Vale Retail (Cornbow) Limited

(formerly Menion Limited)

Directors' report and financial statements

Registered number 04229308

31 October 2002

Contents

Directors' report

The directors present their first report and the audited financial statements for the seventeen month period since incorporation on 6 June 2001 to 31 October 2002.

Principal activities

The principal activity of the company is to act as a property investment company. The company owns the Cornbow shopping centre in Halesowen and offers rental space for retailers.

Business review

The company was incorporated on 6 June 2001 as Menion Limited. The company changed its name to Vale Retail (Cornbow) Limited on 27 July 2001.

On 12 October 2001, the Company issued 8,356,895 of non redeemable preference shares at par to Septembre Limited in exchange for the Cornbow shopping centre in Halesowen and its related trade and assets. On 23 October 2001, the preference shares were acquired by Vale Retail (Halesowen) Limited, the immediate parent undertaking of the Company.

The results for the period are set out on page 5 and represent the trading for the period from 12 October 2001 to 31 October 2002.

The profit after taxation for the period was £754,000 and this has been transferred to reserves

Proposed dividend

The directors propose a dividend of £84,000 in respect of the preference shares.

Directors and directors' interests

The directors who held office during the period were as follows:

Combined Nominees Limited	(appointed 6 June 2001, resigned 17 July 2001)
Combined Secretarial Services Limited	(appointed 6 June 2001, resigned 17 July 2001)
Christopher Steven Willans	(appointed 17 July 2001)
Robert Adrian Oliver	(appointed 17 July 2001)

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the company. The interests of CS Willans and RA Oliver in Vale Retail Limited, the ultimate parent company, are disclosed in the financial statements of that company.

Political and charitable contributions

The company made no political or charitable contributions during the period.

Directors' report *(continued)*

Auditors

KPMG LLP were appointed as first auditors by the directors of the company on 24 October 2001.

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Adrian Oliver

R A Oliver
Director

Vale Retail (Cornbow) Limited
5 Great College Street
Westminster
London
SW18 3SJ

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 of the profit or loss for that period. In preparing those 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 company 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 company 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 to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom

Report of the independent auditors to the members of Vale Retail (Cornbow) Limited *(formerly Menion Limited)*

We have audited the financial statements on pages 5 to 15.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 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.

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 as at 31 October 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor

3 July 2003

Profit and loss account
for the seventeen month period ended 31 October 2002

	Note	2002 £000
Turnover		**1,775**
Administrative expenses		**(389)**
Operating profit		**1,386**
Other interest receivable and similar income	*4*	**14**
Interest payable and similar charges	*4*	**(642)**
Profit on ordinary activities before taxation	*2-3*	**758**
Tax on profit on ordinary activities	*5*	**(4)**
Profit on ordinary activities after taxation		**754**
Dividends proposed		**(84)**
Retained profit for the year		**670**

All items recognised in the profit and loss account for the seventeen month period ended 31 October 2002 arise from continuing operations.

The profit for the period has been calculated on a historical cost basis.

Balance sheet
at 31 October 2002

	Note	2002 £000	£000
Fixed assets			
Tangible fixed assets	6		26
Investment properties	7		23,000
			23,026
Current assets			
Debtors	*8*	1,442	
Cash at bank and in hand		244	
		1,686	
Creditors: amounts falling due within one year	9	(12,885)	
Net current liabilities			(11,199)
Total assets less current liabilities			11,827
Creditors: amounts falling due after more than one year	*10*		(14)
Net assets			11,813
Capital and reserves			
Called up share capital	*11*		8,357
Revaluation reserve	*12*		2,786
Profit and loss account	*12*		670
Equity and non-equity shareholders' funds	*12*		11,813

These financial statements were approved by the board of directors on 3 July 2003 and were signed on its behalf by:

R A Oliver
Director

Statement of total recognised gains and losses
for the year ended 31 October 2002

	2002 £000
Profit for the financial year	**670**
Unrealised surplus on revaluation of properties (see note 7)	2,786
Total recognised gains and losses relating to the financial year	**3,456**

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below. The company has adopted FRS 19 'Deferred tax' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include revaluation of investment property. The financial statements are in compliance with the Companies Act 1985 except that, as explained below, investment properties are not depreciated.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Turnover

Turnover represents rental income exclusive of VAT, from subletting units in the shopping centre, which is held as an investment property.

Taxation

The charge for taxation is based on the profit for the period 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, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives. The company's tangible assets represent camera equipment acquired under a finance lease, hence it is depreciated over the term of the lease, 3 years.

Investment properties

The company's property interests were valued as at 31 October 2002 by DTZ Debenham Tie Leung who acted as independent valuers. The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors' appraisal and Valuation Manual. The property was valued on the basis of open market value.

In accordance with Statement of Standard Accounting Practice No. 19, no depreciation is provided in respect of the freehold property. This is a departure from the requirements of the Company's Act 1985 which requires all properties to be depreciated. The company's property is not held for consumption but for investment and the directors consider that to depreciate it would not give a true and fair view. Depreciation is only one of many factors reflected in the annual valuation of the property and accordingly the amount of depreciation that which might otherwise have been charged cannot be separately identified or quantified. The directors consider that this policy results in the accounts giving a true and fair view.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

2 Profit on ordinary activities before taxation

	2002 £000
Profit on ordinary activities before taxation is stated after charging:	
Auditors' remuneration:	
Audit	9
Non-audit	3
Depreciation of fixed assets held under finance lease	2

3 Information regarding employees and remuneration of directors

The company has no employees. The directors received no remuneration in respect of their duties in relation to the Company.

4 Interest receivable/payable

	2002 £000
Interest receivable	
Bank interest	10
Other interest	4
	14
Interest payable	
On loans from parent undertaking	(642)

Notes *(continued)*

5 Taxation

Analysis of charge in period

	2002
	£000
UK corporation tax	
Current tax on income for the period	**4**
Tax on profit on ordinary activities	**4**

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below.

	2002
	£000
Current tax reconciliation	
Profit on ordinary activities before tax	**758**
Current tax at 30%	**227**
Effects of:	
Expenses not deductible for tax purposes	**10**
Group relief received	**(233)**
Total current tax charge (see above)	**4**

There are no deferred tax balances at the year end.

Notes *(continued)*

6 Fixed assets

	Fixtures, fittings, tools and equipment £000
Cost	
At beginning of period	-
Additions	28
Disposals	-
At end of period	28
Depreciation	
At beginning of period	-
Charge for period	2
At end of period	2
Net book value	
At 31 October 2002	26

The tangible fixed assets are all held under finance lease agreements.

7 Investment properties

	2002 £000
At the beginning of period	-
Additions – value of property on acquisition	19,100
Additions – acquisition costs of property	1,066
Additions – other	48
Revaluation	2,786
At end of period	**23,000**

The investment property was valued as at 31 October 2002 by DTZ Debenham Tie Leung who acted as independent valuers. The basis of valuation is open market value.

In accordance with the Statement of Standard Accounting Practice No. 19, no depreciation has been charged during the period.

Notes *(continued)*

8 Debtors

	2002
	£000
Trade debtors	64
Amounts owed by group undertaking	1,348
Prepayments and accrued income	30
	1,442

9 Creditors: amounts falling due within one year

	2002
	£000
Obligations under finance lease	9
Amounts owed to group undertaking	12,483
Corporation tax	4
Other taxation	24
Accruals and deferred income	365
	12,885

10 Creditors: amounts falling due after one year

	2002
	£000
Obligations under finance lease	14

Notes *(continued)*

11 Called up share capital

	2002 £000
Authorised, allotted, called up and fully paid	
Equity: 100 Ordinary shares of £1 each	-
Non-equity: 8,356,895 Non-redeemable preference shares of £1 each	8,357
	8,357

12 Reconciliation of shareholders funds

	2002 £000
Profit for the period	670
New share capital subscribed	8,357
Investment revaluation reserve	2,786
Net addition to equity shareholders funds	11,813
Opening shareholders funds	-
Closing shareholders funds	11,813
Equity shareholders funds	3,456
Non-equity shareholders' funds	8,357
	11,813

The holders of the preference shares shall be entitled in priority to any payment of any other class of shares to be paid in respect of each financial year or other accounting period of the company a fixed cumulative preferential dividend ('preferential dividend) at the rate of 1 per cent per annum on the nominal capital for the time being paid up or credited as paid up thereon. Such preferential dividend shall accrue on all preference shares on a daily basis and be paid in arrear on the first day of every month in each year, on the date of transfer of any preference shares and on such additional dates as the company may from time to time resolve.

The balance of the profits of the company available for distribution and resolved to be distributed shall be distributed by way of dividend among the holders of the preference shares pro rata to the amount paid up or credited as paid up thereon and among the holders of the ordinary shares pro rata to the amounts paid up or credited as paid up thereon.

On a return of capital on winding up or otherwise, the holders of the preference shares shall be entitled in priority to any payment to the holders of any other class of shares to the repayment of a sum equal to all arrears and accruals (if any) of the preferential dividend to be calculated down to and including the date of commencement of the winding up (in case of a winding-up) or the return of capital (if any other case) together with a sum equal to 1% of the remaining amount available to shareholders on the winding-up or return of capital.

The balance (if any) of such assets shall be distributed amongst the ordinary shareholders (on a pari passu basis) in proportion to the amounts paid-up or credited as paid up on the ordinary shares held by them.

The ordinary shares shall confer one vote for every ordinary shares held.

The preference shares shall be entitled as a class to exercise at general meetings of the company such number of votes as is equal to the number of ordinary shares in issue at the time of the relevant meeting save that on any resolution to wind up or liquidate the company, they shall be entitled to exercise as a class such number of votes as is equal to ten times the number of ordinary shares in issue at the time of relevant meeting.

13 Guarantees and Contingent liabilities

Vale Retail (Cornbow) Limited is party to a loan agreement made between its immediate parent, Vale Retail (Halesowen) Limited and the Royal Bank of Scotland. As part of this loan agreement, Vale Retail (Cornbow) Limited has granted the Royal Bank of Scotland a fixed and floating charge over the assets and business incorporating a first fixed charge by way of legal mortgage over the property and an assignment of rent to secure the credit facility. The credit agreement provides that 100% of the net disposal proceeds of the property shall be paid to the bank in the event the property is sold prior to the third anniversary of the draw down.

The company has no other contingent liabilities as at 31 October 2002.

14 Commitments

(a) There are no capital commitments at the end of the financial period.

(b) The future obligations under existing finance leases are as follows:

	2002
	£000
Finance leases which expire:	
Within one year	9
In the second to fifth years inclusive	14
	23

The finance lease is in respect of closed circuit television camera equipment.

Notes *(continued)*

15 Related party disclosures

The company is controlled by its immediate parent company, Vale Retail (Halesowen) Limited. The ultimate controlling party is Vale Retail Limited. As the company is a wholly owned subsidiary of Vale Retail Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The financial statements of Vale Retail Limited, within which this company is included, can be obtained from the address given in note 16.

During the year the company engaged in the following transactions with Oliver Liggins Partnership, where RA Oliver and CS Willans are partners:

	2002 **£000**
Introduction fee	85
Subletting fees	2
Year end balance	-

16 Acquisition

On 12 October 2001, the Company acquired the Cornbow Shopping Centre in Halesowen and its associated trade and assets for £8,356,895 settled by issue of 8,356,895 non redeemable £1 preference shares at par.

	2002 **£000**
Assets acquired	
Fixed assets	**19,100**
Debtors	**598**
Creditors	**(11,341)**
Settled by issue of shares	**8,357**

In the view of the directors the fair value of assets acquired is equal to their book values.

17 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company's immediate parent is Vale Retail (Halesowen) Limited.

The company's ultimate holding company and controlling party is Vale Retail Limited. The accounts of Vale Retail Limited are available to the public and may be obtained from Prince Rupert House, 64 Queen Street, London, EC4R 1AD.

18 Post balance sheet events

In November 2002 the company sold units 1-7 of the Cornbow shopping centre to J D Wetherspoons for a consideration of £900,000.