

**Company Number:** 2782532

**VALUE RETAIL PLC**  
**REPORT AND ACCOUNTS**  
**31 DECEMBER 2005**



**VALUE RETAIL PLC**

**REPORT AND ACCOUNTS 2005**

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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)
Tom De Rosa	(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 2005.

### RESULTS AND DIVIDENDS

The Group profit after tax for the year before non equity dividends was £1,786,625 (2004 – £772,119) as set out on page 6. The Directors do not recommend the payment of an ordinary dividend (2004 - £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)
T De Rosa	(Non-Executive) Appointed 6 July 2005

S D Malkin had interests at 31 December 2005 in the shares of the Company through his ownership of SDMP Services, Inc., comprising a beneficial interest in 339,423 (2004 – 339,423) 'A' Ordinary Shares of £1 each and a non-beneficial interest in 15,422 (2004 - 15,422) 'B' Ordinary Shares of £1 each, and his ownership of VR Holdings LLC which owns 123,077 (2004 – 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 2005 held 37,500 (2004 - 37,500) 'C' Ordinary Shares of £1 each.

R V Gibbs had an interest at 31 December 2005 in the shares of the Company, owning 23,078 (2004 - 23,078) 'B' Ordinary Shares of £1 each.

J N Lambert had an interest at 31 December 2005 in the shares of the Company through a beneficial interest in a trust owning 18,750 (2004 – 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 2005 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 (2004 – 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 2005, the Company had an average of 25 days (2004 – 26 days) purchases outstanding in trade creditors.

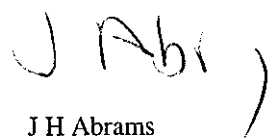
#### **CHARITABLE DONATIONS**

During the year the Group made charitable donations of £4,284 (2004 - £400).

#### **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 dark ink, appearing to read 'J H Abrams', with a large, sweeping flourish extending to the right.

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 2005 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 International Standards on Auditing (UK and Ireland).

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 International Standards on Auditing (UK and Ireland) 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 Group and of the Company as at 31 December 2005 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP

Registered Auditor

London

30 June 2006

VALUE RETAIL PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	2	39,975,767	33,959,676
Cost of sales	3	(36,774,333)	(31,805,163)
<b>Gross profit</b>		<b>3,201,434</b>	<b>2,154,513</b>
Operating expenses	3	91,370	(351,928)
<b>Operating profit</b>	4	<b>3,292,804</b>	<b>1,802,585</b>
Interest receivable and similar income		4,193,804	4,242,315
Interest payable and similar charges	6	(4,938,524)	(4,707,954)
<b>Profit on ordinary activities before taxation</b>		<b>2,548,084</b>	<b>1,336,946</b>
Tax on profit on ordinary activities	7	(761,459)	(564,827)
<b>Profit for the year after taxation</b>		<b>1,786,625</b>	<b>772,119</b>
Dividend - non-equity shares	8	(160,000)	(162,667)
<b>Profit for the year</b>	17,18	<b>1,626,625</b>	<b>609,452</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
for the year ended 31 December 2005

		2005 £	2004 £
Profit for the financial year after taxation		1,626,625	609,452
Exchange loss on consolidation	17,18	(104,856)	(277,505)
<b>Total recognised gains relating to the year</b>		<b>1,521,769</b>	<b>331,947</b>



VALUE RETAIL PLC

CONSOLIDATED BALANCE SHEET  
as at 31 December 2005

	Note	2005	2004
		£	£
<b>Fixed assets</b>			
Tangible assets	10	504,942	260,785
<b>Current assets</b>			
Stock	12	128,083	90,146
Debtors	13	73,950,097	75,315,606
Cash at bank		8,440,735	4,040,580
		<u>82,518,915</u>	<u>79,446,332</u>
<b>Creditors - amounts falling due within one year</b>	14	<u>(30,905,077)</u>	<u>(13,485,807)</u>
<b>Net current assets</b>		<u>51,613,838</u>	<u>65,960,525</u>
<b>Total assets less current liabilities</b>		<u>52,118,780</u>	<u>66,221,310</u>
<b>Creditors - amounts falling due after more than one year</b>	15	<u>(43,744,926)</u>	<u>(59,369,225)</u>
<b>Net assets</b>	2	<u><u>8,373,854</u></u>	<u><u>6,852,085</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	2,787,731	2,787,731
Profit and loss account	17	5,586,123	4,064,354
<b>Total shareholders' funds</b>	18	<u><u>8,373,854</u></u>	<u><u>6,852,085</u></u>
<b>Analysis of shareholders' funds</b>			
Equity		6,051,187	4,689,418
Non-equity		2,322,667	2,162,667
		<u><u>8,373,854</u></u>	<u><u>6,852,085</u></u>

Approved and signed on behalf of the Board of Directors.

R V Gibbs  
Director

30/6/06

VALUE RETAIL PLC

COMPANY BALANCE SHEET  
as at 31 December 2005

	Note	£	2005	£	£	2004	£
<b>Fixed assets</b>							
Investments	11			5,312			314
				<u>5,312</u>			<u>314</u>
<b>Current assets</b>							
Stock	12		105,280			90,146	
Debtors	13		67,167,145			70,216,784	
Cash at bank			6,577,674			1,763,826	
			<u>73,850,099</u>			<u>72,070,756</u>	
<b>Creditors - amounts falling due within one year</b>	14		(24,297,218)			(7,739,930)	
			<u></u>			<u></u>	
<b>Net current assets</b>				49,552,881			64,330,826
				<u></u>			<u></u>
<b>Total assets less current liabilities</b>				49,558,193			64,331,140
				<u></u>			<u></u>
<b>Creditors - amounts falling due after more than one year</b>	15			(43,744,926)			(59,369,225)
				<u></u>			<u></u>
<b>Net assets</b>				<u>5,813,267</u>			<u>4,961,915</u>
				<u></u>			<u></u>
<b>Capital and reserves</b>							
Called up share capital	16			2,787,731			2,787,731
Profit and loss account	17			3,025,536			2,174,184
				<u></u>			<u></u>
<b>Total shareholders' funds</b>	18			<u>5,813,267</u>			<u>4,961,915</u>
				<u></u>			<u></u>
<b>Analysis of shareholders' funds</b>							
Equity				3,490,600			2,799,248
Non-equity				2,322,667			2,162,667
				<u>5,813,267</u>			<u>4,961,915</u>
				<u></u>			<u></u>

Approved and signed on behalf of the Board of Directors.

R V Gibbs  
Director

30/6/06

VALUE RETAIL PLC

**CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 31 December 2005

	Note	2005		2004	
		£	£	£	£
<b>Net cash inflow/(outflow) from operating activities</b>	20		7,639,943		(3,915,114)
<b>Returns on investments and servicing of finance</b>					
Interest received		438,420		31,546	
Interest paid		(5,055,225)		(3,427,010)	
<b>Net cash (outflow) from returns on investments and servicing of finance</b>			(4,616,805)		(3,395,464)
<b>Taxation</b>			(519,407)		(772,736)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(340,210)		(53,786)	
Disposal of tangible fixed assets		9,572		5,839	
<b>Net cash outflow from investing activities</b>			(330,638)		(47,947)
<b>Net cash inflow/(outflow) before financing</b>	21		2,173,093		(8,131,261)
<b>Financing</b>					
New loans received		7,408,913		17,941,403	
Repayment of loans		(5,181,851)		(7,961,003)	
<b>Net cash inflow from financing</b>			2,227,062		9,980,400
<b>Increase in cash in the year</b>			4,400,155		1,849,139
<b>Reconciliation of net cash flow to movement in net debt</b>					
Increase in cash and cash equivalents			4,400,155		1,849,139
Cash inflow from increase in debt and lease financing			(2,227,062)		(9,980,400)
Exchange adjustments			1,067,216		(481,018)
<b>Movement in net debt in the year</b>			3,240,309		(8,612,279)
<b>Net debt at 1 January</b>	21		(59,214,198)		(50,601,919)
<b>Net debt at 31 December</b>	21		(55,973,889)		(59,214,198)

## VALUE RETAIL PLC

### NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

#### 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 2005

### 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

<i>By area of activity</i>	<b>2005</b> £	<b>2004</b> £
Property development services	24,541,094	22,113,465
Property management services	15,434,673	11,846,211
	<u>39,975,767</u>	<u>33,959,676</u>
 <i>By source</i>	 <b>2005</b> £	 <b>2004</b> £
United Kingdom and Ireland	9,589,508	7,726,633
Continental Europe	30,386,259	26,233,043
	<u>39,975,767</u>	<u>33,959,676</u>

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS  
for the year ended 31 December 2005

2. Turnover and segmental analysis (continued)

<i>By destination</i>	2005 £	2004 £
United Kingdom and Ireland	6,377,826	5,280,404
Continental Europe	33,597,941	28,679,272
	<u>39,975,767</u>	<u>33,959,676</u>

b) Profit on ordinary activities before taxation

<i>By area of activity</i>	2005 £	2004 £
Property development services	1,711,677	979,715
Property management services	836,407	357,231
	<u>2,548,084</u>	<u>1,336,946</u>

<i>By source</i>	2005 £	2004 £
United Kingdom and Ireland	1,732,327	690,375
Continental Europe	815,757	646,571
	<u>2,548,084</u>	<u>1,336,946</u>

c) Net assets

<i>By area of activity</i>	2005 £	2004 £
Property development services	6,958,673	5,933,870
Property management services	1,415,181	918,215
	<u>8,373,854</u>	<u>6,852,085</u>

<i>By geographical area</i>	2005 £	2004 £
United Kingdom and Ireland	6,634,982	5,428,158
Continental Europe	1,738,872	1,423,927
	<u>8,373,854</u>	<u>6,852,085</u>

3. Cost of sales and operating expenses

	2005 £	2004 £
Cost of sales	36,774,333	31,805,163
Operating expenses	(91,370)	351,928
	<u>36,682,963</u>	<u>32,157,091</u>

All cost of sales and operating expenses relate to continuing operations. Operating expenses in 2005 include a £612,000 write back of a loan to a related party which had been written off in prior years.

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

4. Operating profit

This is stated after charging/(crediting):

	2005 £	2004 £
Depreciation	86,481	78,843
Auditors' remuneration - audit	125,857	105,355
- other services	156,818	287,160
Operating lease rentals - other	904,594	881,816
Write back of loan to related party (see note 3)	(612,000)	-

5. Directors' emoluments and staff costs

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

	2005 Number	2004 Number
Administration and finance	96	84
Leasing and marketing	76	55
Development	18	15
Retail operations	49	46
	<u>239</u>	<u>200</u>

Their total remuneration was:

	2005 £	2004 £
Salaries	11,278,268	9,830,568
Social security costs	2,041,933	1,860,815
Pension contributions	273,625	149,575
	<u>13,593,826</u>	<u>11,840,958</u>

Directors' emoluments for the year were:

	2005 £	2004 £
Emoluments (including all benefits)	<u>995,318</u>	<u>1,160,038</u>
Highest paid director (including all benefits)	<u>416,390</u>	<u>605,586</u>
Fees payable to non-executive directors	<u>18,000</u>	<u>12,000</u>

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

6. Interest payable and similar charges

	2005 £	2004 £
Bank interest	1,445,465	1,156,260
Other interest	2,883,553	3,202,500
Other charges including foreign exchange losses	609,506	349,194
	<u>4,938,524</u>	<u>4,707,954</u>

7. Tax on profit on ordinary activities

a) Analysis of tax charge in the year

	2005 £	2004 £
UK corporation tax on profits of the year		
- Company	200,000	198,800
- Group	170,145	40,500
Adjustments in respect of prior years		
- Company	2,790	(17,944)
- Group	(4,414)	8,965
Foreign tax		
- Corporation tax on profits of the year	375,323	335,891
- Adjustments in respect of prior years	17,615	(1,385)
Tax charge on profit on ordinary activities for the year	<u>761,459</u>	<u>564,827</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% (2004 - 30%). The differences are reconciled below:

	2005 £	2004 £
Profit on ordinary activities before tax	<u>2,548,084</u>	<u>1,336,946</u>
Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 30% (2004 - 30%)	764,425	401,083
Effects of:		
Disallowed expenses and non-taxable income	(40,141)	81,875
Depreciation in excess of capital allowances	(191)	(76)
Non-taxable foreign exchange gains arising on consolidation	(21,490)	18,489
Differences in overseas tax rates	42,865	71,050
Adjustments in respect of prior years	15,991	(7,594)
Current tax charge for the year	<u>761,459</u>	<u>564,827</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 2005

8. Dividends

	2005 £	2004 £
Non-equity dividends on preference shares - at 8.0p (2004 - 8.13p) per share	160,000	162,667

9. 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 £851,352 (2004 - £307,293).

10. Tangible assets

GROUP	Fixtures, Fittings & Equipment £	Motor Vehicles £	Total £
COST			
At 1 January 2005	499,930	14,200	514,130
Additions	340,210	-	340,210
Disposals	(29,426)	-	(29,426)
At 31 December 2005	810,714	14,200	824,914
DEPRECIATION			
At 1 January 2005	239,145	14,200	253,345
Provided in year	86,481	-	86,481
Disposals	(19,854)	-	(19,854)
At 31 December 2005	305,772	14,200	319,972
NET BOOK VALUE			
At 31 December 2005	504,942	-	504,942
At 31 December 2004	260,785	-	260,785
COMPANY	£	£	£
COST			
At 1 January and 31 December 2005	6,684	11,700	18,384
DEPRECIATION			
At 1 January and 31 December 2005	6,684	11,700	18,384
NET BOOK VALUE			
At 31 December 2005	-	-	-
At 31 December 2004	-	-	-

# VALUE RETAIL PLC

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

### 11. Investments - the Company

	2005 £	2004 £
Shares in subsidiary undertakings as at 1 January 2005	314	314
Additions during the year	4,998	-
Shares in subsidiary undertakings, at cost as at 31 December 2005	<u>5,312</u>	<u>314</u>

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	Insurance Services
Value Retail Management Germany GmbH	Germany	100	Property Services
Value Retail Management (Wertheim Village) GmbH	Germany	100	Property Services
Value Retail Management (Ingolstadt 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 (Kildare Village) Limited	Ireland	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.

### 12. Stock

	GROUP		COMPANY	
	2005 £	2004 £	2005 £	2004 £
Work in progress	<u>128,083</u>	<u>90,146</u>	<u>105,280</u>	<u>90,146</u>

**NOTES TO THE ACCOUNTS**  
for the year ended 31 December 2005

**13. Debtors**

	GROUP		COMPANY	
	2005 £	2004 £	2005 £	2004 £
Trade debtors	32,513	5,990	-	-
Loans due from related parties	49,820,703	60,165,637	49,820,703	60,165,637
Amounts due from shareholders	1,320,290	1,270,995	1,320,290	1,270,995
Amounts due from Group companies	-	-	11,634,723	5,733,959
Amounts due from related parties	19,879,921	12,590,859	3,241,250	2,459,420
Corporation tax recoverable	21,374	168,540	21,374	168,540
VAT and other taxes	487,975	307,742	115,053	47,261
Prepayments and accrued income	1,316,681	225,419	22,156	6,299
Other debtors	1,070,640	580,424	991,596	364,673
	<u>73,950,097</u>	<u>75,315,606</u>	<u>67,167,145</u>	<u>70,216,784</u>

Amounts falling due after more than one year, included above in Other debtors, amount to £890,684 (2004 - £309,075) and comprise loans made to employees of the Group.

**14. Creditors - amounts falling due within one year**

	GROUP		COMPANY	
	2005 £	2004 £	2005 £	2004 £
Bank loans and overdrafts	-	3,885,553	-	3,885,553
Trade creditors	4,307,348	2,861,079	912,484	471,875
Amounts due to shareholders	20,982,140	429,397	20,982,140	429,397
Amounts due to Group companies	-	-	749,192	953,885
Amounts due to related parties	639,686	951,050	122,922	164,135
Corporation tax	447,071	352,186	-	-
Other taxes and social security	2,431,744	2,445,697	297,793	216,943
Other creditors	333,262	646,482	58,299	44,119
Accruals and deferred income	1,440,270	1,751,696	850,832	1,411,356
Dividends payable	323,556	162,667	323,556	162,667
	<u>30,905,077</u>	<u>13,485,807</u>	<u>24,297,218</u>	<u>7,739,930</u>

In 2005, amounts due to shareholders include a €30,000,000 (£20,669,698) revolving and credit guarantee facility, of which €30,000,000 (£20,669,698) was drawn at the year end. This facility is secured by pledges of receivables from the shareholders of Value Retail Madrid SL, by a pledge of receivables from VR European Holdings BV in respect of its shareholding in VR La Vallée BV and by a pledge of receivables from 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 Euribor plus 5% and is repayable on 10 October 2006. The facility was shown under Creditors - amounts falling due after more than one year in 2004.

All other amounts due to shareholders at the balance sheet date are interest free with no fixed repayment date.

## NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

## 15. Creditors - amounts falling due after more than one year

	GROUP		COMPANY	
	2005	2004	2005	2004
	£	£	£	£
Bank loans	26,526,113	24,726,245	26,526,113	24,726,245
Amounts due to related parties	1,836,861	566,790	1,836,861	566,790
Amounts due to shareholders	15,381,952	34,076,190	15,381,952	34,076,190
	<u>43,744,926</u>	<u>59,369,225</u>	<u>43,744,926</u>	<u>59,369,225</u>

Included in bank loans is a €38,500,000 (2004 - €38,500,000) working capital facility with The Royal Bank of Scotland plc of which €38,500,000 equivalent to £26,526,113 was drawn at the year end (2004 - €35,000,000 equivalent to £24,726,245). The facility is secured by fixed and floating charges over the assets of the Company and by fixed charges from Bicester Investors Limited Partnership ('BILP') and Bicester Investors II Limited Partnership ('BILP II') over their interests in Value Retail Investors Limited Partnership and Value Retail Investors II Limited Partnership. The facility bears interest at Euribor plus 2.5% and is repayable on 12 February 2008.

Amounts due to related parties consist of a loan of £1,836,861 (2004 - £566,790) from BILP II.

Amounts due to shareholders include a loan of £15,082,802 (2004 - £12,601,166) from BILP.

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 September 2009.

In 2004, amounts due to shareholders included a €30,000,000 (£21,193,924) revolving and credit guarantee facility. In 2005, the balance drawn on this facility is shown in Creditors - Amounts falling due within one year.

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	
	2005	2004	2005	2004
	£	£	£	£
Borrowings are repayable as follows:				
In one year or less, or on demand	20,669,698	3,885,553	20,669,698	3,885,553
In more than one year but not more than two years	-	34,642,980	-	34,642,980
In more than two years but not more than five years	43,744,926	24,726,245	43,744,926	24,726,245
	<u>64,414,624</u>	<u>63,254,778</u>	<u>64,414,624</u>	<u>63,254,778</u>

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

16. Share capital	2005 £	2004 £
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 became 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 after 31 December 2005.

17. Profit and loss account	GROUP		COMPANY	
	2005 £	2004 £	2005 £	2004 £
At 1 January	4,064,354	3,732,407	2,174,184	1,866,891
Profit for the year	1,626,625	609,452	851,352	307,293
Exchange loss on consolidation	(104,856)	(277,505)	-	-
At 31 December	<u>5,586,123</u>	<u>4,064,354</u>	<u>3,025,536</u>	<u>2,174,184</u>

18. Reconciliation of movements in shareholders' funds	GROUP		COMPANY	
	2005 £	2004 £	2005 £	2004 £
Shareholders' funds at 1 January	6,852,085	6,520,138	4,961,915	4,654,622
Profit for the year	1,626,625	609,452	851,352	307,293
Exchange loss on consolidation	(104,856)	(277,505)	-	-
Shareholders' funds at 31 December	<u>8,373,854</u>	<u>6,852,085</u>	<u>5,813,267</u>	<u>4,961,915</u>

VALUE RETAIL PLC

NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

19. Commitments under operating leases

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

THE GROUP

	2005	2005	2004	2004
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	246,262	-	553,307
In two to five years	-	648,812	-	602,353
After five years	110,437	56,716	110,437	-
	<u>110,437</u>	<u>951,790</u>	<u>110,437</u>	<u>1,155,660</u>

THE COMPANY

	2005	2005	2004	2004
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	81,685	-	356,760
In two to five years	-	400,616	-	288,170
After five years	89,076	-	89,076	-
	<u>89,076</u>	<u>482,301</u>	<u>89,076</u>	<u>644,930</u>

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

	2005 £	2004 £
Operating profit	3,292,804	1,802,585
Depreciation	86,481	78,843
Effect of foreign exchange differences	(1,172,073)	203,514
(Increase)/decrease in stock	(37,937)	24,298
Decrease/(increase) in debtors	4,389,162	(4,413,894)
Increase/(decrease) in creditors	1,081,506	(1,610,460)
Net cash inflow/(outflow) from operating activities	<u>7,639,943</u>	<u>(3,915,114)</u>

**NOTES TO THE ACCOUNTS**  
for the year ended 31 December 2005

**21. Analysis of changes in net debt**

	At 1 Jan 2005 £	Cash Flows £	Other non- cash movements £	Exchange movements £	At 31 Dec 2005 £
Cash at bank	4,040,580	4,400,155	-	-	8,440,735
Debt due within one year	(3,885,553)	3,900,709	(20,669,698)	(15,156)	(20,669,698)
Debt due after one year	(59,369,225)	(6,127,771)	20,669,698	1,082,372	(43,744,926)
	<u>(59,214,198)</u>	<u>2,173,093</u>	<u>-</u>	<u>1,067,216</u>	<u>(55,973,889)</u>

**22. 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.

**23. 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 Limited Partnership ('BILP') and Bicester Investors II Limited Partnership ('BILP II').

SDMP Services, Inc. controls VR European Holdings BV, VR Maasmechelen BVBA and Maasmechelen Services BVBA (the director of VR Maasmechelen Tourist Outlets Comm. VA).

During the year, VR European Holdings BV was the majority owner of, and controlled, Value Retail Madrid SL, Value Retail Barcelona SL, VR La Vallee BV, (the owner of VR Paris SCI and VR Services SNC), VR Bavaria GmbH, VR Franconia GmbH, VR Ireland BV (the owner of Kildare Retail Services Limited and Value Retail Dublin Limited, formerly known as Irish International Tourist Outlets Limited) and Master Holding BV (the sole shareholder of Fidenza Village Srl, in turn the sole shareholder of VR Milan 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 a shareholder of the Company.

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

- a) SDMP Services, Inc., BILP and BILP II made loans of £4,108,187 (2004 - £2,829,927) to companies within the Group. The outstanding balance due from the Group at 31 December 2005 was £16,919,663 (2004 - £13,307,566) after repayments of £1,281,142 (2004 - £901,953) during the year. Included in the loans made during the year is an amount of £924,664 (2004 - £863,000) being the interest charged on the loans during the year.
- b) S.D. Malkin Properties, Inc. incurred reimbursable costs on behalf of the Group amounting to £1,179,860 (2004 - £868,888). The outstanding balance due from the Group at 31 December 2005 was £nil (2004 - £92,963).

During the year, LMI incurred reimbursable costs on behalf of the Group amounting to £77,880 (2004 - £107,035). The outstanding balance due from the Group at 31 December 2005 was £43,019 (2004 - £110,471).

## VALUE RETAIL PLC

### NOTES TO THE ACCOUNTS

for the year ended 31 December 2005

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

- c) VRILP, VRILP II, Paris Outlet Shopping SCS, VR Paris SCI, Value Retail Dublin Limited, Kildare Retail Services Limited, 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, Fidenza Village Srl and VR Milan Srl were charged £39,891,090 (2004 - £33,904,807) 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 2005 was £19,879,921 (2004 - £11,639,809) after payments during the year of £31,650,978 (2004 - £30,399,051).
- d) R V Gibbs, a Director and Shareholder of the Company, made a loan to the Company of £nil (2004 - £nil). The outstanding balance due from the Company at 31 December 2005 was £8,251 (2004 - £8,251).
- e) M Lambert, the father of J N Lambert, a Director of the Company made a loan to the Company of £nil (2004 - £nil). The outstanding balance due from the Company at 31 December 2005 was £2,740 (2004 - £2,740).
- f) The Group made loans of £37,605,385 (2004 - £26,801,408) to Value Retail Madrid SL, Value Retail Barcelona SL, VR Bavaria GmbH, Paris Outlet Shopping SCS, Value Retail Dublin Limited, VR Franconia GmbH, Fidenza Village Srl, VR Milan Srl, VR European Holdings BV, VR Maasmechelen Tourist Outlets Comm. VA, VR Paris SCI, VR Services SNC, VR Ireland BV and VR Mallorca SL. The outstanding balance due to the Group at 31 December 2005 was £51,140,993 (2004 - £61,436,632), after repayments of £50,132,908 (2004 - £21,166,467). 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.