

VALUE RETAIL PLC

Company number : 02782532

VALUE RETAIL PLC

ANNUAL REPORT

31 DECEMBER 2018



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DIRECTORS, OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

| | |
|---------------------|-----------------------------------|
| Scott Malkin | (Chairman) |
| Roderick Gibbs | (Managing Director) |
| George Host | |
| Desiree Bollier | (Chair – Value Retail Management) |
| James Lambert | (Deputy Chairman) |
| Janie Ligon | (Non-Executive) |
| Thomas DeRosa | (Non-Executive) |
| Leslie Chao | (Non-Executive) |
| Mark Burton | (Non-Executive) |
| Nicholas Drakesmith | (Non-Executive) |
| Debora Spar | (Non-Executive) |
| Ruth Kennedy | (Non-Executive) |

SECRETARY

Jane Abrams

AUDITOR

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SE1 2AF

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United Kingdom

REGISTERED OFFICE

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United Kingdom

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2018.

The financial statements of Value Retail PLC for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors 14 May 2019.

REVIEW OF THE BUSINESS

The principal activity of Value Retail PLC ("the Company") and its subsidiaries (together, "the Group") is the provision of services for the development and management of shopping Villages. The Company is incorporated in England and Wales.

During the year, the Group continued to provide property development and property management services to the owners and operators of the nine Value Retail shopping Villages in Europe under management and service agreements. In addition, the Company has carried out project management and administration services to the owners and operators of the two Value Retail shopping Villages in China under specialist services agreements, as well as property management services to the owners and operators of certain other European shopping Villages.

The performance of the Group is measured by reference to the turnover and profits generated by those services, which can vary from one year to the next in relation to the level of services required by each Village. The Directors consider the key performance indicators of the Group to be turnover and profit before tax, which developed as follows:

| | 2018 | 2017 | Change |
|-------------------|---------|---------|--------|
| | £000 | £000 | % |
| Turnover | 259,973 | 226,590 | 15% |
| Profit before tax | 6,672 | 5,629 | 19% |

These financial statements, for the year ended 31 December 2018, have been prepared in accordance with International Financial Reporting Standards. Profit before tax has remained stable compared to the previous year.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group are broadly categorised as competitive, legislative and financial risks.

Competitive risks

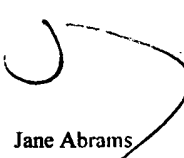
The Group currently provides services to the Villages and is therefore dependent on the ongoing success of the Villages. The performance of the Villages is monitored closely and frequently by the Directors and additional management services are provided if necessary.

Legislative risks

The Group must comply with relevant legislation across a number of jurisdictions in Europe, and maintains both Group and local expertise in order to ensure that full compliance is maintained.

Financial risks

The Group's activities expose it to a number of financial risks including interest rate risk, credit risk, liquidity risk and currency risk. The policies set out by the Group to mitigate the exposure to these risks are set out in note 21.



Jane Abrams
Secretary

20 May 2019

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Company, together with the Group financial statements and independent auditor's report for the year ended 31 December 2018.

DIVIDENDS

The Directors do not recommend the payment of an ordinary dividend (2017: £nil).

FUTURE DEVELOPMENTS

The Directors aim to maintain the management strategies which have resulted in the Group's growth in recent years. They consider that the next year will show further growth as the European and Chinese shopping Villages and other business opportunities continue to develop.

DIRECTORS

The names of the Directors of the Company who served during the year and as at the date of this report are listed on page 1.

The Company has qualifying Directors' third party insurance. This was in force during the year and remains in place as at the date of approving the financial statements.

DISABLED EMPLOYEES

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this goal.

FINANCIAL INSTRUMENTS

Details of the Group's financial risk management in relation to its financial instruments are set out in note 21.

EMPLOYEE INVOLVEMENT

The Group operates a framework for employee information and consultation. During the year, the policy of providing employees with information about the Group has been continued, with quarterly briefing meetings for all employees at each location and regular news updates on developments across the Group.

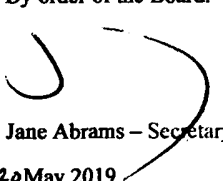
DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

A resolution to reappoint Ernst & Young LLP as the Company's auditor will be put to the members at the Annual General Meeting in accordance with section 485 of the Companies Act 2006.

By order of the Board.



Jane Abrams – Secretary

20 May 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with the International Financial Reporting Standards and applicable law adopted in the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards, as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VALUE RETAIL PLC

OPINION

We have audited the financial statements of Value Retail PLC ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 32, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance in with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The other information comprises the information included in the annual report, set out on pages 2 to 3, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



Nick Gomer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

23 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

| | Note | 2018 £000 | 2017 £000 |
|--|-------------|----------------------------|----------------------------|
| Revenue | 5 | 259,973 | 226,590 |
| Cost of sales | 6 | (250,444) | (218,824) |
| Gross profit | | 9,529 | 7,766 |
| Administrative expenses | | (1,773) | (1,773) |
| Operating profit | 6 | 7,756 | 5,993 |
| Finance income | 8 | 543 | 3,720 |
| Finance costs | 9 | (1,627) | (4,084) |
| Profit before tax | | 6,672 | 5,629 |
| Income tax expense | 10 | (2,041) | (1,526) |
| Profit for the year from ordinary activities | | 4,631 | 4,103 |
| Other comprehensive income | | | |
| Foreign exchange translation differences | | 145 | 35 |
| Total comprehensive income for the year, net of tax | | 4,776 | 4,138 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

| | Note | 2018 £000 | 2017 £000 |
|-------------------------------------|------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 344 | 894 |
| Intangible fixed assets | 12 | 22,143 | 22,007 |
| Deferred tax assets | 10 | 285 | 176 |
| | | <hr/> 22,772 | <hr/> 23,077 |
| Current assets | | | |
| Trade and other receivables | 14 | 50,819 | 51,969 |
| Prepayments and accrued income | 14 | 23,344 | 19,848 |
| Other current financial assets | 14 | 256 | 129 |
| Cash and cash equivalents | 15 | 15,912 | 12,500 |
| | | <hr/> 90,331 | <hr/> 84,446 |
| TOTAL ASSETS | | <hr/> 113,103 | <hr/> 107,523 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Issued capital | 16 | 769 | 769 |
| Retained earnings | | 51,685 | 47,054 |
| Other reserves | | 330 | 185 |
| Total equity | | <hr/> 52,784 | <hr/> 48,008 |
| Current liabilities | | | |
| Trade and other payables | 17 | 50,544 | 52,067 |
| Amounts owed to related parties | 17 | 5,606 | 5,248 |
| Amounts owed to shareholders | 17 | 3,251 | 1,653 |
| Income tax payable | 17 | 918 | 547 |
| Total liabilities | | <hr/> 60,319 | <hr/> 59,515 |
| TOTAL EQUITY AND LIABILITIES | | <hr/> 113,103 | <hr/> 107,523 |

Approved and signed on behalf of the Board of Directors

Roderick Gibbs
 Director

20 May 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Issued capital (note 16) £000 | Retained earnings £000 | Foreign currency £000 | Total equity £000 |
|--|--|---------------------------------------|--------------------------------------|----------------------------------|
| As at 1 January 2017 | 769 | 42,951 | 150 | 43,870 |
| For the year ended 31 December 2017 | | | | |
| Profit for the year | - | 4,103 | - | 4,103 |
| Foreign currency | - | - | 35 | 35 |
| Total comprehensive income | - | 4,103 | 35 | 4,138 |
| At 31 December 2017 | 769 | 47,054 | 185 | 48,008 |
| For the year ended 31 December 2018 | | | | |
| Profit for the year | - | 4,631 | - | 4,631 |
| Foreign currency | - | - | 145 | 145 |
| Total comprehensive income | - | 4,631 | 145 | 4,776 |
| At 31 December 2018 | 769 | 51,685 | 330 | 52,784 |

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

| | 2018 | | 2017 | |
|--|---------------|----------------|--------------|-----------------|
| | £000 | £000 | £000 | £000 |
| Operating profit | 7,756 | | 5,993 | |
| Depreciation and amortisation (see Note 11 and 12) | 8,658 | | 3,855 | |
| Net foreign exchange differences | (620) | | 33 | |
| Working Capital Adjustments: | | | | |
| Increase in trade and other receivables and other current assets | (2,365) | | (6,550) | |
| Increase in trade and other payables | 156 | | 1,449 | |
| Cash generated from Operations | 13,585 | | 4,780 | |
| Interest received | 28 | | 58 | |
| Interest paid | (12) | | (252) | |
| Tax paid | (1,779) | | (1,622) | |
| Net cash inflow from Operating Activities | | 11,822 | | 2,964 |
| Investing activities | | | | |
| Purchase of plant and equipment (see Note 11) | (184) | | (125) | |
| Purchase of intangible fixed assets (see Note 12) | (8,115) | | (16,058) | |
| Net (increase) in loans to related parties | (111) | | (2) | |
| Net cash (outflow) from Investing Activities | | (8,410) | | (16,185) |
| Financing Activities | | | | |
| Increase in Loans from Related Party | - | | 3,333 | |
| Net cash inflow from Financing Activities | | - | | 3,333 |
| Net increase/(decrease) in cash and cash equivalents | | 3,412 | | (9,888) |
| Cash and cash equivalents at 1 January | | 12,500 | | 22,388 |
| Cash and cash equivalents at 31 December | | 15,912 | | 12,500 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2018

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations adopted by the European Union ("IFRS"), and the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies have been applied consistently to the results, other gains and losses, assets, liabilities and cash flows of entities included in the consolidated financial statements. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision affects both current and future periods, the change is recognised over those periods.

The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£000), except where otherwise indicated.

The consolidated financial statements incorporate the financial statements of the holding company, Value Retail PLC (a private company limited by shares), and its subsidiary undertakings. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

No profit and loss account is presented for the Company, as permitted by section 408 of the Companies Act 2006.

Going concern

The Directors have reviewed budgets and cash flow forecasts and have considered the risks set out in the Strategic Report. Based on this review the Directors believe that the Company and Group have sufficient resources to meet their obligations for a period of at least 12 months from the date of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

2. Summary of significant accounting policies

a) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life, which is generally between three and five years or, in the case of leasehold improvements, the lease term. Assets are additionally reviewed annually for impairment, useful lives and depreciation method, and written down if appropriate.

b) Intangible assets

This comprises acquired and internally developed software and website costs, and is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. All costs are amortised over estimated useful lives of three to five years on a straight-line basis. Assets are additionally reviewed annually for indicators of impairment, useful lives and depreciation method, and written down if appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

c) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets (AFS), or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets of the Group are classified as loans and receivables and AFS financial assets. The Group does not hold any financial assets which are classified as held to maturity or fair value through profit and loss.

Financial Assets held at amortised cost

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less.

AFS financial assets

Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Available-for-sale investments are held at fair value if this can be reliably measured. If the equity instruments are not quoted in an active market and their fair value cannot be reliably measured, the available-for-sale investment is carried at cost, less accumulated impairment.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

ii) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade and other payables which are initially recorded, net of directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

d) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed as to whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

e) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

f) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

- Rendering of services: Revenue from the provision of services for the management of outlet shopping villages is recognised as and when the services have been provided.
- Interest income: Revenue is recognised as interest accrues. Interest income is included in finance income in the income statement.

g) Net finance costs

Net finance costs, recognised using the effective interest rate method, include interest payable on borrowings, net of interest capitalised, interest receivable on funds invested, and any foreign exchange losses.

h) Defined Contribution Plan

Pension contributions are made to an individual's personal pension arrangements under the Value Retail Grouped Personal Pension Scheme which is regarded as a defined contribution plan. The assets of the scheme are held separately from the Company in an independently administered fund, and any payments made to the fund are recognised as an expense when employees are entitled to receive such contribution.

i) Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill
- or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Summary of significant accounting policies (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in Other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

j) Foreign currencies

The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency. The Group includes foreign entities whose functional currencies are not Sterling. On consolidation, the assets and liabilities of those entities are translated at the exchange rates at the balance sheet date and income and expenses are translated at weighted average rates during the period. Translation differences are recognised in equity.

Transactions in foreign currencies are translated into the functional currency of each entity within the group at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the exchange rate ruling at that date and, unless they relate to the hedging of the net investment in foreign operations, differences arising on translation are recognised in the income statement.

Foreign exchange gains are recognised under finance income and foreign exchange losses are recognised under finance costs in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Statement of compliance

a) Issued, endorsed by the European Union, and effective

IFRS 9 Financial Instruments, effective for accounting periods beginning on or after 1 January 2018

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018.

IFRS 9 introduced the following new requirements relevant for the Group:

- 1) The classification and measurement of financial assets and financial liabilities, and
- 2) Impairment of financial assets

Details of these new requirements as well as their impact on the Group's financial statements are analysed below:

(a) Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income;
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss.

Prior to initial application of IFRS 9, the Group's non-derivative financial assets and liabilities primarily consisted of loans and receivables and other obligations stated at amortised costs under IAS 39. The Group reviewed and assessed the existing non-derivative financial assets and liabilities as at 1 January 2018, based on the facts and circumstances that existed at that date and concluded that, upon initial application of IFRS 9, the Group's non-derivative financial assets and liabilities will continue to be recognised at amortised costs, hence, there is no impact on the classification of these financial assets and liabilities.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Accordingly, it is no longer necessary for a credit event to have occurred before credit losses are recognised. There is no impact on the implementation of IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Statement of compliance (continued)

IFRS15 Revenue from contracts with customers, effective for accounting periods beginning on or after 1 January 2018

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers, which is effective for annual periods that begin on or after 1 January 2018. IFRS 15 introduced a 5-step approach focusing on identification of performance obligations relevant to the recognition of all or part of the associated revenue.

The initial application of IFRS 15 has not resulted in any change in recognition, measurement and presentation of revenue.

b) Issued, endorsed by the European Union and not yet effective

At the date of approval of these financial statements the following Standards and Interpretations relevant to the Group were in issue but not yet effective:

- Amendments to IFRS (Annual Improvements cycle 2017-2019).
- IFRS 16 Leases - effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Group does not anticipate that there will be any material impact from the adoption of IFRS 16 in 2019.

4. Significant accounting judgements, estimates and assumptions

Intangible assets

Intangible assets are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on a judgement as to whether technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, assumptions are taken regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

5. Revenue from contracts with customers

Revenue represents amounts derived from the provision of property development and property management services stated net of discounts, rebates and value added tax. The Group operates within the United Kingdom, Ireland, a number of different markets within Continental Europe, and China. All operations are continuing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Operating profit

| | 2018 | 2017 |
|---|-------|-------|
| | £000 | £000 |
| Included in cost of sales: | | |
| Depreciation of property, plant and equipment | 679 | 657 |
| Amortisation of intangible assets | 7,979 | 3,198 |
| Operating lease rentals | 1,280 | 1,034 |
| Auditor's remuneration: | | |
| Audit – Company | 159 | 138 |
| Audit – subsidiaries | 191 | 186 |
| Other services | 267 | 89 |

7. Employee benefits expenses

| | 2018 | 2017 |
|--|----------------|----------------|
| | £000 | £000 |
| Included in cost of sales: | | |
| Salaries | 101,874 | 88,752 |
| Social security costs | 13,592 | 11,493 |
| Pension contributions | 4,802 | 3,605 |
| Included in administrative expenses: | | |
| Salaries | 640 | 1,592 |
| Social security costs | - | 11 |
| Pension contributions | - | 47 |
| Total employee benefits expense | 120,908 | 105,500 |
| Average number of employees | No. 926 | No. 826 |

The remuneration of the Directors, who are the key management of the Group, is set out below in aggregate.

| | 2018 | 2017 |
|--|--------------|--------------|
| | £000 | £000 |
| Salaries and short-term benefits | 2,610 | 2,498 |
| Post-employment benefits | 77 | 85 |
| Total remuneration | 2,687 | 2,583 |
| In respect of the highest paid Director: | | |
| Aggregate emoluments in respect of qualifying services | 845 | 886 |
| Contributions to money purchase pension schemes | 77 | 73 |
| | 922 | 959 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Finance income

| | 2018 | 2017 |
|--|------------|--------------|
| | £000 | £000 |
| Bank interest | 28 | 43 |
| Interest receivable on loans to shareholders and related parties | 12 | 15 |
| Total interest income | 40 | 58 |
| Other income including foreign exchange gains | 503 | 3,662 |
| Total finance income | 543 | 3,720 |

9. Finance costs

| | 2018 | 2017 |
|---|--------------|--------------|
| | £000 | £000 |
| Interest payable on loans from shareholders and related parties | 278 | 252 |
| Total interest expense | 278 | 252 |
| Other charges including foreign exchange losses | 1,349 | 3,832 |
| Total finance costs | 1,627 | 4,084 |

10. Taxation

a) Consolidated income statement

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

| | 2018 | 2017 |
|--|--------------|--------------|
| | £000 | £000 |
| <i>Current income tax:</i> | | |
| Current income tax charge | 2,170 | 1,669 |
| Adjustments in respect of income tax of previous year | (20) | (23) |
| | 2,150 | 1,646 |
| <i>Deferred tax:</i> | | |
| Origination and reversal of timing differences | (109) | (120) |
| Income tax expense reported in the income statement | 2,041 | 1,526 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Taxation (continued)

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 which was 19% (2017 : 19.2%). A reconciliation between tax expense and the product of accounting profit multiplied by the tax rate for the years ended 31 December 2018 and 2017 is as follows:

| | 2018 £000 | 2017 £000 |
|---|--------------|--------------|
| Accounting profit before income tax | 6,672 | 5,629 |
| Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19% for the year (2017: 19.2%) | 1,268 | 1,083 |
| Effects of: | | |
| Disallowed expenses | 280 | 96 |
| Differences in overseas tax rates | 513 | 370 |
| Adjustments in respect of prior years | (20) | (23) |
| At the effective income tax rate of 30.6% (2017: 27.1%) | 2,041 | 1,526 |

c) Current and deferred tax movements

| | 1 January 2018 £000 | Tax income / expenses £000 | Tax paid £000 | 31 December 2018 £000 |
|-----------------------|---------------------------|----------------------------------|------------------|-----------------------------|
| Current tax liability | (547) | (2,150) | 1,779 | (918) |
| Deferred tax assets | 176 | 109 | - | 285 |
| | (371) | (2,041) | 1,779 | (633) |
| | 1 January 2017 £000 | Tax income / expenses £000 | Tax paid £000 | 31 December 2017 £000 |
| Current tax liability | (523) | (1,646) | 1,622 | (547) |
| Deferred tax assets | 56 | 120 | - | 176 |
| | (467) | (1,526) | 1,622 | (371) |

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. This is because the Group has no liability to additional taxation, should such amounts be remitted, due to the availability of double taxation relief.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Property, plant and equipment

| | Office and IT Equipment £000 |
|--------------------------|---|
| COST | |
| At 1 January 2017 | 3,032 |
| Exchange adjustments | 51 |
| Additions | 125 |
| Disposals | (234) |
| At 31 December 2017 | <u>2,974</u> |
| Exchange adjustments | 13 |
| Additions | 184 |
| Disposals | (330) |
| At 31 December 2018 | <u>2,841</u> |
| DEPRECIATION | |
| At 1 January 2017 | 1,617 |
| Exchange adjustments | 40 |
| Provided during the year | 657 |
| Disposals | (234) |
| At 31 December 2017 | <u>2,080</u> |
| Exchange adjustments | 10 |
| Provided during the year | 679 |
| Disposals | (272) |
| At 31 December 2018 | <u>2,497</u> |
| NET BOOK VALUE | |
| At 31 December 2018 | <u>344</u> |
| At 31 December 2017 | <u>894</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Intangible fixed assets

| | Website £000 | Software £000 | Total £000 |
|--|-----------------|------------------|---------------|
| COST | | | |
| At 1 January 2018 | 1,452 | 24,736 | 26,188 |
| Additions | 92 | 8,023 | 8,115 |
| At 31 December 2018 | 1,544 | 32,759 | 34,303 |
| AMORTISATION | | | |
| At 1 January 2018 | 708 | 3,473 | 4,181 |
| Charge for the year | 505 | 7,474 | 7,979 |
| At 31 December 2018 | 1,213 | 10,947 | 12,160 |
| NET BOOK VALUE | | | |
| At 31 December 2018 | 331 | 21,812 | 22,143 |
| At 1 January 2018 and 31 December 2017 | 744 | 21,263 | 22,007 |

13. Investments

The Company holds a 50% investment in Value Retail China Ltd, held at cost of nil.

14. Trade and other receivables and other current assets

| | 2018 £000 | 2017 £000 |
|--------------------------------------|---------------|---------------|
| Trade receivables | 2,463 | 3,844 |
| Receivables due from related parties | 41,244 | 41,509 |
| VAT and other taxes | 2,385 | 2,323 |
| Other debtors | 4,727 | 4,293 |
| | 50,819 | 51,969 |
| Prepayments and accrued income | 23,344 | 19,848 |
| Other current financial assets | 256 | 129 |
| | 74,419 | 71,946 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**14. Trade receivables and other assets (continued)**

Trade receivables are not interest bearing and are typically due within 30 days. A small proportion of the balance was older than 60 days in the current year £19,729 (2017: £71,672).

Receivables due from related parties are repayable on demand, though it is possible that some portion may be repaid in more than one year. Balances are unsecured and interest free.

VAT and other taxes principally comprises VAT receivable.

Other debtors comprises of employee loans of £1.6 million (2017: £1.5 million), deposits and advanced payments of £3.1 million (2017: £0.9 million).

Prepayments and accrued income include £21.0 million (2017: £18.4 million) accrued income for services provided to Villages in China and £2.3 million (2017: £1.4 million) for prepayments of supplier services.

Other current financial assets comprise loans due from related parties which are repayable on demand, unsecured and subject to interest of 6.25% on a balance of £0.2 million and 10% on a balance of £0.07 million.

15. Cash and cash equivalents

| | 2018 | 2017 |
|---------------------------|---------------|---------------|
| | £000 | £000 |
| Cash at banks and in hand | 15,912 | 11,500 |
| Short term deposits | - | 1,000 |
| | <u>15,912</u> | <u>12,500</u> |

Short term deposits are investments in AAA rated funds structured as open-ended investment companies with a constant net asset value. They invest in a diversified pool of highly rated money market securities and offer investors same-day access to their cash.

16. Issued capital*Authorised shares*

| | 2018 | 2017 |
|--|--------------|--------------|
| | £000 | £000 |
| 2,750,000 'A' Ordinary Shares of £1 each | 2,750 | 2,750 |
| 750,000 'B' Ordinary Shares of £1 each | 750 | 750 |
| 1,425,000 'C' Ordinary Shares of £1 each | 1,425 | 1,425 |
| 75,000 'D' Ordinary Shares of £1 each | 75 | 75 |
| Total ordinary shares | <u>5,000</u> | <u>5,000</u> |
| Total authorised shares | <u>5,000</u> | <u>5,000</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**16. Issued capital (continued)***Issued and fully paid*

| 'A' Shares | 'B' Shares | 'C' Shares | 'D' Shares | Total |
|-------------------|-------------------|-------------------|-------------------|--------------|
| £000 | £000 | £000 | £000 | £000 |
| 283 | 48 | 382 | 56 | 769 |

These balances were the same at 1 January 2017, 31 December 2017 and 31 December 2018. All other reserves are as stated in the consolidated statement of changes in equity.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

17. Other current liabilities

| | 2018 | 2017 |
|---------------------------------|-------------|-------------|
| | £000 | £000 |
| Trade payables | 6,851 | 10,513 |
| VAT and other taxes | 11,709 | 11,201 |
| Other payables | 9,334 | 8,603 |
| Accruals and deferred income | 22,650 | 21,750 |
| Trade and other payables | 50,544 | 52,067 |
| Amounts owed to related parties | 5,606 | 5,248 |
| Amounts owed to shareholders | 3,251 | 1,653 |
| Income tax payable | 918 | 547 |
| | 60,319 | 59,515 |

Trade payables and amounts owed to shareholders are non-interest bearing and are normally settled on 30 days end of month terms. Other payables are non-interest bearing and have an average term of 30 to 60 days. Outstanding amounts in respect of the defined contribution pension scheme payable at the balance sheet date were £1.0 million (2017: £0.6 million).

Amounts owed to related parties comprise of loans due to related parties of £1.6 million (2017: £1.5m) which are repayable on demand, unsecured and subject to interest of 6.0%. A further loan is owed to related parties of £3.9 million (2017: £3.7m) which is repayable on demand, unsecured and subject to interest at the lender's cost of capital which averaged 4.84% during the year (2017: 5.18%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Financial instruments

The table below sets out the categories and fair values of financial instruments at the end of reporting periods, together with their book value included in the balance sheet:

| | 2018 | | 2017 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Book value £000 | Fair value £000 | Book value £000 | Fair value £000 |
| Financial assets | | | | |
| <i>Loans and receivables at amortised cost</i> | | | | |
| Trade and other receivables | 50,819 | 50,819 | 51,969 | 51,969 |
| Other current financial assets | 256 | 256 | 129 | 129 |
| Cash and cash equivalents | 15,912 | 15,912 | 12,500 | 12,500 |
| | <u>66,987</u> | <u>66,987</u> | <u>64,598</u> | <u>64,598</u> |
| Financial liabilities | | | | |
| <i>Liabilities at amortised cost</i> | | | | |
| Other current liabilities | 59,401 | 59,401 | 58,968 | 58,968 |
| | <u>59,401</u> | <u>59,401</u> | <u>58,968</u> | <u>58,968</u> |

Trade receivables, trade payables and cash and cash equivalents have short term maturities and are expected to have fair value approximately equal to their respective book values.

19. Related party disclosures

Subsidiaries and investments

The Group financial statements include the subsidiaries listed below:

| Name of subsidiary undertaking | Country of incorporation/ registered office | % equity interest | | As at 1 January 2017 |
|--|---|-------------------|------|----------------------------|
| | | 2018 | 2017 | |
| Value Retail Management Limited | UK | 100% | 100% | 100% |
| Value Retail Management (Bicester Village) Limited | UK | 100% | 100% | 100% |
| Value Retail Innovation Limited | UK | 100% | 100% | 100% |
| Value Retail Development Limited | UK | 100% | 100% | 100% |
| Value Retail (International) Ltd | UK | 100% | 100% | 100% |
| Watchplan Limited | UK | 100% | 100% | 100% |
| Value Retail Management Germany GmbH | Germany | 100% | 100% | 100% |
| Value Retail Management Spain, S.L. | Spain | 100% | 100% | 100% |
| Value Retail Management France SARL | France | 100% | 100% | 100% |
| Value Retail Management Belgium N.V. | Belgium | 100% | 100% | 100% |
| Value Retail Management (Kildare Village) Limited | Ireland | 100% | 100% | 100% |
| Value Retail Netherlands BV | Netherlands | 100% | - | - |
| Value Retail Management Italy S.r.l. | Italy | 100% | 100% | 100% |
| Value Retail Management (Fidenza Village) S.r.l. | Italy | 100% | 100% | 100% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**19. Related party disclosures (continued)**

Value Retail Management Limited, Value Retail Innovation Limited (previously Value Retail Europe Limited), Value Retail (International) Limited and Watchplan Limited are directly owned by Value Retail PLC. The remaining companies are indirectly held through various subsidiaries within the Group. At the end of the year Value Retail Management (Kildare Village) Limited invested in a new entity Value Retail Netherlands BV. In February 2019 Value Retail Management (Kildare Village) Limited changed its name to Value Retail Management Ireland Limited.

The Company holds a 50% investment in Value Retail China Ltd.

Related party transactions comprise the recharge of costs incurred and interest on loan balances. All transactions with related parties are made on an arms-length basis.

During the year ended 31 December 2018 the Group has not made any provisions for doubtful debts relating to amounts owed by related parties. The Group has not provided or benefited from any guarantees for any related party receivables or payables.

S D Malkin, a Director of the Company, owns and controls SDMP Services, Inc., which is the controlling member of VR Holdings LLC, which is the largest shareholder in the Company. S D Malkin is the ultimate controlling party of the Company. Other related parties are entities whose ultimate controlling party is S D Malkin.

The amounts shown below represent the Group's transactions and balances with its related parties.

| | Sales to related parties £000 | Purchases from related parties £000 | Interest received from related parties £000 | Interest charged by related parties £000 | Amounts owed by related parties £000 | Amounts owed to related parties £000 |
|--|--|--|--|--|--|--|
| Entities with a shareholding in the Company | | | | | | |
| 2018 | - | 6,574 | - | - | - | 3,232 |
| 2017 | - | 5,673 | - | - | - | 1,653 |
| Entities controlled by key personnel | | | | | | |
| 2018 | - | 302 | - | - | - | 19 |
| 2017 | - | 511 | - | - | - | - |
| Other related parties | | | | | | |
| 2018 | 251,540 | 959 | 12 | 278 | 41,244 | 5,606 |
| 2017 | 219,576 | 646 | 15 | 251 | 59,909 | 5,248 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**20. Commitments and contingencies***Operating lease commitments — Group as lessee*

The Group has entered into commercial leases on items of office equipment. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

| | 2018 | 2017 |
|---|--------------|--------------|
| | £000 | £000 |
| Within one year | 2,619 | 1,105 |
| After one year but not more than five years | 3,256 | 757 |
| More than five years | 64 | 22 |
| Total minimum rental payable | 5,939 | 1,884 |

Financial commitments

The Company is registered for VAT purposes as a part of a group of UK companies which share a common registration number. As a result, it has jointly guaranteed the VAT liability of this group and failure by other members of this 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 this group.

21. Financial risk management objectives and policies

The Group has trade and other receivables, receivables from related parties, trade and other payables and cash and short-term deposits that arise directly from its operations.

The Group is exposed to credit risk and foreign currency risk.

Credit risk

The Group's principal financial assets are bank and cash balances, short-term deposits, and receivables due from related parties. The Group's credit risk is attributable to its receivables from related parties, cash and short-term deposits.

Related party receivables are primarily due from the entities operating the Villages. Their performance is carefully monitored by Management.

The credit risk on short-term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. At 31 December 2018, the Group's maximum exposure to credit risk of this nature was £15.9 million (2017: £12.5 million).

Interest rate risk

The Group has no external borrowings and therefore there is insignificant interest rate risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Financial risk management objectives and policies (continued)

Liquidity risk

- Financial maturity analysis

The table below summarises the maturity profile of the financial liabilities:

| | < 1 year | 1-5 years | > 5 years | Total |
|---------------------------------|--------------|-------------|-----------|--------------|
| | £000 | £000 | £000 | £000 |
| 31 December 2018 | | | | |
| Trade and other payables | 50,544 | - | - | 50,544 |
| Amounts owed to related parties | 5,606 | - | - | 5,606 |
| Amounts owed to shareholders | 3,251 | - | - | 3,251 |
| | <hr/> 59,401 | <hr/> - | <hr/> - | <hr/> 59,401 |
| 31 December 2017 | | | | |
| Trade and other payables | 52,067 | - | - | 52,067 |
| Amounts owed to related parties | 1,553 | 3,695 | - | 5,248 |
| Amounts owed to shareholders | 1,653 | - | - | 1,653 |
| | <hr/> 55,273 | <hr/> 3,695 | <hr/> - | <hr/> 58,968 |

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's consolidated financial statements are presented in Sterling, which is the parent company's functional currency. For each entity, the group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in foreign currency) and the Group's net investments in foreign subsidiaries.

The Group assesses the extent of its foreign currency risk and will consider measures such as hedging, should this be considered to be appropriate.

We have assessed the impact of a 10% movement in the EUR exchange rate on the Equity position of the Group. The impact would be a movement to the Sterling Equity value of £1.1 million (2017: £1.1million).

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

| | Note | 2018 £000 | 2017 £000 |
|-------------------------------------|------|--------------|--------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 24 | - | 560 |
| Intangible fixed assets | 25 | 22,143 | 22,007 |
| Investments | 26 | 7 | 10 |
| Deferred tax asset | 27 | 112 | 40 |
| | | <hr/> 22,262 | <hr/> 22,617 |
| Current assets | | | |
| Trade and other receivables | 28 | 9,652 | 8,575 |
| Prepayments and accrued income | 28 | 22,798 | 19,324 |
| Other current financial assets | 29 | 10,988 | 7,800 |
| Cash and cash equivalents | 30 | 5,271 | 3,703 |
| | | <hr/> 48,709 | <hr/> 39,402 |
| TOTAL ASSETS | | <hr/> 70,971 | <hr/> 62,019 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Issued capital | 16 | 769 | 769 |
| Retained earnings brought forward | | 32,684 | 26,048 |
| Result for the year | | 4,987 | 6,636 |
| Total equity | | <hr/> 38,440 | <hr/> 33,453 |
| Current liabilities | | | |
| Trade and other payables | 31 | 23,566 | 21,794 |
| Amounts owed to related parties | 31 | 5,606 | 5,247 |
| Amounts owed to shareholders | 31 | 3,251 | 1,653 |
| Income tax payable | 31 | 108 | (128) |
| Total liabilities | | <hr/> 32,531 | <hr/> 28,566 |
| TOTAL EQUITY AND LIABILITIES | | <hr/> 70,971 | <hr/> 62,019 |

Approved and signed on behalf of the Board of Directors

Roderick Gibbs
 Director



20 May 2019

NOTES TO THE COMPANY FINANCIAL STATEMENTS

22. Accounting Policies

Although the consolidated Group financial statements are prepared under IFRS, the Value Retail PLC company financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The basis of preparation and accounting policies relevant to the Company are the same as those set out for the Group in notes 1 and 2. In addition to that, investment in subsidiaries is stated at cost.

In adopting FRS 101 the Company has taken the following disclosure exemptions:

- a) the requirements of IFRS 7: Financial Instruments: Disclosures;
- b) the requirement in paragraph 38 of IAS 1: Presentation of Financial Statements to present comparative information in respect of:
 - i) Paragraph 79(a)(iv) of IAS 1;
 - ii) Paragraph 73(e) of IAS 16, Property, Plant and Equipment;
 - iii) Paragraph 118(e) of IAS 38, Intangible Assets;
- c) the requirements of IAS 7, Statement of Cash Flows;
- d) the requirements of paragraphs 30 and 31 of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors;
- e) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1, Presentation of Financial Statements;
- f) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets;
- g) the requirements of paragraph 17 of IAS 24, Related Party Disclosures; and
- h) the requirements in IAS 24, Related Party Disclosures, to disclose related party transactions entered into between two or more members of the group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

23. Profit for the year

As permitted by section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these financial statements. The profit for the year attributable to equity shareholders dealt with in the financial statements of the Company was £5.0 million (2017: £6.6 million). No dividend was declared in either the current or prior year.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

24. Property, plant and equipment

| | £000 |
|----------------------------|--------------|
| COST | |
| At 1 January 2018 | 1,687 |
| Additions | - |
| At 31 December 2018 | 1,687 |
| DEPRECIATION | |
| At 1 January 2018 | 1,127 |
| Charge in year | 560 |
| At 31 December 2018 | 1,687 |
| NET BOOK VALUE | |
| At 31 December 2018 | - |
| At 31 December 2017 | 560 |

25. Intangible fixed assets

| | Website £000 | Software £000 | Total £000 |
|----------------------------|-----------------|------------------|---------------|
| COST | | | |
| At 1 January 2018 | 1,452 | 24,736 | 26,188 |
| Additions | 92 | 8,023 | 8,115 |
| At 31 December 2018 | 1,544 | 32,759 | 34,303 |
| AMORTISATION | | | |
| At 1 January 2018 | 708 | 3,473 | 4,181 |
| Amortised in year | 505 | 7,474 | 7,979 |
| At 31 December 2018 | 1,213 | 10,947 | 12,160 |
| NET BOOK VALUE | | | |
| At 31 December 2018 | 331 | 21,812 | 22,143 |
| At 31 December 2017 | 744 | 21,263 | 22,007 |

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

26. Investments

| | 2018 | 2017 |
|-----------------------------------|----------|-----------|
| | £000 | £000 |
| Shares in subsidiary undertakings | 7 | 10 |
| | <u>7</u> | <u>10</u> |

An adjustment was made to the carrying value of the investment in VRM Italy S.r.l during 2018.

Details of the investments in which the Company holds ordinary shares are as follows:

| Name of subsidiary undertaking | Country of incorporation/ registered office | Proportion of voting rights and shares held | Nature of business |
|--|--|--|--------------------|
| Value Retail Management Limited | UK | 100% | Property Services |
| Value Retail Management (Bicester Village) Limited | UK | 100% | Property Services |
| Value Retail Innovation Limited | UK | 100% | Property Services |
| Value Retail Development Limited | UK | 100% | Property Services |
| Value Retail (International) Ltd | UK | 100% | Property Services |
| Watchplan Limited | UK | 100% | Insurance Services |
| Value Retail Management Germany GmbH | Germany | 100% | Property Services |
| Value Retail Management Spain, S.L. | Spain | 100% | Property Services |
| Value Retail Management France SARL | France | 100% | Property Services |
| Value Retail Management Belgium N.V. | Belgium | 100% | Property Services |
| Value Retail Management (Kildare Village) Limited | Ireland | 100% | Property Services |
| Value Retail Netherlands BV | Netherlands | 100% | Property Services |
| Value Retail Management Italy S.r.l. | Italy | 100% | Property Services |
| Value Retail Management (Fidenza Village) S.r.l. | Italy | 100% | Property Services |

Value Retail Management Limited, Value Retail Innovation Limited (previously Value Retail Europe Limited), Value Retail (International) Limited and Watchplan Limited are directly owned by Value Retail PLC. The remaining companies are indirectly held through various subsidiaries within the Group. In February 2019 Value Retail Management (Kildare Village) Limited changed its name to Value Retail Management Ireland Limited.

The Company holds a 50% investment in Value Retail China Ltd.

27. Deferred tax

| | 2018 | 2017 |
|--------------------------|------------|-----------|
| | £000 | £000 |
| Accelerated depreciation | 112 | 40 |
| | <u>112</u> | <u>40</u> |

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)

28. Trade and other receivables and other current assets

| | 2018 | 2017 |
|--|--------|--------|
| | £000 | £000 |
| Trade receivables | 2,006 | 2,336 |
| Receivables due from related parties | 2,589 | 2,084 |
| VAT and other taxes | 2,314 | 2,166 |
| Other debtors | 2,743 | 1,989 |
| | <hr/> | <hr/> |
| | 9,652 | 8,575 |
| Prepayments and accrued income | 22,798 | 19,324 |
| Other current financial assets (note 30) | 10,988 | 7,800 |
| | <hr/> | <hr/> |
| | 43,438 | 35,699 |
| | <hr/> | <hr/> |

Trade receivables are not interest bearing and are typically due within 30 days. A small proportion of the balance was older than 60 days in the current year but none of the balance was older than 60 days in the prior year.

Receivables due from related parties are repayable on demand, though it is possible that some portion may be repaid in more than one year. Balances are unsecured and interest free.

VAT and other taxes principally comprise VAT receivable.

Other debtors principally comprise employee loans of £1.6 million (2017: £1.5 million).

Prepayments and accrued income includes £21.0 million (2017: £18.4 million) accrued income for services provided to Villages in China and £1.7 million (2017: £0.9 million) for prepayments of supplier services.

29. Other current financial assets

| | 2018 | 2017 |
|----------------------------------|--------|-------|
| | £000 | £000 |
| Other current financial assets | 256 | 129 |
| Amounts due from Group companies | 10,732 | 7,671 |
| | <hr/> | <hr/> |
| | 10,988 | 7,800 |
| | <hr/> | <hr/> |

Other current financial assets comprise loans due from related parties which are repayable on demand, unsecured and subject to interest of 6.25% on a balance of £0.2 million and 10% on a balance of £0.07 million.

30. Cash and cash equivalents

| | 2018 | 2017 |
|---------------------------|-------|-------|
| | £000 | £000 |
| Cash at banks and in hand | 5,271 | 2,703 |
| Short term deposits | - | 1,000 |
| | <hr/> | <hr/> |
| | 5,271 | 3,703 |
| | <hr/> | <hr/> |

Short term deposits are investments in AAA rated funds structured as open-ended investment companies with a constant net asset value. They invest in a diversified pool of highly rated money market securities and offer investors same-day access to their cash.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (continued)**31. Other current liabilities**

These include the following:

| | 2018 | 2017 |
|-----------------------------------|-------------|-------------|
| | £000 | £000 |
| Trade payables | 3,573 | 4,571 |
| VAT and other taxes | 1,962 | 1,966 |
| Other payables | 4,419 | 4,050 |
| Accruals and deferred income | 13,538 | 10,992 |
| Amounts due to group undertakings | 74 | 215 |
| | <hr/> | <hr/> |
| Trade and other payables | 23,566 | 21,794 |
| Amounts owed to related parties | 5,606 | 5,247 |
| Amounts owed to shareholders | 3,251 | 1,653 |
| Income tax payable | 108 | (128) |
| | <hr/> | <hr/> |
| | 32,531 | 28,566 |
| | <hr/> | <hr/> |

Trade payables and amounts owed to shareholders are non-interest bearing and are normally settled on 30 days end of month terms. Other payables are non-interest bearing and have an average term of 30 to 60 days. Outstanding amounts in respect of the defined contribution pension scheme payable at the balance sheet date were £0.3 million (2017: £0.3 million).

Amounts owed to related parties comprise of loans due to related parties of £1.6 million (2017: £1.5m) which are repayable on demand, unsecured and subject to interest of 6.0%. A further loan is owed to related parties of £3.9 million (2017: £3.7m) which is repayable on demand, unsecured and subject to interest at the lender's cost of capital which averaged 4.84% during the year (2017: 5.18%).