201)	(17,038,559)	3,885,553	(481,018)	(59,369,225)
	(50,601,919)	(8,131,261)	-	(481,018)	(59,214,198)

### 23. Guarantees and financial commitments

The Company is registered for VAT purposes as a part of a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group and failure by other members of the group could give rise to additional liabilities for the Company. However, the Directors are of the opinion that no liability is likely to arise from the unlikely event of failure by other members of the group.

### 24. Related party transactions

S D Malkin, a Director of the Company, owns and controls S.D. Malkin Properties, Inc. and SDMP Services, Inc., which is the majority shareholder in Value Retail PLC. S D Malkin is the ultimate controlling party of the Company.

S.D. Malkin Properties, Inc. controls the General Partners of Value Retail Investors Limited Partnership ('VRILP'), Value Retail Investors II Limited Partnership ('VRILP II'), Bicester Investors LP ('BILP') and Bicester Investors II LP ('BILP II').

SDMP Services, Inc. controls VR European Holdings BV, Value Retail SARL (the manager of Paris Outlet Shopping SCS), Irish International Tourist Outlets Limited, VR Maasmechelen BVBA and Maasmechelen Services BVBA (the director of VR Maasmechelen Tourist Outlets Comm. VA).

During the year VR European Holdings BV majority owned and controlled Value Retail Madrid SL, Value Retail Barcelona SL, VR Services SNC, VR Bavaria Development GmbH, VR Bavaria GmbH (formerly known as VR Bavaria Development GmbH & Co Properties KG), VR Franconia GmbH, and Master Holding BV (the sole shareholder of Fidenza Village Srl).

Value Retail Barcelona SL owns and controls Creaciones Vattel SL.

Christopher Harris, a Director of the Company, is a Director of London & Metropolitan International Limited ("LMI"), a wholly owned subsidiary of London & Metropolitan International (Holdings) Ltd of which he is a Director and the majority shareholder. LMI is also a shareholder of the Company.

During the year, the following related party transactions took place at arm's length and on a commercial basis:

- SDMP Services, Inc., BILP and BILP II made loans of £2,829,927 (2003 - £5,022,370) to companies within the Group. The outstanding balance due from the Group at 31 December 2004 was £13,307,566 (2003 - £11,379,592) after repayments of £901,953 (2003 - £10,395,797) during the year. Included in the loans made during the year is an amount of £863,000 (2003 - £889,461) being the interest charged on the loans during the year.
- S.D. Malkin Properties, Inc. incurred reimbursable costs on behalf of companies within the Group amounting to £868,888 (2003 - £720,188). The outstanding balance due from the Group at 31 December 2004 was £92,963 (2003 - £923,142).

During the year LMI incurred reimbursable costs on behalf of the Group amounting to £107,035 (2003 - £192,893). The outstanding balance due from the Group at 31 December 2004 was £110,471 (2003 - £25,148).

## VALUE RETAIL PLC

### NOTES TO THE ACCOUNTS

for the year ended 31 December 2004

#### 24. Related party transactions (cont.)

- c) VRILP, VRILP II, Paris Outlet Shopping SCS, VR Services SNC, Irish International Tourist Outlets Limited, Master Holding BV, VR Bavaria GmbH, VR Franconia GmbH, VR Maasmechelen Tourist Outlets Comm. VA, Value Retail Barcelona SL, Value Retail Madrid SL and Fidenza Village Srl were charged £33,904,807 (2003 - £29,353,389) by companies within the Group for the reimbursement of funds advanced and costs incurred on their behalf. The outstanding balance due to the Group at 31 December 2004 was £11,639,809 (2003 - £8,134,053) after payments during the year of £30,399,051 (2003 - £27,308,788).
- d) R V Gibbs, a Director and Shareholder of the Company, made a loan to the Company of £nil (2003 - £nil). The outstanding balance due from the Company at 31 December 2004 was £8,251 (2003 - £8,251), after a repayment of £nil (2003 - £nil).
- e) Loans of £nil (2003 - £nil) were made to the Company by M Lambert, the father of J N Lambert, a Director of the Company. The outstanding balance due from the Company at 31 December 2004 was £2,740 (2003 - £2,740). Loans of £nil (2003 - £nil) were made to and in members of the Company by Lisburne Holdings Limited, a company majority-owned and controlled by J N Lambert. The outstanding balance due from the Company at 31 December 2004 was £nil (2003 - £8,276) following a repayment of £8,276 (2003 - £nil).
- f) The Group made loans of £26,801,408 (2003 - £38,164,092) to Value Retail Madrid SL, Value Retail Barcelona SL, VRILP II, VR Bavaria GmbH, Paris Outlet Shopping SCS, Irish International Tourist Outlets Limited, SD Malkin Properties, Inc, VR Franconia GmbH, Fidenza Village Srl, VR European Holdings BV, VR Maasmechelen BVBA, VR Maasmechelen Tourist Outlets Comm. VA and Creaciones Vattel SL. The outstanding balance due to the Group at 31 December 2004 was £61,436,632 (2003 - £55,801,691), after repayments of £21,166,467 (2003 - £20,113,359). The loans are denominated in Euros and have been revalued at the year end exchange rate.

The Group has taken advantage of provisions in FRS8 which exempt subsidiary undertakings from disclosing transactions with other entities within the Group.