

**Town  
Centre  
Securities**

## Annual Report & Accounts 2018



Proud to  
be making  
a difference

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## Town Centre Securities Plc

are a specialist regional property investor with a portfolio of over £400m.

Operating principally in Leeds, Manchester, Scotland and London, we have a long track record as a listed company with 58 years of dividend payments either maintained or increased. Our strategy is focused on active management of income based on local knowledge. We are conservatively funded and we have delivered high long term returns for shareholders which compare favourably against market indices.

Vicar Lane, Leeds

# 58 YEARS OF UNBROKEN DIVIDENDS

## **BUSINESS MODEL AND STRATEGY**

We aim to maximise shareholder value by investing in property and car parking assets.

Our strategic priorities are:

### **Intensive Management**

For many years we have managed our properties intensively to maximise income. This has translated into excellent total returns and has allowed us to maximise and maintain our long term outstanding dividend growth.

We concentrate our portfolio in the strong regional cities of Leeds, Manchester and Glasgow along with suburban London.

### **Property Sales and Re-Investment**

Property can reach a plateau in respect of value and income in a low growth economy. It is crucial that such properties are sold and the capital re-invested in opportunities where growth can be achieved.

The Company has a significant development pipeline and continues to seek to add value by developing this portfolio over time.

### **Investment in Car Parking**

We have always believed that car parking can generate above average returns. We built up a substantial business in the 1990's and we intend to do the same again.

### **Secure Funding**

We are conservatively funded - the majority of our borrowings are long term fixed interest. Our loan to value is moderate at 45% and we have £30m of headroom as protection for the future (including Merlion House financing).

## Financial Highlights

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TOTAL DIVIDENDS PER SHARE

**11.75p**

2017: 11.5p

STATUTORY PROFIT BEFORE TAX

**£18.4m**

2017: £6.7m

EPRA NET ASSETS PER SHARE

**384p**

2017: 359p

EPRA PROFIT BEFORE TAX

**£6.9m**

2017: £7.0m

TOTAL PROPERTY RETURN

**9.4%**

2017: 6.0%

STATUTORY EARNINGS PER SHARE

**34.6p**

2017: 12.7p

TOTAL SHAREHOLDER RETURN

**3.2%**

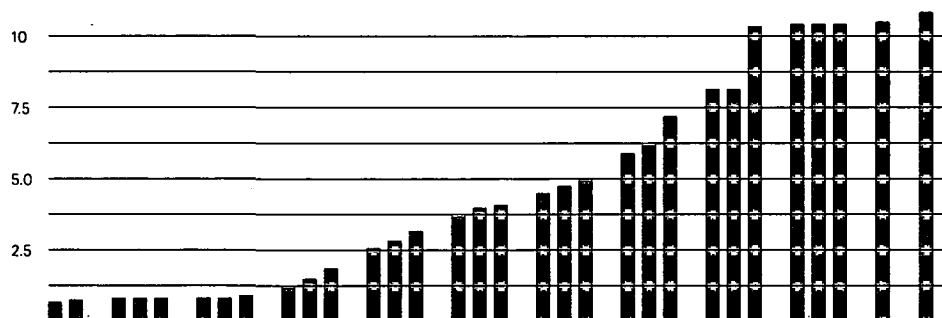
2017: 9.6%

EPRA EARNINGS PER SHARE

**13.0p**

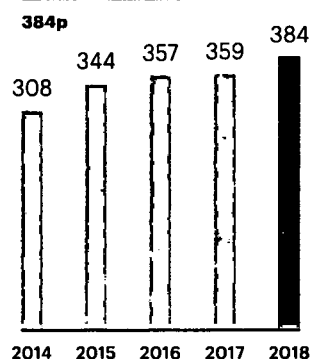
2017: 13.2p

### 58 YEARS OF UNBROKEN DIVIDENDS

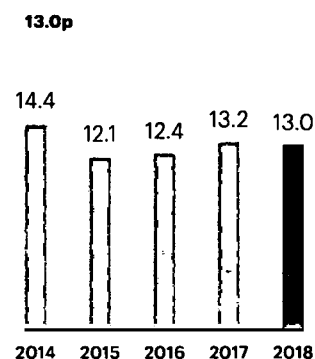


## 5 Year Record

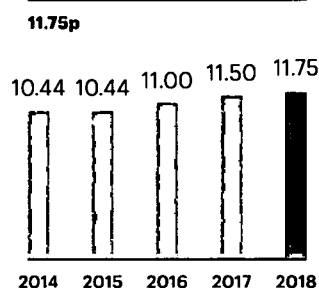
### EPRA NET ASSETS PER SHARE



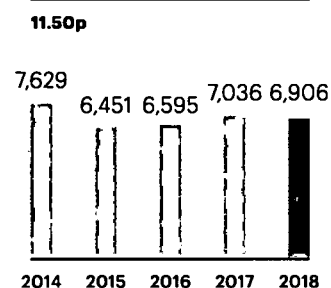
### EPRA EARNINGS PER SHARE



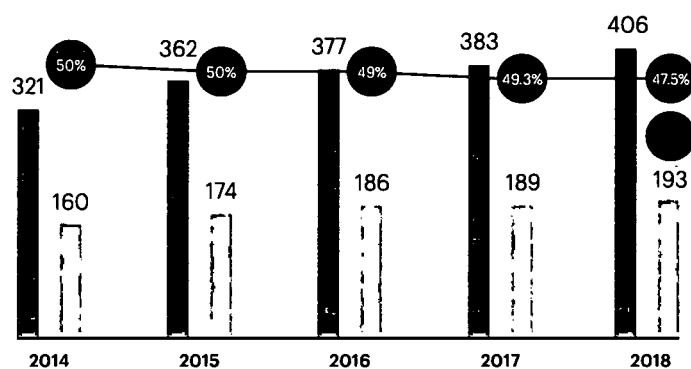
### DIVIDENDS PER SHARE



### EPRA PROFIT BEFORE TAX (000's)



### PROPERTIES AND BORROWINGS (£m):



- Portfolio
- Borrowings
- Loan to Value
- Pro Forma Loan to Value (includes effect of Merriion House financing)

# Chairman and Chief Executive's Statement

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We have delivered considerable change in the last year, making great progress in our strategy of reshaping the portfolio in order to ensure on-going strong returns. With asset recycling, strategic purchases, and the continued exploitation of our development pipeline we have been able to deliver an overall portfolio valuation increase of 3.3%. In addition, like-for-like ERV is up 1.6%. I am very proud of our unbroken, now 58-year, history either maintaining or increasing our dividend.

## Portfolio performance

The total like for like valuation of the portfolio is up 3.2% year on year (FY17: unchanged)

The like for like increase in the value of our investment property portfolio (including joint ventures) this year has been 0.5% (2017: decrease of 1.4%) which reflects a reversionary yield of 6.4% (2017: 6.5%). The like for like increase in development property is 33.9% (2017: 20.1%). The Total Property Return is 9.4% (2017: 6.0%).

The investment properties, developments, joint ventures and car parks value at the year-end stood at £403.5m (2017: £381.1m).

## Results

Net assets and EPRA net assets at 30 June 2018 were £204.1m, representing 384 pence per share (2017: £191.1m, 359 pence per share). This represents an increase of 6.8% year on year.

We report a statutory profit for the year of £18.4m (2017: £6.7m) which includes the property revaluation surplus of £9.8m this year (2017: deficit of £1.1m).

Our EPRA profit before tax of £6.9m (2017: £7.0m) (excluding property revaluation and property disposals) is in line with expectations following strategic disposals and the effect of the redevelopment of our Milngavie, Scotland property. CitiPark's operating profit (before funding costs) was up 3.7%.

Statutory earnings per share (including property revaluation and property disposals) were 34.6p (2017: 12.7p). EPRA earnings per share were 13.0p (2017: 13.2p).

## Dividends

The Board is recommending a final dividend of 8.50p per share, which, with the interim dividend of 3.25p per share gives a total of 11.75p (2017: 11.50p).

The final dividend of 8.50p is entirely a Property Income Distribution. The final dividend will be paid on 4 January 2019 to shareholders on the register on 7 December 2018.

## Improving leverage and securing on-going financing

Over the last year we have extended or renewed all our bank debt facilities. Following the bank refinancing we have £108m of revolving credit facilities with average maturity of 4.3 years including extensions.

Furthermore, in July 2018 we announced the completion of an innovative financing agreement with Leeds City Council ('LCC') in respect of our joint venture investment in Merrion House. The joint venture nature of the asset made it a challenge for us to leverage the significant value created in this asset. The innovative agreement with LCC is similar in nature to a Credit Tenant Loan where we effectively borrow against the income stream provided by the 25-year lease to the council. As a result, TCS received net cash of £26.4m in July 2018. Further details can be found in the Finance Section.

Following the extension and renewal of our bank debt facilities and including the effect of the Merrion House financing and Ducie House purchase, our borrowing headroom stood at over £30m at the end of July 2018.

# Chairman and Chief Executive's Statement

Net debt at 30 June 2018 amounted to £192.6m (2017: £188.8m). This comprised £105.9m (net of £0.2m of unamortised arrangement fees) of 5.375% First Mortgage Debenture Stock 2031 and £108m of revolving credit facilities, of which we had drawn £87.8m at the year end. Finance leases of £4.4m, and net of cash of £5.5m make up the remaining balance. The increase in the level of net debt is principally due to capital expenditure on the development schemes. Borrowings represent 47.5% of property values (2017: 49.3%).

This reported loan to value ('LTV') is impacted by the fact that the year end balance sheet includes the full value for the Ducie House and recognises the sale of Princes Street, although the cash was not transferred until July.

In addition, the new Merrion House financing arrangement which completed in July further improves LTV and leverage.

Adjusting for all these items, the pro-forma LTV drops to 45.3% (2017: 49.3%) and leverage drops to 81.7% (2017: 96.5%). A more detailed analysis can be found in the Finance section.

We are particularly pleased with the re-financing activity undertaken, which has the combined effect of providing longer term borrowing security, lowering LTV and leverage, and providing the company with funds for future investment.

## Creating Places in Leeds and Manchester

Leeds and Manchester combined represent 74% of the portfolio by value and remain core to the strategy and growth prospects of the business. In the last 12 months significant progress has been made in further strengthening our regional presence:

### Leeds:

The Merrion Centre is the Company's largest single asset. This is now a true mixed-use asset and with the re-development of the Merrion House office and the ibis Styles hotel, the dependence on traditional "mall" retail income has reduced to less than a quarter of the total.

The Company is in the process of developing plans to consider building a new office tower above part of the centre, in the on-going delivery of its long-term plans for further diversification. In the meantime, footfall and rental income continue to be strong with underlying LFL rents up 2.0%, increasing to 13.4% with the inclusion of Merrion House.

In addition, the Company has:

- completed the development and occupation of Merrion House with our joint venture ('JV') partner and tenant Leeds City Council
- created three new ground floor units as part of the Merrion House development
- exchanged contracts to acquire The Cube, 123 Albion Street in Leeds. Completion is expected on 1 October 2018. The purchase price of £12m represents an initial yield of over 12.5% on the passing income. With lease expiries in 2019 and 2020 the yield will reduce to around 9%, a strong and sustainable return for a city-centre asset. This is not included in the year-end portfolio. This acquisition further diversifies the portfolio, and will enable further asset disposals
- agreed to enter into a joint venture with Leeds City Council for construction of an apart-hotel with retail units on George Street, alongside Leeds City Market and Victoria Gate. We expect work to commence in early 2019
- been developing plans to update and improve the central Leeds Vicar Lane island site, following our acquisition of 100% ownership of the site in June 2017

### Manchester:

Piccadilly Basin is the Company's most significant development opportunity and will drive future income and capital growth. Important progress has been made with this strategic site in the last year. This includes:

- Construction of our Burlington House residential development, is proceeding to time and budget. This scheme, being developed in joint venture with our partner Highgrove Group, will be held for private rental sector use, with completion targeted for May 2019
- We are planning on beginning work on the next residential development, Eider House, in 2019
- The acquisition of Ducie House has now completed. Ducie House is a 33,000 sq ft office building and effectively increases the size of our Piccadilly Basin site. In addition to gross annual income of £675,000, the plot includes a 63-space surface car park which provides further development opportunity for the Basin



# Chairman and Chief Executive's Statement

## Continuing to reposition the portfolio

Since June 2017 we have sold another three properties. In Edinburgh we have sold 1-23 Shandwick Place for £6.3m in line with valuation, and also a retail unit on Princes Street for £3.3m significantly ahead of valuation. We also sold a retail unit in East Kilbride for £0.5m again well ahead of valuation. In the last two years we have sold seven properties raising almost £32m in proceeds with all properties selling at or above valuation, averaging 6% above book value.

Furthermore, since June 2018, we have continued to be active in further improving our portfolio:

- We have completed the purchase of Ducie House, Manchester, as highlighted above, and included in our year end portfolio

We have also either completed or exchanged contracts on a further three property acquisitions as follows (none of which are included in our year-end portfolio):

- We have exchanged contracts to acquire The Cube, 123 Albion Street in Leeds, as highlighted above
- We have completed the acquisition of a property on Chiswick High Road in London for £1.6m. The property comprises a long-standing florist in the ground floor retail unit with two 2-bed apartments above. The net initial yield is 4.6% with ERV opportunity to get to above 5%
- We have completed the acquisition of a retail unit on Gordon Street, Glasgow, let to Mountain Warehouse. This unit is adjacent to our Buchanan Street ownership in this extremely popular part of the city. At a purchase price of £2.4m this unit will deliver a 5.25% net initial yield

These purchases fulfil the dual purpose of continuing to build and diversify the portfolio, whilst also creating new sources of income which will enable future sales of more mature assets within our current portfolio without impacting historic income levels. We continue to critically review our portfolio with the aim of recycling assets where we believe we have maximised our return. The cash raised from the Merrion House financing has enabled this more proactive portfolio management.

In addition to these purchases, and as highlighted earlier we have made good progress with our development pipeline with the completion of Merrion House, Leeds, the on-going construction of the residential building Burlington House, Manchester, and the appointment as joint venture partner with Leeds City Council for the George Street, Leeds apart-hotel development.

These ongoing changes reflect our continuing strategy to reposition and rebalance the portfolio, in particular given the challenges being seen in certain parts of the retail environment. The changes already delivered have seen the proportion of the portfolio represented by retail and leisure reduce from 70% to 55% in the last two years.

We remain, where appropriate, committed to investing in retail property, and the strength, for example, of our retail assets in Glasgow and Milngavie, are testament to the capital and income returns that can be derived from good quality retail assets.

Nonetheless the retail environment is challenging and changing and therefore we are clear about our strategy in relation to our portfolio, specifically by:

- Ensuring we create retail and leisure destinations
- Broadening our portfolio, increasing the proportion of leisure, offices and residential
- Having a predominantly regional focus, but continuing our approach of targeted investments in suburban London

## Growing our development pipeline

Over many years we have built up a development pipeline of significant quality and value. This pipeline gives the business a clear and significant opportunity to grow over time. The quality of the pipeline is reflected in the on-going increases in its valuation recognised by our valuers, with a 33.9% increase in value this past year.

The current pipeline has an estimated Gross Development Value ('GDV') on completion of £588m, with the majority of the developments already being part of the relevant local government approved Strategic Planning Frameworks or actually in possession of detailed planning permission.

The key components of the pipeline include:

- Piccadilly Basin, Manchester. Mixed residential, commercial, and car-parking with a total estimated GDV of over £300m
- Whitehall Road, Leeds. Office, car-parking, and potentially leisure provision with a total estimated GDV of over £150m
- Merrion, Leeds. Office and residential towers with a total estimated GDV of over £90m
- George Street, Leeds. Apart hotel with an estimated GDV of £10m

Unlocking these opportunities over time will require capital and we continue to explore how we might fund these future developments.

## CitiPark continues to grow revenue and profits

Our car parking business goes from strength to strength and has seen income grow by 5% and profitability grow by 3.7% despite increases in business rates. We continue to innovate in technology including advances in the year in online booking, new car park management systems, and Automatic Number Plate Recognition barrier-less and cashless systems. EV charging is available in all branches and we continue to increase our provision in this area. We are in the process of installing a DC Rapid Charger in the Merrion Centre car park which can provide a full charge in 20 minutes, the first of its type in Leeds City Centre.

Crucially for the wider business, CitiPark represents a powerful way to generate income from our property development portfolio which would otherwise be sitting idle. Of the £4m operating profit (before revaluation) reported c40% was generated from the development sites.

We continue to work closely with Yourparkingspace.co.uk, the online parking service that matches available spaces with drivers. We now own a 15% stake in the business with options to extend this, and our close working partnership benefits both businesses. We continue to be a strategic partner in the start up's growth and expansion plans.

# Chairman and Chief Executive's Statement

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## Recruitment and Succession Planning

Recent years have seen a significant amount of well planned and seamlessly executed change around the Board table. I have been in discussion with our Property Director Richard Lewis for some time regarding his desire to retire. Richard has been with the Company for 18 years and joined the Board in 2001. His contribution has been outstanding, beginning with the construction and sale of No1 Whitehall Riverside in Leeds, the continued development of Piccadilly Basin in Manchester, and most recently, the re-development of Merriion House in Leeds. We will miss Richard and wish him a long, happy, and healthy retirement.

With Richard's decision to retire we have been fortunate enough to be able to appoint Lynda Shillaw as the new Property Director. Lynda joins Town Centre Securities from Manchester Airports Group ('MAG') where she has served as the Divisional Chief Executive Officer, Property since June 2014. Lynda is a member of the MAG Executive Committee, responsible for MAG's £525m investment portfolio and 1,000-acre development land bank across its 4 UK airports, and also MAG's interest in the £1bn Airport City Joint Venture. Prior to MAG, Lynda has been Director of Real Estate at Scottish Widows Investment Partnership, Managing Director and Global Head of Corporate Real Estate for Lloyds Banking Group, Managing Director of Co-Operative Estates, and Director of Property at BT Plc. Lynda holds Non-Executive Director positions on the board of the Crown Estate and VIVID housing association. Lynda joins the Company and Board in November 2018.

We are very excited with Lynda's appointment, and see this as another key component of the Company's future growth plans.

## Outlook

The business has undergone considerable change in recent years as part of a strategy to reposition the portfolio, ensure a resilient income stream, and to unlock growth for the future. In the past two years we have reduced our exposure to retail and leisure from 70% to 55% of the portfolio. We are very pleased with the progress made and feel confident about the future.

In those two years we have disposed of over 8% of the portfolio, during which time we have managed to hold EPRA profitability broadly flat and have increased NAV by 8%. Furthermore, we have strengthened the balance sheet, improved our banking facilities and lowered leverage. Our recent financing activity increased capital headroom, however we continue to explore new capital raising options in order to facilitate our significant development pipeline.



**Edward Ziff OBE DL**  
Chairman and Chief Executive

## Chairman and Chief Executive's Statement

### Creating Places in Leeds

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Our properties in Leeds comprise 60% of our overall portfolio. As a city Leeds continues to go from strength to strength.



**£21.3 billion**  
per annum

Estimated worth of the  
Leeds economy



**Best UK city for  
quality of life**



**3 million**

Combined population



**£64.6 billion**

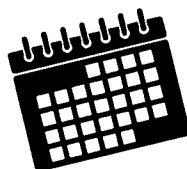
Economic output



**5,665**

**jobs created by  
overseas investors**

in 2017 (+14% versus PY)



**+11.5% growth**

of Leeds' economy 2010 - 2015



**3 Major  
universities**

(+1 University Technical College)  
which welcome over

**80,000 students**  
per annum.



**4 Million**

**passengers per year**

at Leeds Bradford Airport



**120,000**

Passengers transiting  
through Leeds Station  
per day.

(The busiest station in the north  
of England and 3rd in the UK)



**511,000**

Working age population (16 - 64)



Major commercial property schemes

**totalling £7 billion**

are currently under construction and in the development pipeline in Leeds, while

**£3.9 billion** worth of projects have been completed over the last ten years

Companies with

**more than 1,000 employees** based in Leeds include...



**ASDA**

**first direct**

**centrica**

Outsourcing Experts

**BT**



**Direct Line  
Group**



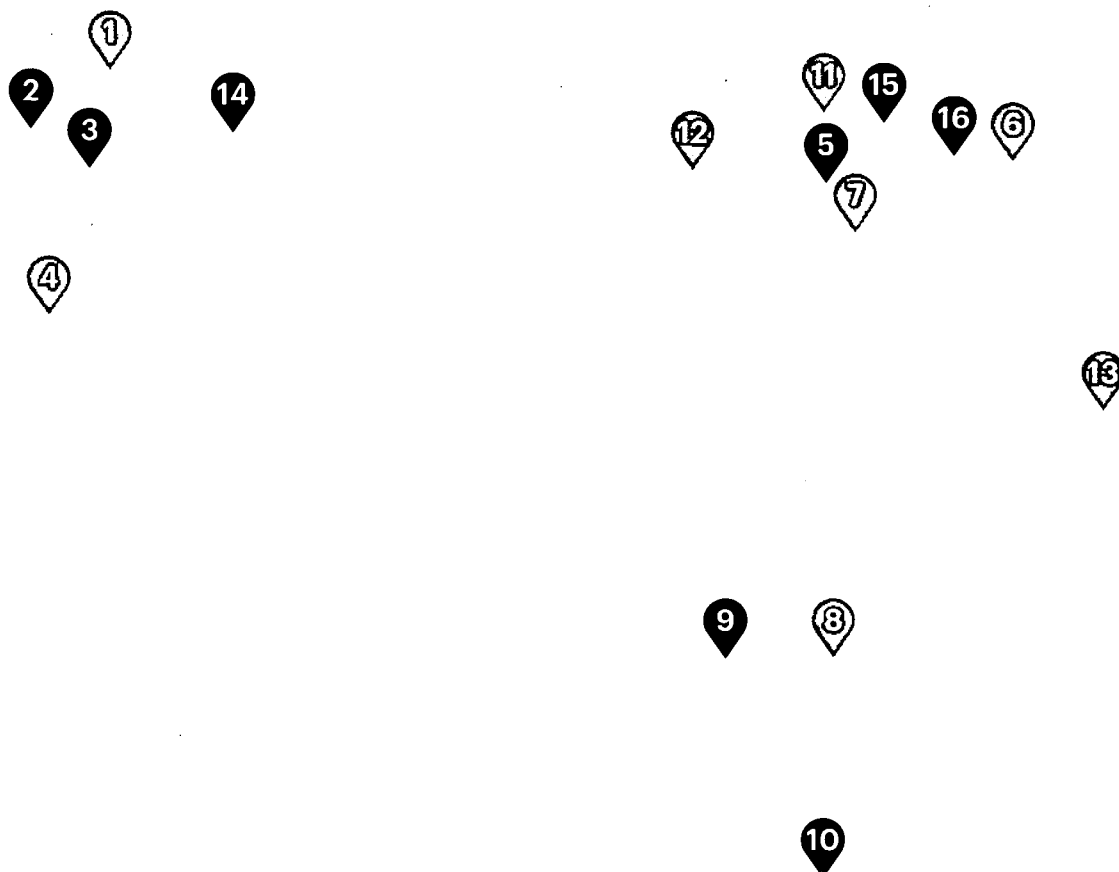
Source - Leeds City Council

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# Chairman and Chief Executive's Statement

## Creating Places in Leeds

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- 1 First Direct Arena
- 2 Merrion House
- 3 Merrion Centre
- 4 Town Hall
- 5 Vicar Lane
- 6 Corn Exchange

- 7 Trinity Shopping Centre
- 8 No. 1 Whitehall Riverside
- 9 Premier Inn
- 10 CitiPark Whitehall Road Car Park
- 11 Victoria Gate
- 12 Victoria Quarter

- 13 Leeds Station
- 14 The Cube
- 15 George Street (forthcoming)
- 16 Central Road
- TCS Assets

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# Chairman and Chief Executive's Statement

## Leeds - The Arena Quarter and The Merrion Centre

The Merrion Centre has been transformed over the last 10 years from a shopping centre to a true mixed-use destination property. With over £40m of capital invested by TCS in the last five years to ensure that the Centre is reinvented and remains relevant, we have seen valuations improve by over £62m, and ERV increase by 21% over that timeframe.

Retail Mall income now accounts for less than a quarter of the Centre's income, with key drivers of the shift to a multi-use destination being:

- Re-development of Merrion House into a state-of-the-art main office for Leeds City Council, including the creation of three new leisure units currently being marketed
- Opening of the ibis Styles hotel with restaurant
- Creation of the Arena Quarter leisure front to serve customers visiting the Leeds First Direct Arena
- Extension and improvement of the anchor Morrisons supermarket
- Modernisation and redesign of the 950 space Merrion Centre Car Park

Footfall continues to be strong and we welcomed 11.7m visitors in the year. With the full opening of Merrion House we expect all our tenants to benefit from over 2,000 council employees and the significant number of members of the public who will be visiting their customer hub.

Overall like for like rent in the Merrion Centre was up 13.4%, albeit this includes the increase in Merrion House following the full occupation of the office. Excluding this LFL rent was up 2.0%.

By Sector	SQ FT 000	PASSING RENT £m	%	ERV
MALL RETAIL	134	2.7	23	2.8
LEISURE	179	2.2	19	1.8
OFFICE	283	3.3	29	3.3
TOTAL	1,007	11.6	100	11.9

The combination of the Leeds Arena and a strong and growing student population makes the Merrion Centre an obvious destination, particularly in terms of the leisure offer. The popular supply of local restaurants including the long-standing Japanese institution Fuji Hiro, Bulgogi (the first Korean grill in Leeds) and My Thai which recently won "Best Restaurant in Leeds" in the British Restaurant Awards, provides a vibrant night time economy.

Occupancy levels in the Centre remain high at 97%, and the mall's focus on convenience and discount retailing protects us from much of the disruption being seen on the high street. The one exception to that has been Poundworld going into administration. However, the strength of the unit in the Merrion Centre has meant that our store has been one of a small handful that have been sold to Iceland, with the lease being assigned with no change in terms.

Our ibis Styles hotel has now been open for over a year and has traded very strongly, beating expectations both in terms of rooms sold and room rate achieved. The restaurant has under-performed against expectations, and we are in the process of re-launching the restaurant creating a more bespoke local offer. The success of surrounding independent restaurants gives us reassurance that the demand is there, but that our offer to date has not been right. Although there will be costs in the coming year to relaunch the restaurant we are confident that we will see a strong step up in performance.

There remains considerable latent opportunity within the Merrion Centre which we believe provides a platform for future growth, and we are currently working on plans for the first stage of the next 10-year plan. These opportunities include:

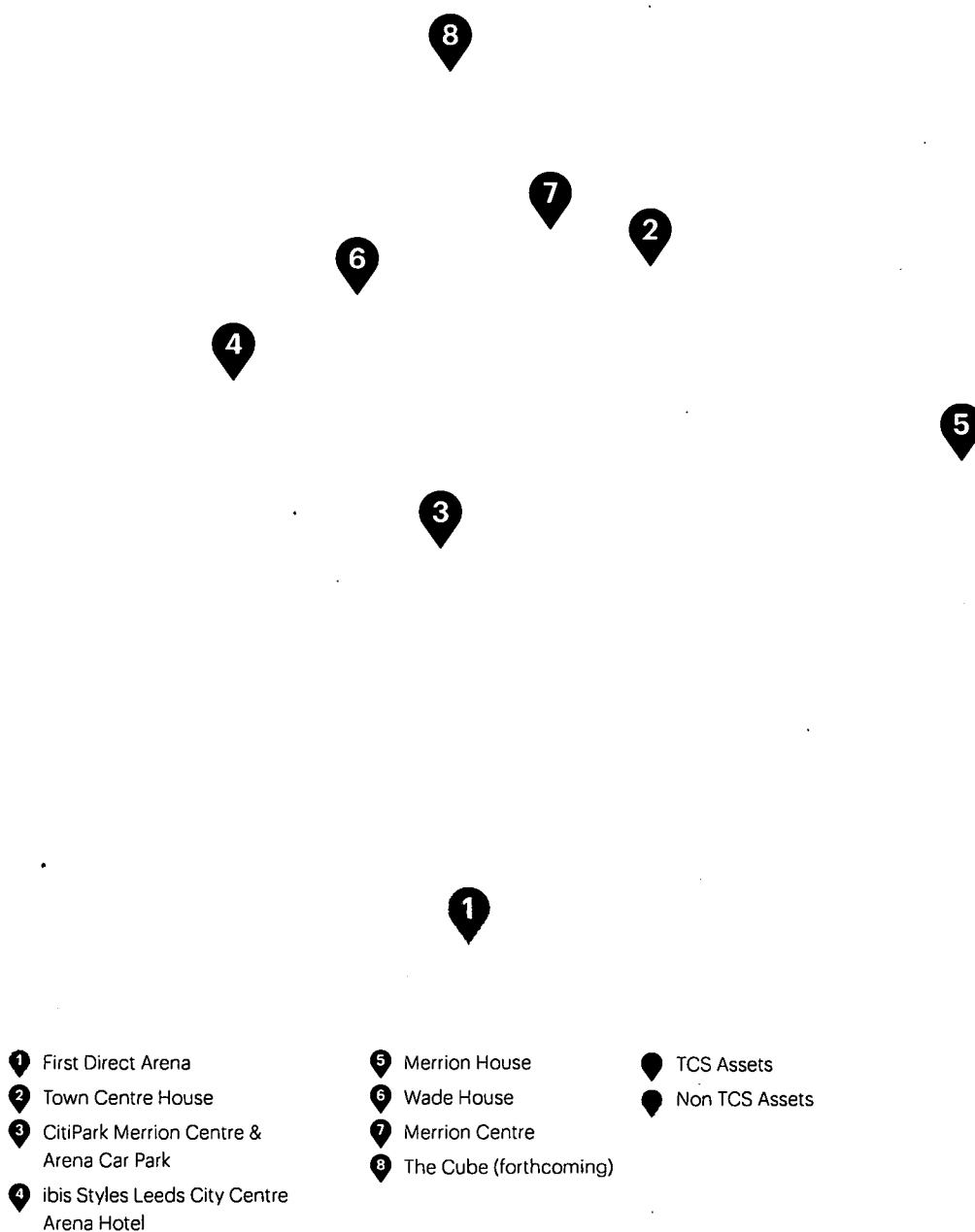
- Building a 16-20 storey office tower above the currently unused old Merrion Cinema
- Redeveloping the existing Wade House office, potentially in a manner similar to Merrion House
- Building an office/residential tower on the Merrion Street/Woodhouse Lane corner of the Centre

We are at an early stage with these developments but are in the process of developing detailed architects plans for the Cinema Tower in conjunction with town planners and potential tenants.

# Chairman and Chief Executive's Statement

## Leeds - The Arena Quarter and The Merrion Centre

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Chairman and Chief Executive's Statement  
Leeds - The Arena Quarter and The Merrion Centre

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# Chairman and Chief Executive's Statement

## Merrion House

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The completion, occupation and refinancing of Merrion House marks a significant moment for the Company, and it is worthy of a summary of the journey we have been on:

- Originally a deteriorating 1970's office building occupied by Leeds City Council ('LCC') and valued at £20m at the beginning of the project, producing £1.4m pa rental income
- In October 2013 TCS and LCC enter into a joint venture to redevelop the building
- Plans agreed to update and extend the building adding 50,000 additional square feet to create a 170,000 square feet state of the art principal office for LCC
- With a sale of a 50% share of the building to LCC and a modest c£5m cash investment by TCS, the input of cash from LCC enabled the work to get underway in March 2016
- The £33m capital project was delivered on time and on budget with practical completion effected in January 2018
- During the full period of the build TCS continued to receive £0.7m pa rental income from the council under the terms of the existing lease
- At completion LCC entered into a new 25-year lease with capped RPI increases, and through the Joint Venture TCS began to receive £1.7m pa as its share of rental income from the new lease
- Following completion and occupation the new building is valued at June 2018 at £69.4m of which half consolidates into TCS
- In July 2018 TCS completed a refinancing agreement with LCC effectively monetising the base rental streams of the 25 year lease, providing TCS with £26.4m of net cash after costs

In addition, as part of the build TCS has also created three leisure units on the ground floor totalling 9,000 sq ft, with an ERV of £0.2m. These units are currently being marketed with an expectation that Pizza Express will occupy one of the units.



Chairman and Chief Executive’s Statement  
Merrion House

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Edward Ziff OBE DL and Councillor Judith Blake CBE officially  
open Merrion House, 10 July 2018

Merrion House pre-development

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## Chairman and Chief Executive's Statement Leeds Retail

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We own three properties in the retail centre of Leeds. Consistent with the strategy elsewhere in our portfolio wherever possible we look to develop ground floor retail/leisure units with residential above.

We announced last year the acquisition of the remaining 50% of Buckley House on Vicar Lane, with the company now owning the entire island site immediately outside the Victoria Gate shopping centre and the Leeds City Market. This is a prime site and early scoping suggests a significant opportunity for income and capital value improvement. Currently this is a multi-tenanted property and therefore development is likely to take some time, however the longer-term growth opportunity is clear.

Intensive asset management continues to be a key element of our strategy, and recent changes highlight the value that can be created. For example, in our Central Road property a development in the basement has allowed our tenant, The Travelling Man, to expand the size of his shop floor, increasing rental income for TCS by £24k. Similarly, as previously announced we have also developed the basement of our Vicar Lane property allowing Michelin starred chef Michael O'Hare to re-site and increase in size his "The Man Behind the Curtain" restaurant, increasing rental income by £75k.

## Chairman and Chief Executive's Statement Leeds Retail

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Sitting close to our existing properties is the site on George Street where we have been selected by Leeds City Council as their joint venture partner to undertake an exciting new development. This site is part of the Leeds City Market, and under the terms of the agreement we will jointly develop a 126 room Apart-Hotel with 9 units on the ground floor. This property sits alongside the Victoria Gate shopping centre and forms the key next step in the regeneration of this historic part of the city. TCS will acquire a 50% stake in the building and we expect a yield of c6.5% on our £9m contribution. The application for planning permission is at an advanced stage and the legal partnership agreement is being drawn up. We expect work to commence in early 2019.

Current

Proposed

## Chairman and Chief Executive's Statement Leeds Commercial

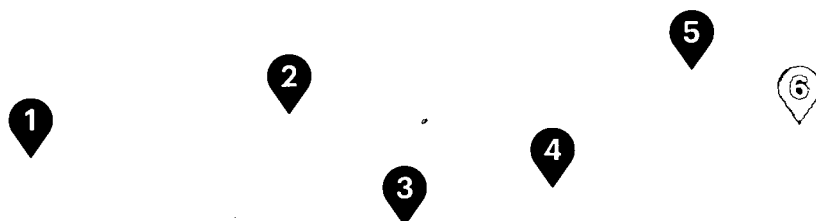
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Our latest acquisition, The Cube, 123 Albion Street, Leeds is a strategic addition to our commercial offering in the City. Contracts were exchanged in August 2018 with completion planned for 1 October 2018. The Cube is located opposite the Merrion Centre, TCS's largest asset. It is a refurbished and extended former 1960's office building, comprising 22,000 sq ft of ground floor leisure units with leases to Hard Rock Café and Mecca Bingo, together with 50,000 sq ft of offices over three floors let to Capita and the Government. It also includes the freehold for 84 apartments which are leased to Persimmon Homes at a peppercorn rent. The acquisition is consistent with our focus on true mixed-use assets and lowering our exposure to retail, which has helped ensure we have been protected from the worst of the turmoil on the high street.

The purchase price of £12m represents an initial yield of over 12.5% on the passing income. With lease expiries in 2019 and 2020 the yield will reduce to around 9%, a strong and sustainable return for a city-centre asset. This acquisition gives the Company flexibility to consider further asset disposals from the portfolio.

# Chairman and Chief Executive's Statement

## Leeds Commercial



- 1 7 Whitehall Road. Strategic plan for 67k sq ft building
  - 2 CitiPark MSCP. Planning in place for 500 spaces
  - 3 3 Whitehall Road. Strategic plan for 93k sq ft Office
  - 4 2 Whitehall Road. Strategic plan for 167k sq ft Office
  - 5 Premier Inn. Completed and kept in 2017
  - 6 Whitehall Riverside 1. Completed and sold in 2007
- TCS Assets  
○ Non TCS Assets

Whitehall Riverside and Whitehall Road form the West End commercial heart of the city. In 2017 we completed development of a new Premier Inn on Whitehall Road. This property with a 25-year lease, and annual rent of £680k with RPI uplifts is a highly sought-after asset. We have seen its valuation increase by 8% in the past year to £15.3m reflecting the strength of the asset and its covenant.

The hotel sits on the corner of our Whitehall Riverside development site, with the remainder currently trading as a successful 460-space surface car park. This 4.35 acre site represents a significant future growth opportunity for the company. This part of the city, close to Leeds railway station, has seen substantial commercial development and is now the premier office location and soon to be home to the new 378,000 sq ft Government Property Unit hub, for some 6,000 civil servants. The supply of space for new office developments is now very limited which continues to strengthen our development asset. We are in conversation with a number of businesses with regards to new office requirements.

Specifically, the development masterplan for our site currently includes:

- No.2 Whitehall Riverside – 180,000 sq ft office scheme with detailed planning permission
- 500 space multi-storey car park – detailed planning permission granted
- No.3 WR – c90,000 sq ft office building
- No.7 WR – c70,000 sq ft office building

Chairman and Chief Executive's Statement  
Leeds Commercial

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## Chairman and Chief Executive's Statement Creating places in Manchester

Our properties in Manchester comprise 15% of our overall portfolio, although a large proportion of this value is in development land, and therefore we expect this percentage to substantially increase over time as we continue to build out the developments.

Manchester is the jewel in the crown of northern cities, with significant growth and development already achieved and much more promised. We remain very excited about the role we have to play in the continued future success of the City, and with the relationship we have with the City Council.



**£8.1 billion**  
**Economic impact**

to Greater Manchester <sup>(1)</sup>



**15.1%**

forecasted population increase

**2016-2036** <sup>(6)</sup>



**25,000**

**Expected bedroom  
count** by the end of 2018 <sup>(1)</sup>



**Established**

as the UK's second financial capital <sup>(4)</sup>



**£12 billion**  
**Annual expected  
income**

generated by SME's by 2020 <sup>(2)</sup>

**1.38 million**

international visitors to  
Greater Manchester in 2016 <sup>(1)</sup>



**28 Million**

Approximate number of  
**Manchester Airport**

passengers in 2017 <sup>(3)</sup>



**36% rise**

in the number of active small and  
medium-sized enterprises (SMEs)  
since 2010 <sup>(2)</sup>



**2.6 million**

Manchester population.

**Second largest**  
economic hub after London <sup>(4)</sup>



**324,000**

**employees working**  
in Greater Manchester <sup>(7)</sup>



**10 metropolitan  
boroughs**

of Greater Manchester  
(the largest city region economy  
outside London) <sup>(8)</sup>



**Highest**

rental yields in the UK – 7-8% <sup>(4)</sup>



**99,000**

**students** across 4 universities <sup>(5)</sup>

Source - (1) Marketing Manchester | (2) National Insurance  
and Guarantee Corporation - NIG | (3) Transport for  
Manchester | (4) Alliance Manchester | (5) Invest in  
Manchester | (6) Recruitment Entrepreneur | (7) New  
Economy Manchester | (8) Centre for Cities 2018

Companies **with bases** in Manchester...



Google



Freshfields  
Bruckhaus  
Deringer

# Chairman and Chief Executive's Statement

## Creating places in Manchester



- 1 Urban Exchange
- 2 CitiPark Tariff Street. Multi-storey Car Park
- 3 Dakota Deluxe Hotel Development
- 4 CitiPark Dale Street Car Park
- 5 Carvers Warehouse
- 6 Ducie House
- 7 Jacksons Warehouse
- 8 CitiPark Port Street Car Park
- 9 AVRO (formerly Brownsfield Mill)
- 10 Burlington House Development Site
- 11 BDP Office
- 12 Planned location of Eider House
- 13 Piccadilly Station
- TCS Assets



## Chairman and Chief Executive's Statement Introducing Piccadilly Basin

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Our Piccadilly Basin site is c13 acres in size and comprises retail, office, residential and car parking.

Being a stone's throw from Manchester's main Piccadilly train station which will be the terminus for HS2, Piccadilly Basin is a very central and historic part of the city. The excellent transport links into Piccadilly and the popularity of the creative Northern Quarter neighbourhood make this a highly sought-after location and a valuable source of future growth for the business.

Piccadilly Basin is the Company's largest development asset, with potential to create significant value. At this time, it comprises:

# Chairman and Chief Executive's Statement

## Introducing Piccadilly Basin

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### Retail

**Urban Exchange** is a 160,000 sq ft 3 storey building developed in 2006. It is let to Aldi, Marks & Spencer, Go Outdoors, and Pure Gym with 190 car parking spaces and generates an annual rental income of £1.1m pa.

### Offices

**Carvers Warehouse** is a multi-let 22,000 sq ft listed office which we converted in 2007, and over 4 floors is home to architects, engineers and planners. We continue to see high demand for this type of space in the Basin, which has driven rental growth.

In addition, we recently announced the acquisition of **Ducie House**, further extending our ownership in Piccadilly Basin. Ducie House is a 33,000 sq ft contemporary conversion providing highly flexible work space solutions for businesses of varying size. Previously a petticoat factory, it now provides 64 office and studio spaces ranging in size from 82 to 3,900 sq ft. These spaces have been occupied by iconic Manchester bands such as 808 State and Simply Red, as well as ANS, UK Fast, Ask Developments and Ear to the Ground. There are approximately 50 tenants based in the building at present, with a number of unique units available to let with the majority of units let on an all-inclusive flexible lease basis producing a gross annual income of £675,000.

The building also has a 63-space surface car park which has future development potential.

### Car Parking

The car parking facility in the Basin provides c625 spaces, of which 232 are provided by a dedicated multi-storey car park. The remaining spaces are on development land, where the car parking business provides valuable income ahead of developing out the sites. Operating profit from these car parking operations total £1.1m pa.

As detailed below the future development plans for the Basin include a 500 space multi-storey car park to supplement the existing Tariff Street multi-storey and replace those lost to redevelopment.



Chairman and Chief Executive's Statement  
Introducing Piccadilly Basin

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Current build stage of Burlington House, September 2018

CGI of proposed Burlington House

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# Chairman and Chief Executive's Statement

## Introducing Piccadilly Basin

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### Residential

Piccadilly Basin represents a unique residential development opportunity for the company and we are pleased to be making good progress with the first such development, **Burlington House**.

On completion in May 2019 Burlington House will be an iconic 91 apartment building which TCS will hold and manage in joint venture as a Private Rental Sector investment asset. We are in 50/50 joint venture with Highgrove Group, with the construction of the building being undertaken on a fixed price basis. Construction is on time and budget. TCS has invested £4.9m into the joint venture, alongside Highgrove Group with a total of £13m in development funding provided by the Greater Manchester Housing Fund. On completion we anticipate net rental income to be c£1.2m pa in total for the joint venture.

This iconic building will help further create appeal and demand for the Basin

In addition, we announced last year the sale of **Brownsfield Mill**, the former AVRO aircraft factory, to urban regeneration specialist Urban Splash. TCS received an initial £1m in consideration for the sale, plus 12.5% of the gross sales proceeds from the 31 apartments to be created and sold. Progress on the conversion by Urban Splash is going well, with almost half already under offer. In our accounts for the year we have recognised £1.5m of proceeds, £1.0m from the initial sale to Urban Splash, and £0.5m based on unit sales agreed at the time of our year-end. In total we expect to receive in excess of £1.5m on top of the initial £1m received once all the apartments are sold.

AVRO, formerly Brownsfield Mill

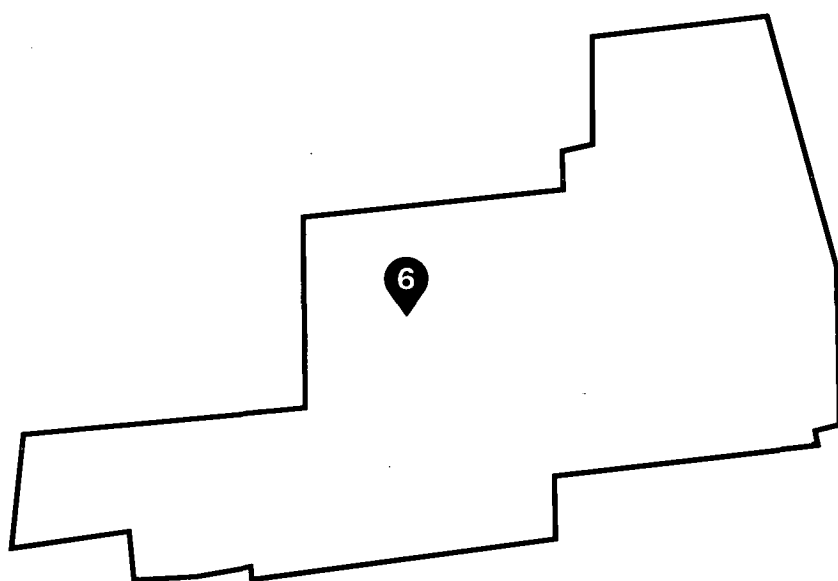
AVRO, formerly Brownsfield Mill

Jacksons Warehouse

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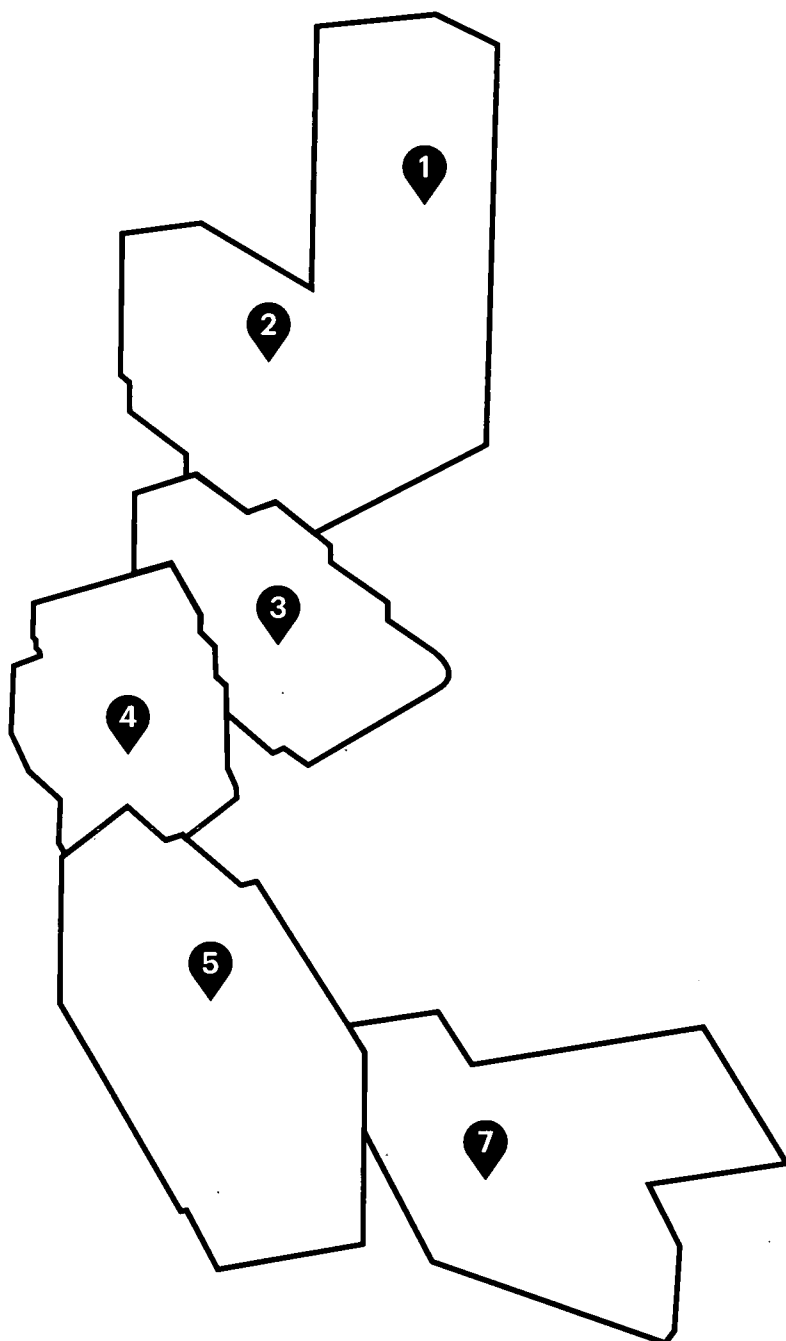
Chairman and Chief Executive's Statement  
Future Plans for Piccadilly Basin

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## Chairman and Chief Executive's Statement Future Plans for Piccadilly Basin

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It is pleasing to have made good progress in Piccadilly Basin in the last year, and we look forward to moving onto the next residential scheme, once **Burlington House (4)** is near to completion. The next phase of development in Piccadilly Basin will be:

**5). Eider House** – a 128 unit residential unit, with an estimated Gross Development Value ('GDV') of £40m. Detailed planning consent is already in place

In addition, an agreed Strategic Framework is in place for:

**1.) Residential Tower A** – estimated 255 apartments, with an estimated GDV of £82m

**2). Residential Tower B** – estimated 173 apartments, with an estimated GDV of £56m

**3). Residential Block D** – estimated 82 apartments, with an estimated GDV of £28m

**6). Commercial Block** – 177,000 sq ft of mixed use commercial space, with an estimated GDV of £76m

**6). Multi-Storey Car Park** – 524 space car park, with an estimated GDV of £12m

**7). Ducie House** – scheme on the car park. Plans currently being developed, but not part of Strategic Framework

## Chairman and Chief Executive's Statement Creating Places in Scotland

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The Company has a long and proud history in Scotland, and we continue to be firmly committed to investment in the country. Our investment has focused on Edinburgh and Glasgow and their surrounding communities. However, in recent years we have undertaken a considerable amount of asset recycling in Scotland. We have long applied the strategy that when we believe we have maximised the return and growth we can deliver from an asset then the time is right to dispose and reinvest where we see more opportunity for us to add value.

In the last two years to the year-end we have disposed of six properties in Scotland for a total consideration of £28m, all above valuation and with an average sales yield of 5.9%. Since the year-end we have also sold a further small retail unit on Shandwick place, Edinburgh for £0.8m in line with valuation.

Waitrose, Milngavie

Gordon Street, Glasgow

Gordon Street, Glasgow – retail unit let to Mountain Warehouse, purchased following the year-end and not included in the balance sheet valuation

# Chairman and Chief Executive's Statement

## Creating Places in Scotland

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In addition to the asset recycling activity, we are in the process of sub-dividing and improving our retail asset on Main Street in Milngavie, an upmarket commuter town outside of Glasgow. This asset was previously let to Homebase who gave notice last year to exit following an on-going strategic review of their business. Whilst this has put pressure on income in the year, it has given us the opportunity to improve the site for the long term. We are in the process of sub-dividing the main building into two units and have agreed terms with both Aldi and Home Bargains to occupy these units, with total income ahead of the Homebase rent. In addition, the site gives us the potential to create a third retail unit which we will develop once the main two units are completed and occupied. On completion of this first phase we expect valuation to rise significantly above its current and previous levels.

As an indication of our continued commitment to investing in Scotland we have completed the purchase of an additional retail unit on Gordon Street in Glasgow. This unit forms part of a block on the corner of Gordon Street and the popular Buchanan Street where we already own 3 retail units. At a purchase price of £2.4m this new unit, let to Mountain Warehouse will deliver a 5.25% net initial yield.

Byers Road, Glasgow – retail unit let to Waitrose

Buchanan Street, Glasgow – retail unit let to Dune

Buchanan Street / Gordon Street, Glasgow – two retail units let to Timpsons and an independent newsagent

Bath Street, Glasgow – ground floor retail unit let to a wedding dress retailer, with 20 residential units above

Main Street, Milngavie, Glasgow – single retail unit previously let to Homebase now being converted

Shandwick Place, Edinburgh – three retail units let to Amplifon, Morrisons and a local restaurant



# Chairman and Chief Executive's Statement

## Creating Places in Suburban London

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Whilst TCS is, and will remain, a primarily regional property investor, we have in recent years built up and small and valuable suburban London portfolio. At the year end and including Car Parks this represented 8% of the portfolio at a value of £32.2m.

### Car Parks:

**Ilford** – a 640 space long lease carpark.

**Rickmansworth** – a 140 space freehold car park next to Rickmansworth train station.

In addition, we have the following occupational leasehold car parks in London and surrounding areas with leases between 21 and 32 years:

**Watford** – three car parks totalling 1688 spaces, where CitiPark has leases to run the Council Car Parks.

**Clipstone Street** – a 200 space car park in Central London.

**Bell Street** – a 200 space car park in Central London.

### Offices:

**6 Duke Street, Marylebone** – a converted London townhouse purchased in 2014, and consisting of our London Office, a ground floor retail unit and upper floor offices for an upmarket watch retailer.

### Retail & Residential:

**9-13 Cheapside, Wood Green** – comprising four ground floor retail units, and twelve upper floor residential let apartments.

**106A Kilburn High Road** – comprising ground floor retail, and three upper floor residential let apartments.

**448 Holloway Road** – a retail unit let, with opportunity to create two upper floor apartments.

Duke Street, London

**Chiswick High Street** – a ground floor retail unit and two upper floor residential let apartments. Purchased for £1.6m in July 2018 (not included in the year end portfolio).

Our strategy in London is simple and complementary to the Company as a whole. We will look to invest in specific investment opportunities in London as follows:

- In suburban London communities where values and tenant demand have long proven to be resilient. Most likely to be ground floor retail units with residential upper floors
- Where we see high return car parking opportunities that build on the existing CitiPark portfolio. We will seek freeholds if we also see a potential future development opportunity
- As a moderate value and income hedge to any potential weakness in our core regional markets

CitiPark Rickmansworth Car Park

# Chairman and Chief Executive's Statement

## Creating Places in Suburban London

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Chiswick High Street

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# Chairman and Chief Executive's Statement

## In control of our future - our Development Plan

As described earlier in this report, we have the benefit of owning a very significant development pipeline, with all of the opportunity within our ownership, and much of it already benefiting from either strategic or detailed planning approval.

As the pipeline is significant, so is the capital required to develop it out, and as such this forms part of a longer-term strategic plan that will, in some form, require new capital. The Company continues to explore options in relation to capital raising.

The below table identifies the development pipeline as it currently stands with an estimated gross development value ('GDV'), and an estimated income level assuming a blanket 5% yield. Clearly this is illustrative, but importantly highlights the material scale of the opportunity with a total GDV of £588m.

	DEVELOPMENT TYPE	STATUS	ESTIMATED GDV	INCOME
BURLINGTON HOUSE (JV AT 50%)	RESIDENTIAL	UNDERWAY	£13m	£0.6m
GEORGE STREET (JV AT 50%)	LEISURE	DETAILED PLANNING	£10m	£0.5m
EIDER HOUSE	RESIDENTIAL	DETAILED PLANNING	£40m	£2.0m
WATERLOO PLACE	CAR PARK	DETAILED PLANNING	£12m	£0.6m
MERRION CINEMA TOWER	OFFICES	DETAILED SCOPING	£42m	£2.1m
WHITEHALL ROAD No.7	OFFICES	DETAILED PLANNING	£7m	£0.3m
LEEDS VICAR LANE	RETAIL & LEISURE	HIGH LEVEL SCOPING	£9m	£0.4m
WHITEHALL ROAD No.6	OFFICES	STRATEGIC FRAMEWORK	£40m	£2.0m
WHITEHALL ROAD No.7	OFFICES/LEISURE	STRATEGIC FRAMEWORK	£28m	£1.4m
WHITEHALL ROAD No.8	OFFICES	STRATEGIC FRAMEWORK	£37m	£1.8m
MANCHESTER RESIDENTIAL TOWER B	RESIDENTIAL	STRATEGIC FRAMEWORK	£55m	£2.7m
MANCHESTER RESIDENTIAL TOWER D	RESIDENTIAL	STRATEGIC FRAMEWORK	£37m	£1.8m
DUCIE HOUSE	RESIDENTIAL	UNSCOPED	£15m	£0.8m
WHITEHALL ROAD No.1	OFFICES	DETAILED PLANNING	£20m	£1.0m
MANCHESTER CAR PARK	CAR PARK	STRATEGIC FRAMEWORK	£12m	£0.6m
WATERLOO PLACE	CAR PARK	DETAILED PLANNING	£12m	£0.6m
MERRION CORNER TOWER	RESIDENTIAL/MIXED USE	UNSCOPED	£50m	£2.5m
			£588m	£29.2m

Eider House Development, Manchester Piccadilly Basin

# Chairman and Chief Executive's Statement

## Detailed Portfolio Performance

The overall market has been resilient, with sentiments of a peak having been reached proving premature. That said, there is considerable variation by sector and by region in the market place. Our continued approach of capital recycling, combined

with intensive asset management has meant that we have seen a 3.2% LFL increase in the value of the portfolio (2017: unchanged).

Overall the portfolio has increased in value by 3.3% year on year, with the effect of the acquisition of Ducie House for £9.5m including costs, broadly being offset by the sale of three properties in Scotland in the year.

Looking at the component parts of the portfolio our investment properties have increased in value by 0.5% LFL (2017: 1.4% decrease), car parks have increased in value by 4.3% LFL (2017: 6.3%), and our development assets have increased in value by 33.9% LFL (2017: 20.1%).

Our investment properties are delivering an initial yield of 5.7% (2017: 5.6%) and we continue to demonstrate a good level of reversionary potential in the portfolio.

As shown in the below table TCS has also seen the variations in performance by sector, and it has been of no surprise to us to find that retail properties, particularly 'high street' and 'out of town' have come under yield pressure. Within the investment property portfolio our investments seeing the biggest falls in valuation are our retail park in Rochdale, and some of our central Leeds retail units.

Conversely the most material increases in value have been seen in our Hotels, our prime real estate in Glasgow, and where we have added value through development (Merrion House, Leeds and also our two Leeds hotels which were both developed last year).

Our development portfolio has seen another large increase in valuation. Both our holding in Piccadilly Basin, Manchester and Whitehall Road, Leeds have seen strong improvements. These rises in value are directly driven by our improving the quality of the development rather than a market led increase. In Manchester, values have been driven by starting the build of Burlington House, alongside achieving detailed planning permission for Eider House residential scheme, and further clarifying the Strategic Framework surrounding the Basin. In Leeds achieving detailed planning permission for a 180,000 square foot office building and a 500 space multi-storey car park has had the same effect.

We have always been very proud of our industry leading occupancy levels, historically delivering 98-99% occupancy. In the year just completed we are reporting a drop in occupancy levels to 95% (2017: 99%). On first sight, whilst still high, this would seem disappointing given our history. However, there are two key drivers of this reduction. This first being the exit from our Milngavie property of Homebase at the end of 2017. As described earlier in this report we are taking this as an opportunity to subdivide the unit with the intention of increasing income and value. We have secured pre-lets to both Aldi and Home Bargains and anticipate these units trading again by Q2 2019. Secondly the occupancy percentage includes the effect of three empty leisure units that we have created as part of the Merrion House development. We are in detailed discussions with tenants for this new space including being in the final stages of agreeing a lease with Pizza Express for one of these units.

Portfolio Analysis	PASSING RENT	ERV £m	VALUE £m	% OF PORTFOLIO	VALUATION +/-%	INITIAL YIELD	REVERSIONARY YIELD
RETAIL & LEISURE	3.6	4.1	67.6	17%	-3.9%	5.1%	5.8%
OFFICES	3.9	4.3	70.1	18%	7.3%	5.3%	5.8%
OUT OF TOWN RETAIL	2.9	3.6	52.1	13%	-3.8%	5.3%	6.6%
RESIDENTIAL	0.6	0.6	10.9	3%	1.5%	5.2%	5.4%
DEVELOPMENT PROPERTY	2.0	2.0	36.7	9%	33.9%		
LET PORTFOLIO	23.4	26.0	394.0	100%	3.3%		

Note: The above table includes Merrion House within Offices and therefore differs to the table in Note 12 of the Accounts

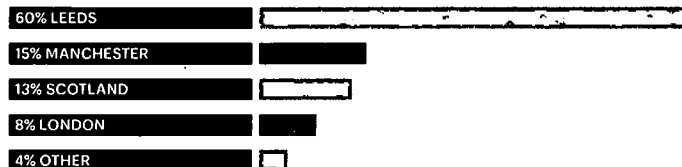
# Chairman and Chief Executive's Statement

## Detailed Performance Portfolio

### Portfolio Analysis

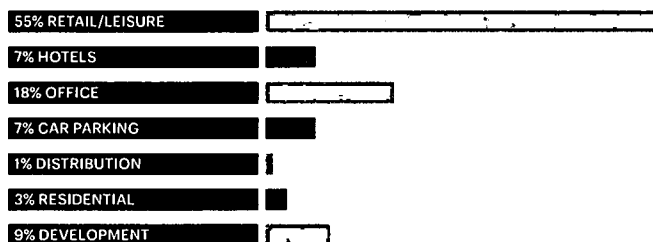
#### By Location:

Total Value: £394m



#### By Sector:

Total Value: £394m



#### By Lease Expiries:

TPR: £20m



### TOP TEN TENANTS

£1m+

LEEDS CITY COUNCIL  
MORRISONS  
WAITROSE

£500k-£1m

PREMIER INN  
PURE GYM  
MATALAN

£250k-£500k

STEP CHANGE  
DUNE  
GO OUTDOORS  
ALDI

We have a diverse and low risk portfolio. Our top ten tenants constitute 42% of our Gross Property Income.

Whilst we have not been immune to the turbulence in retail we believe that the quality of our portfolio and our low dependency on single tenants have given us a level of protection. Impacts in the last year are:

- Homebase strategic review – impact on income in the year, but has unlocked opportunity for income and capital growth at Milngavie
- Poundworld administration – quality of Merrion Centre store has meant that the lease will be assigned to Iceland with no change to terms
- Mothercare CVA – revised terms proposed a c30% reduction in rent, however we are instead re-letting and have offers at the original rental levels from retailers with good covenants

Bath Street, Scotland

# Chairman and Chief Executive's Statement

## Financial Review

TCS aims to deliver strong and reliable returns consistently and for the long-term. As such a conservative approach to portfolio management and associated financing is key. In the past year the Company has disposed of mature assets, continued to invest in the development programme for long term growth, strengthened the balance sheet with new bank facilities, and in July 2018 completed on an innovative financing arrangement with Leeds City Council. During the period TCS has delivered this on-going change programme whilst holding EPRA profit almost flat and increasing Accounting Profit before Revaluation from £6.1m in FY17 to £8.6m in FY18.

Mark Dille  
Group Finance Director

As the below summary table demonstrates TCS has made solid progress financially in the last 12 months:

	2014	2015	2016	2017	2018
GROSS REVENUE £m	22.6	22.7	26.3	27.5	30.2
STATUTORY PROFIT BEFORE REVALUATION £m	7.6	4.0	7.7	7.3	8.6
NAV PER SHARE	308	344	357	359	384
TOTAL SHAREHOLDER RETURN	49.3%	19.1%	-3.9%	9.6%	3.2%
GEARING	96.1%	95.5%	95.0%	96.5%	92.1%

Note: LTV and Gearing for 2018 quoted before Merrion House Financing. Post this financing LTV improves to 45.3% and Gearing to 81.7%.

### Income Statement

EPRA profit for the year ended 30 June 2018 was £6.9m, down slightly on the prior year profit of £7.0m. As the table below demonstrates this decrease was all driven by the Property part of the business as a result of the timing of strategic disposals in the year, and the exit in Scotland of Homebase midway through the year. Profit in the Car Parking business was up year on year by 3.7%.

£000's	2018	2017	YOY
GROSS REVENUE	30,178	27,540	9.6%
PROPERTY EXPENSES	(10,896)	(8,148)	33.7%
NET REVENUE	19,282	19,392	(0.6%)
OTHER INCOME / JV PROFIT	2,084	1,578	32.1%
ADMINISTRATIVE EXPENSES	(6,574)	(6,295)	4.4%
FINANCE COSTS	(7,887)	(7,639)	3.2%
SEGMENTAL £000'S	2018	2017	YOY
PROPERTY			
NET REVENUE	13,850	14,675	(5.6%)
CitiPark			
NET REVENUE	4,979	4,717	5.6%
IBIS STYLES HOTEL			
NET REVENUE	453		N/A

### Gross Revenue:

Gross revenue was up 9.6% year on year, with key drivers being:

- Ibis Styles hotel income for the first full year of £2.8m. Excluding this gross revenue was down 0.5% year on year
- Organic growth of 5.0% in CitiPark
- Property revenues were down 4.1% due to the timing effect of properties being sold, and the exit in Milngavie of Homebase half way through the year

### Property Expense:

At a total company level property expenses were up 33.7% year on year. This is driven by the fact that this now includes the running costs of the ibis Styles hotel for the first full year. Excluding this Property Expenses were up 5.3%. Key drivers of this underlying increase are:

- Property - empty property business rates for six months in the old Homebase unit account for a 1.3% increase
- CitiPark - further increases in business rates account for a 2.0% increase

### Other / JV Income:

Total Other/ JV income was up 32% year on year. This is explained by two key items:

- Income from joint ventures was up £0.3m year on year driven by the increased income from Merrion House following completion in January and the start of the new lease with Leeds City Council
- We received £0.3m of income from Homebase as a result of dilapidations charges following their vacating our property in Milngavie

# Chairman and Chief Executive's Statement

## Financial Review

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Merrion House, Leeds

### Administrative Expenses:

These costs were up 4.4% year on year. The primary driver of this increase is as a result of higher levels of consulting and professional fees incurred in the year. The activities driving this spend include:

- Corporate Finance advice and Tax advice which ultimately led to the Merrion House financing transaction
- One off IT infrastructure and security audit
- Legal costs associated with moving charged properties to different bank facilities in order to maximise borrowing headroom
- Engaging Link Company Matters as Company Secretary
- Engaging Edison and RMS to assist with equity research and investor relations respectively

### Finance Costs

Finance costs were 3.2% or £0.25m higher year on year. Underlying interest costs are actually broadly flat year on year with the increase in costs being driven by £0.4m of interest capitalised last year.

### Balance Sheet

Our total non-current assets (including JVs) of £407.2m (2017: £385.1m) include £376.1m of investment properties (2017: £354.6m) and £29.6m of non-current car parking assets (2017: £28.5m). The Merrion Centre car park is included in the investment property asset. The car parking assets include £4m (2017: £4m) of leasehold car parks which are accounted for under IFRS as goodwill. There are two such car parks with operating leases of 21 and 31 years.

We have continued to invest in our properties with a total of £6.5m of capital expenditure this year (majority being on Merrion House through the joint venture). We also invested £3.9m into our Burlington House Joint Venture. Capital recycling comprised £10.1m of sales and £10.6m of purchases. Along with other cash movements this resulted in an increase in borrowings from £188.8m to £192.6m.

The property and car parking balances reflect valuation gains of £5.9m in respect of the investment and development properties, gains of £2.6m in respect of joint ventures and gains of £1.0m in respect of car parks (which includes a loss of £0.4m which is shown in the Statement of Changes in Equity as other comprehensive income).

# Chairman and Chief Executive's Statement

## Financial Review

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### **Borrowings:**

We have undertaken a significant amount of refinancing activity in the past year which consisted of:

**Lloyds:** This £35m facility was due to end on 31 December 2018, with the option to extend for a further year. Instead a new three-year facility with two one-year extension options has been put in place as at the end of June 2018. Margins have remained consistent with the previous facility, with an updating and improving of contract terms.

**Handelsbanken:** This three-year £35m facility was due to end on 30 November 2018. Effective from the end of June 2018 this facility has been renewed for a five-year term with a small (20bps) increase in margin. Terms have been updated and improved including adding the ability to charge car parks and development assets.

**RBS:** This facility was due to end on 29 April 2020, however the Company has exercised an option to extend this by a further year to 2021 at the same price. In addition, the facility has been amended to allow the charging of car park and development assets.

The Company has certainty over its debt position for the next three to five years, along with improved and more flexible terms. Alongside the 2031 £106m debenture which expires in November 2031, the company is securely financed, and remains committed to lowering debt levels over time. On a weighted average basis our debt maturity at the end of June was 8.6 years compared to 8.2 years last year.

In addition, we announced in July 2018 an innovative financing arrangement with Leeds City Council in relation to Merrion House. As described earlier in this report a significant amount of value was created by the redevelopment of this building, however as the building sits in a Joint Venture raising traditional bank financing against the asset was unconventional. Instead a facility, similar to a Credit Tenant Loan, has been finalised.

As a result, Merrion House LLP ('MH LLP'), the joint venture vehicle reached agreement for LCC to advance all base rent due from 1 October 2018 until the lease end on 11 February 2043, discounted at an annual equivalent rate of 3.5% plus costs.

Following this, TCS received £26.4 million in cash. This is net of estimated costs. From an accounting perspective this transaction will be treated as a financing arrangement within MH LLP. On that basis MH LLP will continue to recognise quarterly rent (£0.8 million per quarter) offset by an interest charge calculated on an effective interest rate basis. TCS 50% share of the accounting net income will continue to be recognised in its income statement.

The balance sheet of the LLP will reflect the full market value of the building, less the deferred income balance, which will reduce quarterly to zero at the lease end. Half of the net asset value of the entity is then consolidated into TCS.

The lease allows for capped RPI increases every five years. These will continue to apply and will flow as normal rental payments through MH LLP.



# Chairman and Chief Executive's Statement

## Financial Review

### Going concern and headroom

One of the most critical judgements for the Board is the headroom in the Group's bank facilities. This is calculated as the maximum amount that could be borrowed taking into account the properties secured to the funders and the facilities in place. The total headroom at the end of June 2018 was £10.6m (2017: £12.2m). Following the Merriam House financing deal and receipt of the cash, and the completion of the Ducie House purchase, headroom at the end of July 2018 stood at over £30m and is considered to be sufficient to support our going concern conclusion.

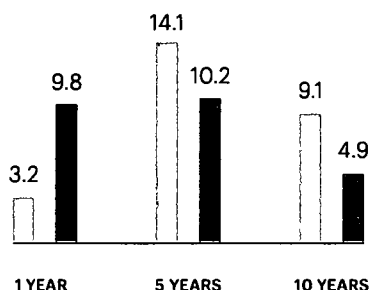
### Total shareholder return and total property return

Total shareholder return of 3.2% (2017: 9.6%) is calculated as the total of dividends paid during the financial year of 11.50p (2017: 11.15p) and the movement in the share price between 30 June 2017 (290p) and 30 June 2018 (288p), and assumed dividends are reinvested. This compares with the FTSE All Share REIT index at 9.8% (2017: 9.2%) for the same period.

Although behind the market in the last 12 months TCS has strong outperformance in Total Shareholder Return on both a 5-year and 10-year basis.

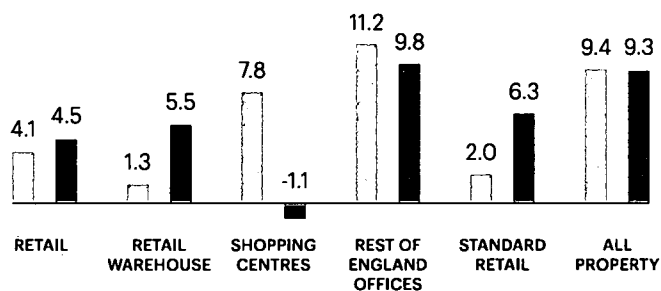
### Total shareholder returns % (CAGR)

□ TCS  
■ FTSE All Share REIT Index



### Total property returns

□ TCS  
■ MSCI Quarterly Index



12 months ending June 2018

Total Property Return is calculated as the net operating profit and gains / losses from property sales and valuations as a percentage of the opening investment properties.

Total Property Return for the business for the reported 12 months is 9.4% (2016: 6.0%). This compared to the MSCI/IPD market return of 9.3% (2016: 5.5%).







### Risk

The directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten the business model, future performance, solvency and liquidity. The risk review is detailed in the Corporate Governance section of this report.

**Mark Dilley**  
Group Finance Director

# Chairman and Chief Executive's Statement

## Key Performance Indicators

	2017	2018
<b>01</b>  <b>DELIVERING RETURNS TO SHAREHOLDERS</b>	<ul style="list-style-type: none"> <li>NAV per share 359p up 0.6%</li> <li>TSR over 3 years 7.9% (market 6.1%)</li> <li>Dividends 11.50p – 57 years unbroken record</li> <li>Dividend cover 1.2 times</li> </ul>	<ul style="list-style-type: none"> <li>NAV per share 384p up 6.9%</li> <li>TSR over 3 years 2.8% (market 3.2%)</li> <li>Dividends 11.75p – 58 years unbroken record</li> <li>Dividend cover 1.1 times</li> </ul>
<b>02</b>  <b>CREATING VALUE THROUGH DEVELOPMENT</b>	<ul style="list-style-type: none"> <li>Two hotel schemes completed on time and to budget</li> <li>Merrion House progressing to completion in January 2018 on budget</li> <li>Development schemes are expected to deliver £1.8m pa extra profit and £10.5m of additional net assets</li> </ul>	<ul style="list-style-type: none"> <li>Merrion House office completed and fully occupied on a 25-year lease by Leeds City Council</li> <li>Burlington House residential scheme under construction with completion expected in May 2019</li> <li>New George Street, Leeds venture agreed with Leeds City Council</li> </ul>
<b>03</b>  <b>CREATING VALUE THROUGH ASSET MANAGEMENT</b>	<ul style="list-style-type: none"> <li>Passing rent of portfolio at £22.3m and £25.8m of ERV</li> <li>LFL Rent increased 2.3%</li> </ul>	<ul style="list-style-type: none"> <li>Passing Rent of portfolio at £23.4m with ERV of £26.0m increasing YOY</li> <li>LFL Rent increased 4.1%</li> </ul>
<b>04</b>  <b>CAPITAL RECYCLING</b>	<ul style="list-style-type: none"> <li>Sales of ex growth properties £19.5m exit yield 7% ahead of previous valuation</li> <li>£23m re-invested in development schemes</li> </ul>	<ul style="list-style-type: none"> <li>Sales of ex growth properties £10.1m all at or above valuation</li> <li>Purchases £10.6m, including Ducie House in Manchester for £9m</li> </ul>
<b>05</b>  <b>CAR PARKING</b>	<ul style="list-style-type: none"> <li>Refurbishment and upgrade spend £4m</li> <li>Profits from refurbished sites £0.5m effective yield on cost 12.5%</li> <li>Growth in net revenue 10.3%</li> <li>Engine Room fully operational handling 5,700 calls per month</li> </ul>	<ul style="list-style-type: none"> <li>Income up 5% YOY with Profit increased 3.7% YOY</li> <li>Technology improvements helping drive organic growth</li> <li>YPS investment increased to 15% share with opportunity to increase further</li> </ul>
<b>06</b>  <b>CONSERVATIVE FINANCING</b>	<ul style="list-style-type: none"> <li>Interest cover 1.9 times</li> <li>56% of debt long term (14 yrs) fixed interest</li> <li>Headroom £26m</li> <li>Loan to value 49%</li> <li>Average interest cost 3.9%</li> </ul>	<ul style="list-style-type: none"> <li>Interest cover 1.9 times</li> <li>55% of debt long term (13 yrs) fixed interest</li> <li>Headroom £44.2m after Merrion House financing</li> <li>Loan to value 45% post Merrion House financing</li> <li>Average interest cost 3.9%</li> </ul>

## Chairman and Chief Executive's Statement CitiPark

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It has been a year of good organic growth for CitiPark with revenues up 5.0% and profits up 3.7%. Furthermore, we have made significant progress with technological and electric charging developments which both improve efficiency and enhance the customer experience.

Ben Ziff  
Managing Director, CitiPark

# Chairman and Chief Executive's Statement

## CitiPark

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### Financial

We are pleased with our ability to continue to increase profitability within the CitiPark business. Despite a reduction in spaces at Ducie St, Manchester to allow for property development, significantly increased business rates, National Minimum Wage increases, and increased repairs and maintenance costs across the branches - we continue to deliver strong revenue and profit growth for CitiPark.

We have seen strong organic revenue growth in a number of branches in the year, with key drivers being:

- The completion of Merriem House improving customer utilisation at our Merriem Centre branch
- The introduction of the CitiPark online pre-booking platform, in which we developed our own software code to operate this to best maximise revenues
- Increased and improved marketing, online and social campaigns to drive further awareness and customer interaction with CitiPark branches
- Continued third party development and investment in the Whitehall Road riverside area driving further growth and profitability at our 7 Whitehall Road branch

In addition, we continue to look for ways to supplement income in order to improve profitability. For example, we have in place a new agreement with a storage company at Clipstone St, London, utilising space not required for parking.

We have worked closely with YourParkingSpace.co.uk ('YPS'), where TCS now holds a 15% equity share, with the opportunity to increase this. This partnership has allowed us to improve revenue generation and branch occupancy through the YPS consolidation platform. We continue to work with YPS as they develop plans for their next phase of growth and expansion, and we remain very excited about this opportunity.

### Technology

We believe that technology can, and will be the key to continually improving the car parking customer experience, whilst at the same time improving operational efficiencies. We have demonstrated this in the past with our introduction of our Engine Room control centre. Electric vehicle charging is becoming more mainstream by the day, and is certainly here to stay. We believe that CitiPark can play an important role in serving the growing demands for electric vehicle charging. The below summarises some of the key improvements made in the last year:

- Continued investment in improving our car park management systems - newly installed at Leeds Dock
- Developed one of the first Skidata ANPR barrierless and cashless solution in the UK for our Rickmansworth branch
- Anytime pre-booking platform went live in December 2017 for Merriem and the rest of the portfolio in March 2018
- YPS integration now live with our pre-booking platform - significantly reducing the workload in the Engine Room and provides a seamless customer journey to YPS customers
- QR/Digital Season tickets development now underway - removal of all plastic season tickets with a significant cost saving to the business
- EV charging infrastructure now available throughout CitiPark portfolio - recent installations include Whitehall Road, Rickmansworth and Church, Watford
- Live occupancy data throughout the portfolio - the online platform developed in house
- Investment in Leeds City Centre's first EV Rapid Charger at Merriem Centre
- Investment in voltage optimisation hardware at Merriem Centre

# Chairman and Chief Executive's Statement

## CitiPark

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### Customer Service

Clearly providing great customer service is an important point of difference for CitiPark and we continually look for opportunities to further improve our service:

- Investment in Zendesk and Zenchat for use in the Engine Room - we actively track customer interaction and satisfaction with our customer service staff. Allows us to set KPIs and regularly review the quality of our work

### Going Green

- Micro-site is now live and utilised to highlight our green credentials, commitment and achievements
- Achieved 'Go Ultra Low' business status
- Finalist for 'Clean Air Initiative of the year' - emissions based tariff at Clipstone St, London
- Development of eSeason tickets will significantly reduce our requirements for plastic cards and associated waste

### Continued Investment in our assets

- 4 new lifts in Watford - improving customer experience and perception of the branches
- Entrance improvement works at Clipstone Street
- Improvement works and installation of our new parking management system (PMS) at Rickmansworth

### Marketing/PR

- National coverage of our Clipstone emissions based tariff in July 17
- Campaigns run throughout the year include: CitiFit, Blue Monday, Ilford Discounted parking, Watford FC, Leeds Dock discounted parking, pre-booking launch, Easter, April Fools, Father's Day, Royal Wedding, World Cup, Clean Air Day, Watford discounted parking, London Pride
- Significantly increased online engagement through social media platforms - Twitter, Facebook, Instagram:

### Twitter

- Organic impressions increased by 65.6%
- The number of engagements increased by 245.8%
- The number of organic impressions per Tweet increased by 42.1%
- Total followers increased by 50.6%

# Chairman and Chief Executive's Statement

## CitiPark

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### **Facebook**

- The number of posts sent increased by 255%
- Total impressions increased by 193.2%
- Total engagements increased by 19.6%
- Total fans increased by 28.4%

### **CitiPark website**

- May YoY total traffic shows an increase of +40% and an increase of +42% in "new users" to the site
- MoM total traffic has increased by +21% there is also a +24% increase of "new users" to the site
- Organic traffic showing an increase of +24% YoY and an increase of +11% MoM
- Direct showing a MoM increase of +49% and a YoY increase of +111%
- Referral MoM traffic showing an increase of +14% however we do see a YoY increase of +10%

We look forward to identifying new and exciting opportunities over the next 12 months to increase our portfolio and grow the CitiPark brand.

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# Corporate Social Responsibility

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We remain committed to the local community and charitable causes. Our designated CSR Coordinator, Charlotte Daisy Ziff, has continued to expand our grass roots involvement in local charitable and community organisations, and to encourage engagement amongst our staff in charitable activities through our employee involvement programme.

This year, we have continued to partner with a number of charities with which we have enjoyed longstanding relationships: including The British Legion, for which we raised £12,000 as part of the annual Poppy Appeal, LionHeart and The Leeds Jewish Welfare Board. We are also excited to have undertaken a number of new initiatives with established partners. For instance, we were very proud to donate a mini bus to East SILC John Jamieson School in conjunction with Variety The Children's Charity, to work with Autism Angels on a number of innovative fund and awareness raising efforts during Autism Awareness Month, and to partner with Candlelighters in raising £10,000 at our first autism friendly Santa's Grotto.

This year, we have also begun a new partnership with Leeds Cares, formerly known as the Leeds Hospital Charitable Foundation, whose rebranding we helped to launch in the Merrion Centre in May. Our Chairman and Chief Executive, Edward Ziff, is Chairman and Trustee of the charity and we have been involved with a number of their fundraising efforts. Notably, Jacob Ziff, one of our members of staff, raised £30,000 for the charity when he ran the British 10k 2018 in July.

In addition to our partnerships we have supported a number of standalone initiatives: we were the main sponsor of the Physcap Three Peaks Challenge, we raised money for World Cancer Day and we hosted a number of events in the Merrion Centre and Urban Exchange in support of Leeds Pride.

In total, charitable donations by the company amounted to £144,500 (£125,000 in 2016-17), around £28,500 of which we raised through events, collections and competitions in the Merrion Centre alone.



## Corporate Social Responsibility

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A key element of our work in the local community remains our partnerships with local schools and children's charities. As well as our continued support of Child Friendly Leeds, with which we ran a number of fun activities for children during the summer holidays, we worked with the social enterprise The Ahead Partnership on a project that asked school children to design an event in the Merrion Centre that would entice young people to visit. The winning school collected a cash prize.

It is our firm belief that by supporting children and young adults in the local community, we can ensure a brighter future for the city of Leeds. We are therefore actively seeking further partnerships and opportunities to further our work in this area and already have some exciting initiatives in the pipeline, including our sponsorship of First Give, a charity that encourages school children to give their time and energy to charitable and community projects.

As the promotion of renewable energy and clean technology has become an increasing focus for our business, we have also sought to develop our charity work in this area. This year, we marked World Clean Air Day by running a project with local schools. In partnership with Nissan, we asked school children to design a new electric vehicle with the winning designer being given the opportunity to take a market leading electric car for a spin.

Finally, although not the aim of our charity involvement and community participation, we are always delighted when the work of our people in this regard is recognised: in recognition not only of his achievements in business and his tireless charitable work, but in particular for his prominent role in local community life, Edward Ziff was appointed a Deputy Lieutenant for West Yorkshire.

## **Human Rights**

We have a relatively small team in our Head Office and we pride ourselves on our treatment of our employees. However, we do not see a role for the company in affecting wider human rights.

## **Emissions**

The occupancy rate of our properties is 95% and therefore our tenants effectively control the emissions from our properties. We occupy a small part of the Merrion Centre and the top two floors of Duke Street, London for our own use and hence our emissions are not significant.

The CitiPark subsidiary business operates a fleet of electric hybrid vehicles for the management of its branch network. These vehicles emit 39g/km of CO<sub>2</sub>.

## **Health and Safety**

We are committed to achieving a safe and secure working environment both in our own office locations and in our properties, particularly those where we maintain an on-site management function such as the Merrion Centre. We have an established Group health and safety policy, which is approved at Board level annually, and we review health and safety issues and incidents at every Board meeting.

Our operational teams have clear health and safety objectives and review procedures regularly taking action where necessary.

Richard Lewis is the Board member with this responsibility and he is supported by specialist external advisers.



## Sustainability Projects

We continue to improve the Merlion Centre's sustainability by implementing a number of measures including:

- Roofing upgrade – a programme is in place to install a Euro polymers insulation system across all of our roofs over the next five years. Currently we have upgraded five of our existing roofs, the result being improvements against both energy usage and meeting our EPC targets
- Power distribution – a scheme is being developed that will assist in making the Centre's power distribution more aligned with the latest technology
- A survey of the current network has determined that efficiencies could be achieved by replacing or reorganising how we deliver power around the Centre – new initiatives based around this scheme include the installation of a power factor corrector and the provision of supplies to introduce further EV charging
- As part of our ongoing drive towards energy saving initiatives we continue to install LED lighting, including large sections of the Centre lighting and Office common areas
- External lighting to the Service Yard has been upgraded to both LED and time sensitive lighting. This provides savings on energy and has been installed with consideration to third parties
- Sustainable Cleaning System – a review of the Merlion Centre cleaning protocols was undertaken and a number of initiatives identified to improve our sustainable impact, including:
  - Migrating our cleaning system onto a microfibre system, reducing cleaning product usage
  - A cleaning product has been sourced that not only reduces the number of cleaning chemicals on site, but is a non-irritant, non-hazardous and 100% biodegradable
- Procurement - greater focus has been applied to the Merlion Centre's supply chain, with focus on consideration to the environment. A main consumable supplier has been sourced based on their eco friendly product range, especially materials from ethical and sustainable sources
- Toilet refurbishment programme – Our toilet upgrade continues taking into account where we can introduce sustainable initiatives. The next phase will include the installation of Encore Cisterns which draws two thirds of its water supply from condensate pumps in the air conditioning and thereby reducing our mains water consumption. The system is BREEFAM & LEED compliant. We continue to operate an ecocap system in the Town Centre House wcs, which saves water and money whilst protecting the environment and is a fully biodegradable product. From using the Ecocap system in Town Centre House, in the past year we have saved approximately 373,220 litres of water

## Utilities

Through the introduction of our initiatives, last year the Merlion Centre was able to save £23,400, which equates to a 15% reduction on electrical consumption for our tenants compared with the previous year. Our gas and water consumption continue to be driven by our previous initiatives and will be further enhanced when we have completed the install of the new Encore Cisterns.

This sustainability report focuses on the Merlion Centre. As our largest and most complicated asset, the Merlion Centre requires TCS to drive and manage energy usage and sustainability in a way not required in the majority of the rest of our portfolio. However as covered in the Citipark section of this report we are heavily focused on sustainable energy usage with key actions including:

- taking considerable steps forward in increasing the provision of EV charging for customers electric vehicles
- having three of our own Solar Photovoltaic Farms in Leeds and Manchester which in the previous year on their own avoided over 500 tonnes of Carbon Dioxide
- Citipark being awarded "Go Ultra Low" company status in December 2017 recognising Citipark's commitment to EV vehicles within their own fleet
- Citipark having an innovative emission-based parking tariff currently being trialled in one of our London branches

This Report does not include metrics related to the rest of the estate. The majority of our estate is let to third party tenants who are responsible for the generation of, and reporting on, their environmental footprint. Therefore, other than with the Merlion Centre, the residual footprint is not deemed to be material and is not included within this report.

## The Merlion Centre:

### Waste Initiative

Further to the great work started last year on achieving zero waste to landfill, we are pleased to confirm this is now being achieved. Our close work with service partners and stakeholders has seen the waste strategy evolve into a tailor-made service that benefits all parties and 100% of our waste is either recycled or sent to an Energy Recovery Facility (ERF).

Instrumental to achieving our goals:

- Liaison with stakeholders to ensure appropriate segregation
- Introduction of Recycling Points
- Reduction of General Waste Containers
- Migration to a Service Partner with greater innovation on waste management

In summary, over the past 12 months the Merlion Centre has produced 552 tonnes of waste, 206 tonnes of that waste was recycled/recovered, which equates to 88%. However, from April 2018 100% of waste was diverted from landfill.



## Locations of Property Portfolio

<b>Edinburgh</b> Shandwick Place	<b>London</b> CitiPark: Bell Street CitiPark: Clipstone Street Cheapside, Wood Green Duke Street Holloway Road Kilburn High Road Chiswick High Road *
<b>Glasgow City Region</b> Bath Street Buchanan Street Byres Road King Street, Kilmarnock Tannochside Business Park, Uddingston Main Street, Milngavie Waitrose, Milngavie Gordon Street*	<b>Manchester City Region</b> CitiPark: Dale Street CitiPark: Ducie Street CitiPark: Port Street CitiPark: Tariff Street Dale Street Carver's Warehouse Belgravia Living – Burlington House Abingdon Street Market, Blackpool Urban Exchange Ducie House Rochdale Retail Park
<b>Ilford</b> CitiPark: Clements Road	<b>Rickmansworth</b> CitiPark: Rickmansworth
<b>Leeds City Region</b> CitiPark: Leeds Dock CitiPark: Merriem Centre CitiPark: Whitehall Road Thorntons Chambers, Leeds The Merriem Centre, Leeds TCS Head Office, Town Centre House Wade House Merriem House Central Road Vicar Lane Buckley House Waterside Business Park Premier Inn, Whitehall Road Ibis Styles Hotel West Park, Harrogate The Cube, Albion Street*	<b>Watford</b> CitiPark: Church CitiPark: Gade CitiPark: Sutton  *Properties acquired after 30 June 2018 and not on the balance sheet at 30 June 2018

Property Valuation Reconciliation	INVESTMENT PROPERTIES £000	FREEHOLD & LEASE PROPERTIES £000	TOTAL £000
EXTERNALLY VALUED BY JONES LANG LASALLE	126,060	16,300	142,360
FINANCE LEASE OBLIGATIONS CAPITALISED	1,142	3,302	4,444
	336,311	23,424	359,734

The CBRE Valuation Report amalgamates valuations of investment properties and joint venture properties as follows:

INCLUDED WITHIN JOINT VENTURES	34,700	34,700
VALUATION PER VALUERS REPORT	234,075	234,075

The Jones Lang Lasalle Valuation Report includes the valuation of a property sold before 30 June 2018 and therefore not in the Investment Property valuation at 30 June 2018 as follows:

PRINCES STREET PROPERTY SOLD JUNE 2018	3,300	3,300
VALUATION PER VALUERS REPORT	145,660	145,660

# Chairman and Chief Executive's Statement The Board

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## **Edward Ziff OBE DL (58)**

Chairman and Chief Executive

Edward Ziff joined the Company in 1981 before being appointed to the Board in 1985, becoming Managing Director in 1983, Chief Executive in 2001 and succeeded his Father and Founder of the Company as Chairman in 2004. Edward is a life-long supporter of Leeds the city and plays an active role in the community.

A passionate family man, Edward brings a strong pastoral care aspect to the business, encouraging individual leadership and an active role in the community through local charities. He is Chair and Trustee of Leeds Cares formerly the Leeds Hospital Charitable Foundation.

In 2013 he was awarded an Honorary Doctorate of Business Administration by Leeds Beckett University. Edward was awarded an OBE for services to the Leeds community and economy in the 2017 Queen's birthday honours list and more recently, in July 2018 he was appointed a Deputy Lieutenant for the County of West Yorkshire.

## **Richard Lewis (63) FRICS**

Property Director

Richard joined TCS in April 2000 to rejuvenate the development side of the business and was appointed to the Board in 2001. Following a restructuring, he took over responsibility for the Group property portfolio becoming Property Director in 2008. Richard is a firm believer in the need to deliver quality and sustainable schemes and is an advocate of public/private partnering. Richard is a Board member of CityCo, a company that strives to make Manchester city centre a better place to work, visit and live. Richard has been presented with the Lifetime Achievement Awards at the Yorkshire Property Awards due to his work on some of the biggest city schemes in Leeds.

## **Mark Dilley (46) ACMA**

Group Finance Director

Mark joined the Board on 10 July 2017 from Asda Stores Limited (part of Walmart) where he held a number of senior finance roles over fourteen years, including most recently as Vice President, Retail and Property Finance where he was responsible for all Asda stores and distribution centres as well as the new store acquisitions. Prior to Asda, Mark held senior finance positions at JP Morgan in London for six years, and began his career at Unilever. Mark is a graduate of the University of Oxford and is a qualified accountant.

## **Ben Ziff (31)**

Managing Director CitiPark and TCS Energy

Ben joined TCS in 2008, becoming CitiPark Managing Director in 2009. In September 2015, Ben was appointed to the Board of Directors. In 2013, he successfully led a team in the redevelopment of the Merion Centre multi-storey car park, which turned a 1960's structure into a state-of-the-art facility featuring cutting edge systems; Skidata, ApplePay, Contactless Payment and ANPR technologies. Since 2014, Ben has led the acquisitions programme which has doubled the size of the car park division. Ben's personal interest in combining tech, renewable energy and Electric Vehicle Charging led to the development of TCS Energy in 2012 which pursues renewable energy production and storage. Ben has ensured the Group uses cutting edge technology to revolutionise and maximise its operations, including guiding the board's financial investment of [YourParkingSpace.co.uk](http://YourParkingSpace.co.uk).

# Chairman and Chief Executive's Statement

## The Non-Executive Board

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### **Michael Ziff (65) Hon DUniv (Brad)**

Nominations Committee

Dr Michael Ziff was appointed to the Board in July 2004. He is a Director of W Barratt & Co Ltd, Transworld Business Advisors UK Ltd and Mr Arkwrights Emporium Franchise Ltd. He is President of Maccabi GB and a member of the International Board of Trustees of Maccabi World Union. He is also President of UK Israel Business.

### **Ian Marcus (59) FRICS**

Remuneration Committee, Nominations Committee and Audit Committee

Ian Marcus was appointed to the Board on 1 January 2015. He spent over 32 years as an investment banker latterly at Credit Suisse. Ian is Trustee of The Princes Foundation, a Crown Estate Commissioner and a member of Redevco's Advisory Board. Senior Advisor to Eastdil Secured and the Senior Independent Director for Secure Income REIT. He is a former chairman of the Bank of England Commercial Property Forum and a Past President of the British Property Federation.

### **Paul Huberman (57) FCA CTA**

Remuneration Committee, Nominations Committee and Audit Committee

Paul Huberman was appointed a Director on 1 January 2015. He brings over 30 years' experience in the property and finance sector. Paul was previously Finance Director at 3 quoted companies. He is currently a Non-Executive Director of Galliard Homes Limited, a London housebuilder, a Non-Executive Director at GRIT Real Estate Income Group Ltd, a pan-African property investment company listed on the London, Johannesburg and Mauritius Stock Exchanges, a Non-Executive Director at LiFE At Ltd, a multi-branch London based residential estate agency and a Non-Executive Director at a privately-owned property group. Until its recent MBO, Paul was a Non-Executive Director at JCRA Group Ltd, the holding company of JC Rathbone Associates Ltd, the independent advisors on interest rate risk management, debt finance and foreign exchange exposure.

### **Jeremy Collins (58)**

Jeremy was appointed to the Board on 1st February 2018 and has over 35 years' experience in retail property development and management. In addition to his TCS responsibility Jeremy is Property Director and Executive Board member at Fenwick. Jeremy spent 15 years at John Lewis including as Property Director until 2018. Previous experience includes working for Lend Lease, MEPC and Grosvenor Square Properties. Jeremy's first job was at Wirral Metropolitan Borough Council, which gave him an insight into the workings of local authorities and began his passion for urban regeneration. He graduated from the University of Reading, qualified as a chartered surveyor, and is a Past President of the British Council of Shopping Centres.

# Chairman and Chief Executive's Statement Valuers Report

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The Directors  
Town Centre Securities Plc  
Town Centre House  
The Merriam Centre  
Leeds  
LS2 8LY

30 June 2018

Dear Sirs

## **Town Centre Securities Plc – Property Portfolio Valuation – 30 June 2018**

In accordance with your written instructions we have inspected and valued the various freehold and leasehold properties held by Town Centre Securities Plc and its various subsidiary companies, for year end accounts purposes as at 30 June 2018.

We confirm that these valuations have been prepared in accordance with the RICS Valuation – Global Standards 2017, published by the Royal Institution of Chartered Surveyors and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) (the RICS Red Book) on the basis of Market Value. No allowances have been made for expenses of realisation or for taxation that might arise in the event of a disposal, deemed or otherwise. All rental and capital values stated are exclusive of Value Added Tax. Each property has been considered as if free and clear of all mortgages or other charges which may have been secured thereon. The interests have been valued subject to and with the benefit of any lettings which have been disclosed.

Having regard to the foregoing we are of the opinion that the aggregate Market Value of the freehold and leasehold interests owned by the Group and valued by JLL, as at 30 June 2018, subject to and with the benefit of the tenancies currently subsisting, is:

<b>Freehold</b>	<b>£100,810,000</b>
<b>Long leasehold</b>	<b>£44,850,000</b>
<b>Total</b>	<b>£145,660,000</b>

In accordance with our standard practice, we confirm that our valuations have been prepared for Town Centre Securities Plc and for the purpose to which this certificate refers. No responsibility is accepted to any third party in respect of the information or advice contained herein, except in circumstances where our prior written approval has been granted.

Yours faithfully

**Richard W Longton MRICS**  
Director  
For and on behalf of Jones Lang LaSalle Limited

# Chairman and Chief Executive's Statement Valuers Report

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The Directors  
Town Centre Securities Plc  
Town Centre House  
The Merrion Centre  
Leeds  
LS2 8LY

28 July 2018

Dear Sirs

## **Town Centre Securities Plc – 30 June 2018 valuations**

In accordance with your written instructions we have inspected and valued the following properties held by Town Centre Securities Plc and its various subsidiary companies for accounts purposes as at 30 June 2018:

The Merrion Centre, Leeds;  
The Merrion Hotel, Leeds;  
Merrion House, Leeds;  
Homebase, Main Street, Milngavie;  
Waitrose, Milngavie;  
363-381 Byres Road and 9-19 Grosvenor Lane, Glasgow;  
Phases 1 and 2, Central Retail Park, Rochdale;  
6 Duke Street, London;  
106A Kilburn High Road, London;  
9 Cheapside, 9-10 Cheapside, and 12-13 Cheapside, Wood Green;  
448 Holloway Road, London.

The valuations have been prepared in accordance with the RICS Valuation - Global Standards 2017 - including the International Valuation Standards and the RICS Valuation - Professional Standards UK January 2014 (revised April 2015) (the Red Book) and should be read in conjunction with our Valuation Report as at 30 June 2018 on behalf of Town Centre Securities Plc.

The valuations have been prepared in our capacity as external valuers, on the basis of Fair Value. No allowance has been made for expenses of realisation or for taxation that might arise in the event of a disposal, deemed or otherwise and the capital value stated is exclusive of Value Added Tax.

The properties have been considered as if free and clear of all mortgages or other charges which may have been secured thereon. The properties have been valued subject to and with the benefit of any lettings which have been disclosed.

Having regard to the foregoing we are of the opinion that the Fair Value of the freehold interests in the above properties owned by the Group, as at 30 June 2018, subject to and with the benefit of the tenancies currently subsisting, is:

## **£234,075,000 (TWO HUNDRED AND THIRTY-FOUR MILLION AND SEVENTY FIVE THOUSAND POUNDS)**

In accordance with our standard practice, we confirm that our valuations have been prepared for Town Centre Securities Plc and for the purpose to which this certificate refers. No responsibility is accepted to any third party in respect of the information or advice contained herein, except in circumstances where our prior written approval has been granted.

Yours faithfully

Yours faithfully

### **Max Field MRICS**

For and on behalf of CBRE Limited  
RICS approved valuer  
Director

### **Michael Brodtman FRICS**

For and on behalf of CBRE Limited  
RICS approved valuer  
Executive Director



Town Centre Securities Plc became a listed company 58 years ago and has throughout its history provided superior returns to shareholders. As Chairman, I take my responsibilities for ensuring strong corporate governance very seriously.

We have always had a strong independent presence of Non-Executive Directors on our Board and those Directors have provided invaluable support and guidance for me and my fellow Executives having challenged and tested our decisions and strategies. Following the retirement of John Nettleton last year, I was pleased to announce the appointment of Jeremy Collins, formally of John Lewis, to the Board as an Independent Non-Executive Director.

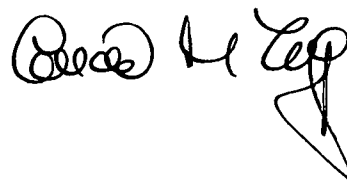
We try wherever possible to comply with the various rules which apply to our Corporate Governance.

Those rules are primarily focussed on much bigger companies than ours and sometimes we have to make pragmatic compromises because of our size and the nature of our shareholder base. Those compromises are always made using common sense and with due consideration of the best interests of all shareholders. That said, we recognise the need to keep up with required changes in the reporting around Corporate Governance, and we continue to increase our level of disclosure. With the appointment of Link Company Matters Limited as Company Secretary and the use of other external experts we have sought to strengthen our governance processes and reporting this year. This will be developed further during the year as the Board looks at how it will implement the new UK Corporate Governance Code.

With the continued evolution of our Board, both at the Executive and Non-Executive level I continue to believe that our Board is one of the most experienced in our sector and should provide investors with absolute confidence that their interests are in safe hands.

**Edward Ziff OBE DL**  
Chairman and Chief Executive

26 September 2018



# Corporate Governance

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## Board of Directors

Details of the Board of Directors are given on pages 52 to 53 of this report. At the end of the year the Board comprised four Non-Executive Directors and four Executive Directors, including the Chairman & Chief Executive.

The key roles and responsibilities are as follows:

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### Chairman:

#### Edward Ziff OBE DL

Leadership of the Board and the Company  
Successful achievement of objectives and execution of strategy  
Responsible for identifying and recruiting Board members  
Ensure long-term business sustainability  
Management and implementation of Board decisions

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### Property Director:

#### Richard Lewis

Identify and propose commercial acquisitions and/or disposals  
Manage development programme  
Propose major projects or bids  
Manage commercial expenditure  
Manage marketing activity of the Company

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### Finance Director:

#### Mark Dilley

Provide advice and guidance on financial strategy  
Ensure the Group's financial commitments, targets and obligations are met  
Budget setting and performance management  
Ensure compliance with statutory regulations  
Assist with shareholder communications  
Oversee all banking and debt facilities  
Board responsibility for IT and data security

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### Managing Director:

#### Ben Ziff

Provide advice and guidance on car parking strategy  
Implement agreed business plan for CitiPark  
Identify and recruit CitiPark senior management team  
Identify and propose car park acquisitions and/or disposals  
Identify and lead relationship with Property and Car Park related technology investments

Our four Non-Executive Directors bring considerable experience and expertise to the work of the Board and provide a significant independent view to our deliberations. They regularly challenge and question the conclusions of the Executive and have a particular focus on the interests of the non-family shareholders.

Under the UK Corporate Governance Code, one of the Non-Executive Directors, Michael Ziff, is not considered to be independent, due to his shareholding and his close family ties. The Board consider that he brings extensive experience and expertise and provides an invaluable contribution to the work of the Board. The remaining three Non-Executive Directors are considered to be independent.

Additionally, under the Code, the Company is required to identify a Senior Independent Non-Executive Director. Ian Marcus and Paul Huberman were appointed on the same day and, while they have different skills and experience neither is senior to the other. Therefore, for the purpose of compliance with the Code, the position will alternate on an annual basis – from the date of this report until the next, it will be Ian Marcus.

The full Board met eight times in the year and the record of Directors' attendance at the Board meetings is set out overleaf. Additionally, the Board meets once a year to review the strategic direction of the Group. The Board manages overall control of the Group's affairs by the schedule of matters reserved for its decision. These include the approval of Financial Statements, business plans, all major acquisitions and disposals, risk management strategy and treasury decisions.

The Board has established two divisional Boards, the Property Review Board and CitiPark Board, which comprise Executive Directors and senior managers and each met ten times during the year. The Board has delegated responsibility to the divisional Boards for assisting the Executive Directors on measures relating to the Board's strategies and policies, operational management and the implementation of the systems of internal control, within agreed parameters.

There is an agreed procedure for Directors to take independent professional advice at the Company's expense, if necessary, in the performance of their duties. This is in addition to the access which every Director has to the Company Secretary. The Group maintains liability insurance on behalf of Directors and Officers of the Company.

On appointment, the Directors are provided with information about the Group's operations, the role of the Board, the Group's corporate governance policies and the latest financial information. Additionally, upon appointment, Directors are provided with induction including training in respect of all their responsibilities in accordance with the UK regulatory regime. Subsequent training is also undertaken as appropriate.

The appointment and removal of Directors is governed by the Company's Articles of Association, the UK Corporate Governance Code and the Companies Act 2006 and other related legislation. The Articles are available on application to the Company Secretary at the Company's registered office.

The Chairman and Chief Executive meets with the Non-Executive Directors at least once a year without the other Executive Directors present to discuss the performance of the Board and to appraise the Chairman and Chief Executive's performance.

# Corporate Governance

## Performance of the Board

The effectiveness of the Board, its committees and Directors were reviewed during the year as part of the September Board proceedings. Given the size of the Board and nature of the business the Directors performed an internal board evaluation.

The evaluation of the Board and its committees, which did not highlight any areas of concern, considered:

- The Directors' understanding of the roles and responsibilities of the Board and of its committees
- The structure of the Group, including succession planning in key areas of the business
- The Board's understanding of the Group's activities and the appropriateness of its strategic plan
- Whether Board meetings effectively monitor and evaluate progress towards strategic goals
- Board composition and the involvement of each Director in the business of the Group
- The overall effectiveness of the Board in the provision of the necessary experience required to direct the business efficiently; and
- The effectiveness of the Board committees in performing their roles

The evaluation of the performance of individual Directors was undertaken by the Chairman and Chief Executive and the performance of the Chairman and Chief Executive was evaluated by the Non-Executive Directors led by the Senior Non-Executive Director, taking into account the views of the Executive Directors.

## Committees of the Board

### Nominations Committee

EDWARD ZIFF (CHAIR)	
IAN MARCUS	
PAUL HUBERMAN	
JEREMY COLLINS	
MICHAEL ZIFF	

### Audit Committee

PAUL HUBERMAN (CHAIR)	
IAN MARCUS	
JEREMY COLLINS	

### Remuneration Committee

IAN MARCUS (CHAIR)	
PAUL HUBERMAN	
JEREMY COLLINS	

### Attendance at Board Meetings

EDWARD ZIFF	8/8
MARK DILLEY	8/8
RICHARD LEWIS	8/8
BEN ZIFF	8/8
DUNCAN SYERS	1/1
MICHAEL ZIFF	8/8
IAN MARCUS	8/8
PAUL HUBERMAN	8/8
JEREMY COLLINS	5/5
JOHN NETTLETON	3/3

### Attendance at Audit Committee Meetings

PAUL HUBERMAN	2/2
IAN MARCUS	2/2
JEREMY COLLINS	1/1
JOHN NETTLETON	1/1

Premier Inn, Whitehall Road, Leeds

# Corporate Governance

## Statement of compliance with the UK Corporate Governance Code

The UK Corporate Governance Code ('the Code') can be found on the FRC's website: [www.frc.org.uk](http://www.frc.org.uk). Under the Code, the Board is required to make a number of statements. These statements are set out below:

### 1. Compliance with the Code:

As a Company listed on the London Stock Exchange TCS Plc is subject to the requirements of the Code. The Board is required to comply with the Code and, where it does not, explain the reasons for non-compliance.

#### Statement of compliance with the Code

The Board has considered the principles and provisions of the Code, published by the Financial Reporting Council ('FRC'). The Code contains five main principles: leadership, effectiveness, accountability, remuneration and relations with shareholders. The Board of Directors has complied with the Code throughout the year except for the following matters:

#### Explanation of departures from the Code

##### Provision A.2.1

The roles of the chairman and chief executive should not be exercised by the same individual. EM Ziff became chief executive in 2001 and succeeded his Father and Founder of the Company as Chairman in 2004. The Board unanimously agreed that, for cost efficiency, that taking on both roles would be in the Company's best interests. The Board is focused on the commercial success of the Company and believes that continuing the combined position of Chairman and Chief Executive is the best way to achieve this.

EM Ziff was offered for reappointment at the 2016 Annual General Meeting ('2016 AGM'), with his appointment being approved by 91% of shareholders.

##### Provision B.7.1

All directors of FTSE 350 companies should be subject to annual election by shareholders. Although the Company is outside the FTSE 350, the Chairman and Chief Executive and the Executive Directors voluntarily offer themselves for retirement by rotation at the AGM. Details of the re-election proposed are provided in the Notice of AGM on pages 119 to 120.

##### Provision D.1.5

Notice or contract periods should be set at one year or less. The Chairman and Chief Executive has a service contract with a notice period greater than one year.

Given the long term knowledge and experience of the Chairman and Chief Executive, the Board believes the longer notice period continues to be appropriate.

### 2. Going Concern:

The Board is required to confirm that the Group has adequate resources to continue in operation for at least 12 months.

The Directors are satisfied that the Group has adequate resources to continue to be operational as a going concern for the foreseeable future and therefore have adopted the going concern basis in preparing the Group's 2018 financial statements. More details can be found in the Risk Report on page 64 and the Director's Report on page 79.

### 3. Viability Statement

The Board is required to assess the viability of the Company taking into account the current position and the potential impact of the principal risks and uncertainties facing the business.

The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years. Our Viability Statement can be found in the Risk Report on page 70.

### 4. Principal Risks facing the Group

The Board is required to confirm that a robust assessment of the principal risks facing the Company has been carried out and should describe those risks and explain how they are being managed or mitigated.

A robust assessment of the principal risks facing the Company was undertaken during the year, including those that would threaten its business model, future performance, solvency or liquidity. These risks and how they are being managed or mitigated can be found in the Risk Report starting on page 64.

### 5. Risk Management and Internal Control

The Board is required to monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness.

The Board conducted a review of the effectiveness of the systems of risk management and internal control during the year, and considers that there is a sound system in place. More detail can be found in the Audit Committee Report on page 62.

### 6. Fair, balanced and understandable

The Board should confirm that it considers the Annual Report, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors consider, to the best of each person's knowledge and belief, that the Annual Report, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. This is considered in the Audit Committee Report on page 62 and the Statement of Director's Responsibilities on page 80.

# Corporate Governance

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## **Relations with Shareholders**

The Board is committed to maintaining good communications with shareholders. The Chairman and Chief Executive and Finance Director maintain a dialogue with institutional shareholders and analysts immediately after the announcement of the half year and full year results. Their views are reported to the Board as appropriate. The Company also encourages communications with private shareholders throughout the year and welcomes their participation at shareholder meetings.

The principal communication with private shareholders is through the Annual Report and Accounts, the Half Year report and the Annual General Meeting (AGM). The Notice of AGM and related papers are communicated to shareholders at least 20 working days before the meeting to give shareholders sufficient time to consider the business of the meeting. All Directors attend the AGM and shareholders are given the opportunity to ask questions of the Board and meet all the Directors informally after the meeting.

Separate resolutions are proposed for each item of business and the proxy votes for, against and withheld are announced. An announcement confirming resolutions passed at the AGM is made through the London Stock Exchange immediately after the meeting. The Senior Independent Director is available to shareholders at all times if they have concerns they wish to raise.

The Group has a comprehensive website on which up to date information is available to all shareholders and potential investors ([www.tcs-plc.co.uk](http://www.tcs-plc.co.uk)).

Merrion House, Leeds

# Corporate Governance

## Nominations Committee Report

.....

Dear Shareholder,

Following the retirement from the Board of John Nettleton, I am pleased to have taken over as Chairman of the Nominations Committee. In addition to my appointment our newest Non-Executive Director, Jeremy Collins has joined the Committee. Therefore, together with Ian Marcus and Paul Huberman, the Committee has

three independent members plus myself and Michael Ziff.

The Committee meets when circumstances require it to do so.

### **Responsibilities of the Nominations Committee**

The Committee is responsible for the regular review of the structure, size and composition (including the skills, knowledge, independence and experience) of the Board and it makes recommendations to the Board with regard to any changes.

The Committee also considers succession planning for the Executive Board in the course of its work, taking into account the challenges and opportunities being faced and the skills and expertise required.

### **Work of the Committee during the year**

The Committee undertook two main activities in the year. Firstly, the appointment of Jeremy Collins as an independent Non-Executive Director. Secondly, the appointment of Lynda Shillaw as Property Director to succeed Richard Lewis who had informed the Board of his intention to retire.

Jeremy formally joined the Board in February 2018, and his knowledge of the retail environment has already been invaluable to the Board. The Board recognised the benefits to the Company of additional retail experience. With Jeremy, and his experience, already known to some members of the Board, no external consultancy firm was used. He spent time with all members of the Board and his appointment was subsequently approved. In replacement of Richard Lewis a detailed search process was undertaken with support of Thomas Cole Kinder the executive search firm. Thomas Cole Kinder had previously been used in the appointment of Mark Dilley as Group Finance Director. We were delighted as a Board to appoint someone of Lynda's experience and look forward to welcoming her to the Company.

### **Diversity**

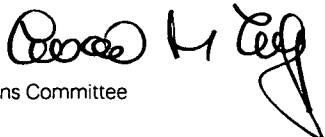
The Board embraces the supporting principles on diversity in its broadest sense enshrined in the UK Corporate Governance Code.

The Board is committed to ensuring an appropriate balance of skills, knowledge and experience on its board. Diversity is a vital part of the continued assessment and enhancement of board composition, and the Board recognises the benefits of diversity amongst its members, and the senior team.

All Board appointments are made on merit and we are pleased that the appointment of Lynda Shillaw as Property Director broadens the Board from the perspective of diversity in addition to the significant experience that Lynda brings to the Company.

With Lynda's appointment, the Board will consist of seven men and one woman. At the Senior Management level within the business, below the Board, there are five men and one woman.

Edward Ziff OBE DL  
Chairman of Nominations Committee



Carvers Warehouse, Manchester

# Corporate Governance

## Audit Committee Report

.....

Dear Shareholder,

As Chairman of the Audit Committee ('the Committee') I am pleased to present the report of the Committee for the year ended 30 June 2018.

The Audit Committee consists of three of the Board's Independent Non-Executive Directors. As Chairman of the Audit Committee I am a qualified Chartered Accountant and

**Paul Huberman**  
Chairman, Audit Committee

experienced senior finance executive having been Finance Director of three different listed companies, and more recently as a Non-Executive Director at Galliard Homes and Grit Real Estate Income Group. Ian Marcus has a breadth of experience in Investment Banking, and as a Non-Executive Director with past Audit Committee responsibilities. Jeremy Collins joined the Committee upon his appointment to the Board earlier this year. Jeremy was, until recently, Property Director at John Lewis. Executive Directors, including Edward Ziff and Mark Dille, join Committee meetings by invitation. The Committee meets alone with the External Auditor without Executives present at least twice a year.

The Audit Committee carries out an annual review of its Terms of Reference following which it recommended to the Board that the Terms of Reference were amended in order to reflect best practice. This is available to view on the TCS website.

### Responsibilities

The Committee's role includes assisting the Board to discharge its responsibilities and duties for financial reporting, internal control, management of risk and the appointment, reappointment and remuneration of an independent external Auditor. The Committee is responsible for reviewing the scope, terms of engagement and results of the audit work and the effectiveness of the Auditor. The Committee is responsible for monitoring the integrity of the financial statements, announcements and judgements, as well as reviewing the Company's internal financial controls. The Committee also satisfies itself of the Auditor's independence and objectivity, reviews and approves the level of non-audit services, and the Group's arrangements on whistleblowing. Any matter the Committee considers needs action or improvement is reported to the Board.

### Report on the Committee's activities during the year

During the year, the Committee met two times and discharged its responsibilities by:

- Reviewing the Group's draft annual report and financial statements and its interim results statement prior to discussion and approval by the Board
- Reviewing the continuing appropriateness of the Group's accounting policies
- Reviewing BDO's plan for the 2018 Group audit and approving their terms of engagement and proposed fees
- Reviewing reports prepared by management on internal control issues as necessary
- Considering the effectiveness, objectivity and independence of BDO as external Auditor and recommending to the Board their reappointment
- Reviewing management's biannual risk review report and the effectiveness of the material financial, operational and compliance controls that help mitigate the key risks

- Reviewing the effectiveness of the Group's whistleblowing policy
- Monitored the level of non-audit fees and the scope of non-audit services provided in the year by the Auditor
- Reviewing the IT audit undertaken to review IT infrastructure and security
- Considering management's approach to the Viability Statement in the 2018 Annual Report
- Reviewing and updating the terms of reference of the Audit Committee
- Carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee

### Significant issues considered in relation to the financial statements

During the year, the Committee considered key accounting matters and judgements in respect of the financial statements relating to:

- Investment Property Valuation - The Committee reviewed the Reports of the Independent Valuers JLL and CBRE
- Treatment of property sales and acquisitions in the year including the sales of 1-23 Shandwick Place and Princes Street, and the acquisition of Ducie House - The Committee agreed with the approach of these transactions being recognised in the reported year given contracts have been exchanged and were binding, even where completion had not occurred
- The additional investment in YourParkingSpace, and the likely future accounting treatment required to meet fair value requirements - The Committee agreed that the current valuation reflects fair value, although this needs to be kept under regular review
- Going concern and covenant compliance - The Committee reviewed and approved the Going Concern analysis
- Viability Statement and appropriateness of the period of the statement - The Committee reviewed and agreed the longer term viability analysis and recommended timeframe
- Income recognition accounting treatment relating to the disposal of Brownsfield Mill - The Committee reviewed the options considered by management for income recognition and approved the approach of recognising income based on a risk weighted assessment of units sold and units under offer
- Accounting treatment in relation to Merrion House Financing - The Committee reviewed the analysis provided by management with the advice of third parties, and approved the approach of treating the transaction as a loan for accounting purposes

### Fair, balanced and understandable

In its review the Audit Committee has determined that the 2018 Annual Report, taken as a whole, is fair, balanced and understandable and provides shareholders with the necessary information to assess the Company's position and performance, business model and strategy.

### Risk Management and Internal Controls

Provision C.2.3 of the UK Corporate Governance Code provides that the Directors should monitor the company's risk management and internal control systems and, at least annually,

# Corporate Governance Audit Committee Report

carry out a review of their effectiveness and should report to shareholders in the Annual Report.

The monitoring and review should cover all material controls, including financial, operational and compliance controls. The Board recognises that effective risk management is critical to the achievement of the Group's strategic objectives, and the Audit Committee plays a key role in reviewing identified risks and assessing the effectiveness of mitigation plans.

The principal risks and uncertainties identified by the Board and the processes in place to manage and mitigate such risks are summarised in the Risk Management section.

The system is designed to give the Board confidence that the risks are being managed or mitigated as far as possible. However, it should be noted that no system can eliminate the risk of failure to achieve the Group's objectives entirely and can only provide reasonable but not absolute assurance against material misstatement or loss.

The key elements of the internal control framework are as follows:

- A comprehensive system of financial budgeting and forecasting based on an annual budget in line with strategic objectives. Performance is monitored and action is taken throughout the year based on variances to budget and forecast
- Rolling eighteen month cash flow forecasting that is reviewed by the Board on a monthly basis
- An organisational structure with clearly defined roles, separation of duties, and authority limits
- Close involvement of the Executive Directors in day to day operations, and regular formal meetings with senior management to review the business
- Monthly meetings of the Executive, the Property Review Group, the CitiPark Board, and quarterly meetings of the IT and Data Governance Committee
- A documented appraisal and approval process for all significant capital expenditure
- Approval by the Board for all material acquisitions, disposals and capital expenditure
- The maintenance of a risk register, and a formal review of significant business risks twice a year
- A formal whistleblowing policy and anti-bribery policy

The Board has delegated responsibility for reviewing the effectiveness of the risk management framework and internal control to the Audit Committee.

## Oversight of the external Auditor

BDO were appointed as the Company's auditors following a formal tender process in 2015/16.

Current UK regulations require rotation of the lead audit partner every five years, a formal tender of the auditor every ten years and a change of auditor every twenty years. The 2018 audit was the third audit by Russell Field and we anticipate him continuing in role in 2019.

BDO presented their audit plan for the year end to the Board, where the key audit risks and areas of judgement were highlighted and the level of audit materiality agreed.

BDO presented detailed reports of their findings to the Committee before the Interim and Full Year results. The Committee questioned and challenged the work undertaken and the key assumptions made in reaching their conclusions.

The Committee recognises the importance of auditor objectivity and independence and understands that this can be compromised by the provision of non-audit work. All taxation advice is provided separately by PwC. However, there may be certain circumstances where, due to BDO's expertise and knowledge of the Company, it's appropriate for them to under-take non-audit work. In the last year two main topics have been deemed appropriate, namely the accounting for the Merrion House financing arrangement and the detailed audit of IT Infrastructure and Security. BDO have confirmed to the Audit Committee that they remain independent and have maintained internal safeguards to ensure the objectivity of the engagement partner and audit staff is not impaired.

Audit fees for the year are broken down as follows:

	£000's
Audit of Year End Consolidated Financial Statements	82
Audit of Company subsidiaries pursuant to legislation	10
Interim review of half year results	14
Review of accounting for Merrion House financing	4
<b>Total Audit Services</b>	<b>110</b>
IT Audit	35
Other non-audit services	4
<b>Total Auditor's remuneration</b>	<b>149</b>

## Internal Audit

The Group does not have a dedicated stand-alone internal audit function. This decision is made taking into account the size and complexity of the Group. Where appropriate reviews are either carried out by staff members, or where appropriate by third party experts.

The need for an internal audit function is considered by the Audit Committee annually.

## Whistleblowing

The Group has in place a whistleblowing policy which encourages employees to report any malpractice or illegal acts or omissions or matters of similar concern by other employees or former employees, contractors, suppliers or advisors. The policy provides a mechanism to report any ethical wrongdoing or malpractice or suspicion thereof. The Committee review this policy annually.

## Committee Evaluation

As part of the Board and Committee self-evaluation process it was felt that the Committee continues to operate at a high standard and was effective in its support to the Board during the year.



**Paul Huberman**  
Chairman of Audit Committee



# Corporate Governance

## Risk Management

We take Risk Management very seriously within the business, such that reference to, and consideration of, key risks form part of the day to day workings of the Company. Whilst we recognise that a level of risk taking is inherent within the running of a commercial enterprise, we work to ensure that risk assessment and mitigation is central to business planning and decision making.

The business has a number of formal meetings during the year where Risk Assessment is an essential element of the agenda. They include but are not limited to:

**Annual Strategy Review** – begins with a review of key risks facing the business and a review of how the strategy will best mitigate those risks.

**Bi-annual Audit Committee** – undertakes a formal review of the risk register and mitigating action plans.

**Quarterly IT and Data Governance Committee** – Chaired by the Group Finance Director, this committee of senior management reviews IT and data specific risks and ensures that key risks are understood and managed. Includes a review of adherence to the new GDPR regulations.

**Monthly Board Meetings** – Each meeting includes a review of financial performance, debt levels and banking covenants, an IT update, and a review of the papers and actions from the Property Review Group (see below).

**Monthly Property Review Group** – A meeting of the Executive Board and senior Property and Finance management, tasked at undertaking a review of the Property Portfolio. This includes occupancy levels, tenancy changes, adherence to payment terms and bad debt levels, and Health and Safety and IT related matters.

**Monthly CitiPark Board Meeting** – a meeting of the Executive Board and senior CitiPark, Property, and Finance management, tasked at reviewing the performance of the CitiPark business, including key risks and areas such as IT and Health and Safety.

**Joint Venture Board Meetings** – Formal Board structures and quarterly Board meetings are in place for the Company's two main joint venture companies; Merrion House LLP and Belgravia Living Group Ltd.

**YourParkingSpace.co.uk ('YPS')** – Following investment in YPS, TCS Board Directors sit on the Board of YPS, which meets formally on a quarterly basis.

Our Principal Risk Register is summarised as follows:

	Risk	Likelihood	Impact	Change YOY
<b>Macro Economic</b>	Economic and Political Outlook	High	Medium	No Change
<b>Corporate</b>	Strategy	Low	High	No Change
	People	Low	High	No Change
	Systems, Process and Financial Management	Low	High	Improving
	GDPR	Low	High	Improving
	Regulatory and Tax Framework	Low	High	Improving
	Major Incident / Business Disruption	Low	High	No Change
<b>Property</b>	Investment Risk	Medium	Low	Improving
	Development Risk	Low	High	No Change
	Valuation Risk	Low	Medium	Improving
	Tenant and Sector Risk	Medium	Medium	Worsening
<b>Financing</b>	Capital and Financial Risk	Low	High	No Change
	Cost of Debt	High	Medium	Improving



# Corporate Governance

## Risk Management

### MACRO-ECONOMIC RISKS

#### Economic and Political Outlook

##### The Risk:

A broad economic downturn, potentially as a result of Brexit, or broader cyclical reasons.

##### Likelihood:

High.

##### Impact:

Medium. Impact could be seen in tenant failures, falling asset values, rising debt costs, or less debt availability.

##### Mitigation:

An economic downturn at some point in the cycle is inevitable, with the risk accentuated as a result of Brexit. TCS would not escape the impact of an economic downturn, however specific mitigating factors for TCS include:

- Rents paid in advance, and with a steady and predictable property income stream, we should be better protected from sudden shifts in the economy
- We have a market leading level of occupancy and a long history of ensuring payment on time from tenants
- We do not generally undertake speculative developments, therefore minimising risk in that part of the business
- The CitiPark business is more susceptible to quicker changes in income and would need closer management. However, with a concentrated portfolio of Car Parks in highly sought-after locations we believe demand is unlikely to swing dramatically
- With new bank agreements in place ranging from 3 to 5 years in length, and the long-term debenture accounting for c60% of our debt we are well protected from changes in the lending markets

##### Movement in year:

No change.

### CORPORATE RISKS

#### Strategy

##### The Risk:

The Company's strategy is inappropriate for the current stage of the property cycle and the economic climate.

##### Likelihood:

Low.

##### Impact:

High. Impact would be in the ultimate form of lower profits and therefore a pressure on dividend and shareholder return.

##### Mitigation:

The Board undertakes regular reviews of the Strategy and believe the following help mitigate the risk:

- All key decisions are reviewed and approved at Board level
- The strategy of developing diverse multi-use sites and lowering exposure to retail helps to mitigate the risk
- The experience and expertise of the team, particularly in relation to the property markets of Leeds and Manchester is a key strength
- The presence of the Ziff Concert Party ensures a strong alignment of management and shareholder aims

##### Movement in year:

No change.

#### People

##### The Risk:

The inability to attract and retain high calibre staff.

##### Likelihood:

Low.

##### Impact:

High. The ongoing success of the company is reliant upon the delivery and engagement of management and staff.

##### Mitigation:

The company benefits from the long service of a number of key individuals, including family members of the Concert Party which helps guarantee stability. In addition:

- Base salary packages are kept competitive within the market
- The Remuneration Committee reviews succession plans and pay levels annually
- New recent appointments, including at Board level demonstrate the attractiveness of the business to new recruits at all levels
- Continued financial success of the business combined with the development opportunities the company has makes the Company attractive to new recruits

##### Movement in year:

No change.

Wade House, Leeds

# Corporate Governance Risk Management

## Systems, Processes and Financial Management

### The Risk:

Weak controls putting at risk the protection of the Company's assets and ability to deliver on its strategy.

### Likelihood:

Low.

### Impact:

High. Risk of financial loss, fraud, and suboptimal returns.

### Mitigation:

The company has a strong culture of safe-guarding assets, being conservative in its approach, and using professional experts to ensure risk levels are low:

- IT systems are supported in house, and are updated as necessary
- A new property and accounting IT solution has been implemented in the last few years to ensure we remain well controlled in this respect
- A recent IT review highlighted opportunities to go further and actions are being taken to ensure we remain robust in this respect
- Financial processes relating to cash are tight, robust, and regularly reviewed. Clear and separated authorisation processes are in place and robustly adhered to
- Insurance policies are fully in place to safe guard assets
- Staff are trained in all aspects of cyber security and penetration and phishing tests are carried out to test for weaknesses
- A summary of the internal financial control review processes can be found in the Audit Committee report

### Movement in year:

Improving following audit and GDPR related actions.

## GDPR

### The Risk:

Financial and reputational risk arising from a breach of GDPR regulations.

### Likelihood:

Low.

### Impact:

High. Potential fines and impact of customer trust are both significant.

### Mitigation:

Given the nature of the business we do not hold significant amounts of customer data, with the CitiPark business our highest risk area. That said, the company has taken seriously the requirements of the new legislation and have implemented a detailed action plan that has been reviewed at Board level. Key aspects include:

- Updating all Privacy related statements and policies
- Training all staff on theirs and the company's responsibilities
- Instigating an IT & Data Governance Committee to oversee all aspects of GDPR and wider cyber security
- Commissioned DLA to review the company's plan and ensure it is fit for purpose

### Movement in year:

Improved following higher requirements of GDPR.

## Regulatory and Tax Framework

### The Risk:

Non-compliance with tax, legal, or regulatory obligations.

### Likelihood:

Low.

### Impact:

High. Risk of financial penalties, reputational damage, and incurring higher levels of cost than required.

### Mitigation:

The Company takes its legal responsibilities seriously. Matters are reviewed regularly at Board and Audit Committee level, and the company makes use of third party professional services to ensure compliance. Actions include:

- Link Company Matters engaged as formal Company Secretary for the business, with full Board attendance and in the giving of advice and recommendations to the Company
- PwC are engaged as the Company's tax advisors and are tasked with ensuring we remain compliant in all aspects of Tax

### Movement in year:

Improved following appointment of Link as Company Secretary.

## Major Incident / Business Disruption

### The Risk:

The cost and business down-time as a result of a major incident.

### Likelihood:

Low.

### Impact:

High. Primarily the risk associated with disruption at the Merrion Centre, partly due to the proportion it makes up of the portfolio and partly as it houses the Company's head office.

### Mitigation:

The provision of insurance across the portfolio is the main mitigation to this risk, with policies in place to protect income as a result of disruption. In terms of disruption to the head office the following actions are in place:

- Key personnel have laptops to enable remote working
- Back up procedures are in place to ensure minimal loss of data in the event of damage to IT hardware
- IT audit has recommended further protections which we are in the process of putting in place

### Movement in year:

No Change.

# Corporate Governance

## Risk Management

### PROPERTY RISKS

#### Investment Risk

##### The Risk:

New investment opportunities cannot be sourced at economic prices.

##### Likelihood:

Medium.

##### Impact:

Low. Although we are seeing signs of this within the market place, our strategy and mitigating actions minimise the impact.

##### Mitigation:

The company has clear plans in place to minimise the impact of this risk. This includes:

- For the majority of investment targets the Company is looking to position itself seeking assets of higher value than the majority of individual investors, but lower than many of the larger property or overseas investors. (eg recent Chiswick High Street purchase)
- The Company looks to build strong relationships with other Partners with the aim of generating opportunities that can be exploited together. For example, our Belgravia Living PRS venture, and our partnership with Leeds City Council to develop George Street in Leeds
- In addition, the existing portfolio has more than enough development opportunity to ensure that the company has the opportunity to grow even if asset purchase prices continue to rise

##### Movement in year:

Improving following recent partnerships.

### Development Risk

##### The Risk:

The potential risks arising from Development projects including keeping to cost estimates and renting newly developed properties.

##### Likelihood:

Low.

##### Impact:

High. Scale of such projects inevitability means they are of material size to the Company.

##### Mitigation:

The company has numerous actions in place to mitigate such risks including:

- Build projects are generally contracted with third parties on a fixed cost basis (eg recent Merriam House development)
- Where possible the company will only undertake a development where there is a significant level of pre-let commitments
- Where that is not possible (eg PRS residential investments) a detailed market analysis will be undertaken, and the Company will ensure that locations are in high demand and that target rental levels are achievable (eg Piccadilly Basin, Manchester)
- When in Joint Venture, formal Board structures are created with at least quarterly meetings to review progress and performance and to ensure that all development risks are being appropriately managed

##### Movement in year:

No change.

### Valuation Risk

##### The Risk:

The impact on the business of a material devaluation in assets.

##### Likelihood:

Low.

##### Impact:

Medium.

##### Mitigation:

The key mitigation to this risk is ensuring there is enough headroom in terms of uncharged assets of undrawn, charged facilities. Key actions include:

- All three bank facilities renewed or extended in the June '18, extending the life of the facilities to between 3 and 5 years
- All three facilities now able to take development and car park assets, maximising our drawdown ability
- In addition, Lloyds facility has removed any cap on such assets.
- The long-term debenture provides protection specifically in the fact that asset cover can drop from the required 1.67x to 1.5x without triggering a covenant break
- The implementation of the Merriam House financing agreement will further lower borrowing levels and gearing

##### Movement in year:

Improving position given increased facility headroom.

Piccadilly Basin, Manchester

# Corporate Governance

## Risk Management

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### Tenant and Sector Risk

**The Risk:** Risk of individual tenant failures, or exposure to a specific sector.

**Likelihood:**  
Medium.

**Impact:**  
Medium.

**Mitigation:**

Despite the recognised difficulties in Retail the risk remains low for the Company for the following reasons:

- In the last 5 years the Company has significantly reduced its exposure to Retail from 78% to 58% of income at December '18
- The Merrion Centre shift to a mixed-use asset, now only depends upon Mall Retail for 24% of its income
- We have a broad and diversified range of tenants with limited exposure to individual tenants with our top tenants being Leeds City Council, Waitrose, Morrisons and Pure Gym
- CitiPark income helps further mitigate the reliance on specific property tenants

**Movement in year:**

Worsening given challenges in Retail market.

### FINANCING RISKS

#### Capital and Financial Risk

**The Risk:**  
Company has insufficient funds / lines of credit.

**Likelihood:**  
Low.

**Impact:**  
High.

**Mitigation:**

The majority of mitigating actions are contained with the Valuation Risk category above. In addition:

- The Board reviews cash balances, forecast cash flow, borrowing levels and headroom on a monthly basis
- The Company has long standing relationships with its banks, and demonstrated during the last down turn the strength of its conservative approach and strong bank relationships

**Movement in year:**

No change.

### Cost of Debt

**The Risk:**  
The financial impact of rising debt costs.

**Likelihood:**  
High.

**Impact:**  
Medium.

**Mitigation:**

The following actions help mitigate the risk to the Company:

- Fixed long term debenture borrowing in place to 2031 accounts for over 50% of debt
- Having renewed or extended all three bank facilities in June '18, bank margins are locked in for 3-5 years
- Covenant testing highlights the significant amount of income to interest headroom the company has
- Moving Libor rates will impact the Company's P&L and the Board takes this into account when considering 3-year budgets and affordability

**Movement in year:**

Improved following bank re-financings.

### GOING CONCERN

The Directors confirm that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the signing of these financial statements. This confirmation is made having taken into account the Company's latest rolling forecast, in particular the cash flows, borrowings and undrawn facilities. Furthermore, the Directors consider headroom under the Company's financial covenants, and its options for recycling capital. The Board also consider the principal risks that could impact on the Company's liquidity and solvency over the next 12 months.

Based on the above, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 30 June 2018.

Urban Exchange, Manchester

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# Corporate Governance

## Risk Management

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### VIABILITY STATEMENT

In accordance with the requirements of the UK Corporate Governance Code, the Board have assessed the prospects of the Company and future viability over a three-year period, longer than the 12 months required by the Going Concern provision. The Board conducted this review taking into account the Company's long-term strategy, principle risks, attitude to risk, and the current health of the company's finances, and future plans.

The Board conducted this review considering a three-year future period, consistent with the three-year budgeting process than the company undertakes annually. The three-year period allows the business to review cash flows, dividend cover, borrowing headroom and other key financial ratios. It also considers alternative scenarios, and it requires the business to have clarity on its approach to bank financing over a longer period.

In reviewing this longer term view the Board considers the risks covered in this Risk Management review. In particular the key risks identified are:

- Changes in the Macro-economic environment effecting rental income levels and property values
- Changes in level of Tenant and Sector risk effecting occupancy levels and lettings
- Changes in availability of Capital effecting committed expenditure and investment transactions

The Board have also taken into consideration the strong current financial position and the secure, newly updated debt facilities.

Based on the results of their review, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Man Behind the Curtain, Vicar Lane, Leeds (image courtesy of MBTC)

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# Corporate Governance Directors Remuneration Report

Dear Shareholders,

On behalf of the Board I am pleased to present the Directors' Remuneration Report of the Remuneration Committee (the 'Committee'). The report is divided into three sections:

- This annual statement for the year ended 30 June 2018, which summarises remuneration outcomes and how the Remuneration Policy will operate for the year ending 30 June 2019
- The Remuneration Policy

Ian Marcus  
Chairman, Remuneration  
Committee

Report, which details the Group's policy on the remuneration of Executive and Non-Executive Directors which was approved by shareholders at the 2017 AGM

- The Annual Report on Remuneration which explains how the Remuneration Policy was implemented in the year ended 30 June 2018, and how the Remuneration Policy will be implemented for the year ended 30 June 2019

As no changes are being proposed to the Remuneration Policy which was approved by shareholders last year, only the Annual Statement and Annual Report on Remuneration will be subject to a vote at the forthcoming 2018 AGM.

As the Remuneration Policy will not be subject to a vote at the 2018 AGM, the Remuneration Policy report remains unchanged from 2017, with the addition of scenario charts which were disclosed in the Annual Report on Remuneration last year. This policy was approved at the 28 November 2017 AGM.

Following the retirement of John Nettleton, I have taken over as Chairman of the Committee, which also includes Paul Huberman and Jeremy Collins. We formally met twice during the year.

## Pay and performance during 2018

In determining the bonus award levels for the year ended 30 June 2018 the Remuneration Committee have taken full account of the progress made by the Company in the past year. Continued strong profit delivery and resultant dividend levels, combined with the material repositioning and strengthening of the portfolio, have made for a very successful year of change for the Company.

## Bonus award for year ended 30 June 2018:

The maximum bonus for the Executive Directors was unchanged from 2017 at 60% of base salary. The Committee has approved actual awards in the region of 40% – 45% of base salary for 2018.

The financial performance assessment considered the following achievements:

- EPRA profit broadly maintained year on year ('YOY') despite significant portfolio change and improvement
- Profit before revaluation of £8.6m, up 16.9% YOY
- CitiPark operating profit up 3.7% YOY
- NAV per share up 6.8% YOY at 384p
- Loan to Value, after Merrion House financing down to 45.3% from 49.3% last year
- Dividend proposed at 11.75p, being the 58th year without reduction, with the dividend being fully covered

In addition to financial performance, the strength and security of the Group has been materially improved in the last year, with key factors being:

- Completion and refinancing of Merrion House
- Reduction in exposure to Retail to 55% of the portfolio from 70% in two years
- Complete refinancing, extension and terms improvements of all the bank facilities in the year
- Further improving the quality and opportunity of the development pipeline with the purchase of Ducie House, Manchester, the partnership with Leeds City Council on George Street, Leeds, and the advanced stage of construction of Burlington House, Manchester
- Gains from asset sales above valuation
- Net increase in asset valuation. Although this is often market driven we suggest this improvement in valuation is largely as a result of management actions including the strong management of assets such as the Merrion Centre, the achievement of detailed planning permissions within the development pipeline, and the increase in valuation of more recently completed assets such as the two hotels
- Successful recruitment and effective induction and integration of a new Group Finance Director, and Non-Executive Director, and beginning the process of recruiting a new Property Director

## Other activities and key decisions of the Committee during the year

In accordance with its terms of reference, the Committee continues to review the remuneration policy periodically to seek to ensure a clear linkage between Executive Directors pay and Group performance. In reviewing the policy, the Committee not only assesses the alignment between policy, strategy and shareholder interests, but also the extent to which remuneration is sufficiently competitive to recruit, motivate and retain key talent. As part of this year's review, the Committee commissioned Willis Towers Watson to undertake a market benchmarking exercise for sector peers of a similar size. Willis Towers Watson have no previous connection with the Company.

As a result of this review the Committee has come to a number of conclusions:

- Overall Maximum Potential Remuneration ('MPR') for Executive Directors is low in comparison to the Company's property sector peers. Whilst base salaries are competitive, maximum bonus opportunity is significantly lower than that of peers
- Actual remuneration is also low relative to peers, with an average bonus pay-out of 18% of base salary over the last 5 years
- The lack of a Long-Term Incentive Plan ('LTIP') contributes to lower overall pay levels and means that remuneration does not actively assist to align Executives to longer-term shareholder interests

As a result of these conclusions the Committee has made the following decisions:

- A more detailed review of the remuneration policy is required to focus on reviewing the bonus opportunity and targets, and the potential introduction of an LTIP



# Corporate Governance Directors Remuneration Report

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- In order for the Committee to give the matter due consideration, it is the Committee's intention to continue this review during the 2018/19 financial year with a view to setting forth proposals for our shareholders to consider at the 2019 AGM or before if appropriate

## Implementation of the remuneration policy in 2019

- From October 2018 salaries will increase by 5% for Edward Ziff, 5% for Mark Dilley, and 20% for Ben Ziff. These award levels have been informed by the total remuneration benchmarking exercise undertaken for the Remuneration Committee
- The annual bonus opportunity will remain at a maximum of 60% of salary. The bonus will be based on similar measures to 2018. The weightings, measures and targets will be disclosed retrospectively in our subsequent report, owing to commercial sensitivity
- Pension and benefits will operate as per 2018

Building on work carried out in 2018, we are continuing to improve the level of disclosure provided in the Directors' Remuneration Report for the benefit of our shareholders.

## Board changes

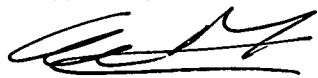
As aforementioned in this report, following Richard Lewis' decision to retire, the Committee has undertaken a significant market exercise to appoint a replacement capable of continuing the excellent work undertaken by Richard to reposition the portfolio. As of 21 August 2018 we were delighted to announce the appointment of Lynda Shillaw as Property Director.

Lynda Shillaw will join the Company on a Salary of £395,000 pa, with benefits, pension contributions and bonus schemes to match Executive Directors Mark Dilley and Ben Ziff. This package was agreed following negotiation with Lynda and input from the executive search firm Thomas Cole Kinder to ensure an appropriate position was reached that benefited both Lynda and the Company. Lynda Shillaw will not receive any one-off awards nor share incentive or bonus buy-outs.

This report has been approved by the Board.

**Ian Marcus**

Chairman of Remuneration Committee



## REMUNERATION POLICY REPORT

### Policy Report

The Remuneration Committee implements the Group's policy, which is to provide remuneration packages with fixed and variable elements that fairly award the Executive Directors for their contribution to the business. It seeks to ensure that the packages are sufficiently competitive to attract, retain and motivate the Directors to manage the Group successfully, without making excessive payments. The policy seeks to achieve the Group's strategic and financial objectives by aligning the interests of the Directors and shareholders.

### Fixed remuneration

The fixed element of Directors' remuneration comprises base salary, benefits and pension (see below for the pension). This element seeks to ensure that the Group attracts and retains appropriately talented individuals and provides a framework for them to save for retirement. The Committee considers the overall balance between the elements. Salaries are determined with regard to individual and Group performance and to market rates and comparable roles at comparable companies. Benefits principally comprise company cars or a salary alternative, permanent health and medical insurance premiums. The Chairman and Chief Executive receives re-imbursement of the costs of maintaining a flat in London which is regularly used for company meetings. The value of the benefits are not pensionable.

Edward Ziff and Richard Lewis receive no pension contributions.

The Group makes payments to a defined contribution scheme for Mark Dilley of 13% of salary and for Ben Ziff of 13% of salary.

### Variable remuneration

The Group operates an annual bonus plan under which awards are discretionary and the Committee considers the performance of each individual Director and of the Group in assessing the level of payments under the plan. In particular profit and growth in shareholder value (measured by the increase in net asset value per share and dividends paid as well as any increase in share value) were carefully considered by the Remuneration Committee in awarding the bonus reported when such increases were the result of Directors' input. The maximum award is up to 60% of salary. This bonus is not pensionable. It is Group policy to reward exceptional growth or performance.

The Directors participate annually in the Share Incentive Plan (All Employee Incentive Plan) which was approved by shareholders in December 2003. The current investment limit is £1,800 per annum with a share matching element equal to 100% of the investment made subject to forfeiture should the individual cease to be employed during the first three years of the plan.

# Corporate Governance

## Directors Remuneration Report

### Service agreements and external appointments

The Chairman and Chief Executive has a service contract that is subject to not less than 2 years notice. Richard Lewis has no service contract; Mark Dilley and Ben Ziff have service contracts with one years' notice. The contracts provide for retirement at 65. The Group can discharge any obligation in relation to the unexpired portion of their notice period or any notice required to be given under their service contracts by making a payment in lieu thereof. If the Group terminates the contract without giving notice and/or makes a payment in lieu of any damages to which the Executive may be entitled the payment is to be calculated in accordance with common law principles including those relating to mitigation of loss and accelerated receipt. Executive Directors are permitted to accept Non-Executive appointments by prior arrangement and approval and provided there is no conflict with the Group's objectives. All Non-Executive positions are listed in the Director's biographies; none of the Executive Directors receive any remuneration for those activities.

### Non-Executive Director Remuneration

The Non-Executive Directors do not have service contracts. They are appointed for an initial three-year period and this may be renewed on expiry of that period. The Non-Executive Directors are not entitled to participate in bonus, or share based payments schemes or any other benefits.

### Remuneration of other employees

Remuneration of other employees is set at a level to attract, motivate and retain talented individuals. This may include a company car or car allowance as appropriate. Remuneration levels are recommended by the Executive Directors and noted by the Remuneration Committee.

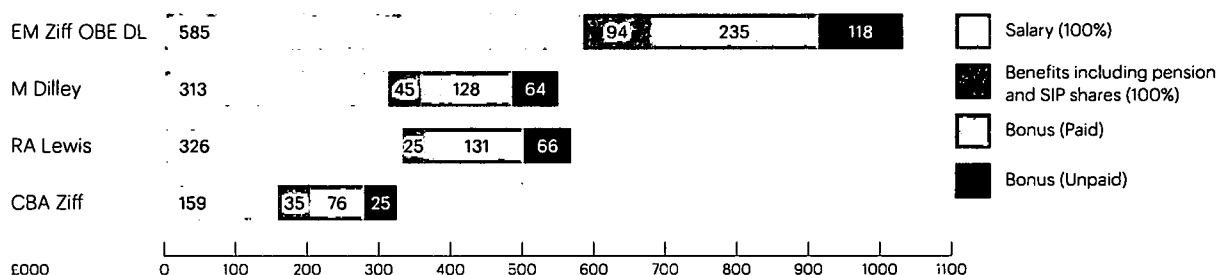
Employees are eligible to participate in the Group bonus scheme and the SIP scheme. The Group makes pension contributions for eligible employees at rates which vary depending on seniority.

### Consideration of shareholder views

The Group welcomes comments on its remuneration from shareholders, although no such comments have been received during the year. These comments are reviewed by the Remuneration Committee who consider the comments particularly with a view to overall levels of remuneration.

### Board Remuneration including theoretical maximum bonuses

Year ended 30 June 2018. £'000s



Note: The unpaid element of the bonus represents the difference between the maximum possible bonus award of 60% of salary and the actual amount awarded.

# Corporate Governance

## Directors Remuneration Report

### ANNUAL REPORT ON REMUNERATION

#### Single Total Figure of Remuneration for each Director

The following table sets out the total single figure of remuneration for each Director for the years ended 30 June 2018 and 30 June 2017.

#### Directors Remuneration

	SALARIES & FEES		BONUSES		TAXABLE BENEFITS		SIP SHARES		PENSION CONTRIBUTIONS		TOTAL	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
<b>EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE</b>												
E M ZIFF OBE DL	585	571	235	115	92	121	2	2	-	-	914	809
<b>EXECUTIVE DIRECTORS</b>												
M DILLEY	313	-	128	-	4	-	-	-	41	-	486	-
R A LEWIS	326	319	131	64	25	24	-	2	-	-	482	409
C B A ZIFF	159	123	76	33	12	11	2	2	21	16	270	185
D S SYERS	37	223	-	-	9	20	-	-	4	22	50	265
	1,420	1,135	540	212	140	156	2	2	66	38	2,203	1,669
<b>NON EXECUTIVE DIRECTORS</b>												
M A ZIFF	47	47	-	-	-	8	-	-	-	-	47	55
P HUBERMAN	49	47	-	-	-	-	-	-	-	-	49	47
I MARCUS	49	47	-	-	-	-	-	-	-	-	49	47
J COLLINS	31	-	-	-	-	-	-	-	-	-	31	0
J A NETTLETON	19	47	-	-	-	-	-	-	-	-	19	47
	146	141	-	-	-	-	-	-	-	-	146	94
	1,566	1,276	540	212	140	156	2	2	66	38	2,349	1,763

#### Notes:

1. Taxable benefits include cash and non-cash benefits principally company cars or a cash alternative, permanent health and medical insurance premiums. The Chairman and Chief Executive receive re-imbursement of the costs of maintaining a flat in London which is regularly used for company meetings. The value of the benefits are not pensionable.
2. No long-term incentive plan was in operation for the relevant years although directors were awarded shares under the Company SIP.
3. EM Ziff and RA Lewis received no pension contribution. The Group makes payments to a Defined Contribution scheme for M Dilley (13% base salary) and C B A Ziff (13% base salary).
4. Jeremy Collins joined the Board in February 2018. Duncan Syers and John Nettleton retired from the Board in September and November 2017 respectively.

#### Notes to the single figure table - Annual bonus targets and outcomes for 2018

The current AGM approved bonus scheme allows for a maximum pay-out of 60% of base salary.

For the year ended 30 June 2018, the Executive Directors received bonus pay-outs of 40-45% of salary (67-75% of the maximum).

The table below sets out the performance measures, targets and outcomes for the 2018 annual bonus:

	WEIGHTING	TARGET 50% OF MAX	ACHIEVED	PAYOUT LEVEL (% OF MAX)
EPRA Profit	25%	7.2	6.9	49%
Profit before Revaluation	20%	7.2	8.6	82%
NAV per share	20%	368	384	68%
Total Shareholder Return	10%	5.0%	3.2%	32%
Personal Targets	25%			85%
		WEIGHTED PAYOUT LEVEL		67%
		BONUS AS % SALARY		40%

The Committee has approved a cash bonus award of 40% of salary for Edward Ziff, Mark Dilley, and Richard Lewis, and 45% of salary for Ben Ziff. Actual pay-outs over the previous five years have averaged 18% of salary.

# Corporate Governance

## Directors Remuneraton Report

### NON FINANCIAL TARGETS:

The below identifies the key non financial targets that the Executive Board had as KPI metrics:

#### Chairman & Chief Executive:

- Continued strong dividends
- Successful succession planning for Richard Lewis
- Improved Investor Relations profile

#### Group Finance Director:

- Bank re-financings and Merriion House financing delivered
- Successful first year in the business with seamless continuity
- Improved Investor Relations Profile

#### Property Director:

- Continued asset recycling and reduction in Retail Exposure
- Merriion House development and financing completed
- Next phase of Development Pipeline unlocked

#### Managing Director, CitiPark

- Improved revenue and operating profit year on year
- YPS supported and challenged to prepare for next investment phase
- Identify future growth opportunities for CitiPark business
- Continue to participate more broadly in the core aspects of the TCS business

### Scheme interests awarded during the financial year

Town Centre Securities Plc does not currently operate a long-term incentive plan. It does operate an All Employee Share Incentive Plan, approved by shareholders in December 2003. The investment limit is £1,800 per annum with a share matching element equal to 100% of the investment made subject to forfeiture should the individual cease to be employed during the first three years of the plan.

In May 2018 Edward Ziff, Ben Ziff and Mark Dilley accepted an invitation to participate in the SIP by each agreeing to purchase shares to the value of £1,800, paid between June 2018 and November 2018. They will be eligible to receive "matching" shares on a one for one basis. The number of shares will be determined at the end of November 2018. For illustration, based on the share price as at 30 June 2018, this would equate to each Director receiving 625 partnership shares and 625 matching shares. In November 2017 Edward Ziff and Ben Ziff received 666 partnership shares and 666 matching shares in respect of the 2017 Share Incentive Plan. The total number of partnership and matching SIP shares beneficially held at 30 June 2017 is shown below.

EXECUTIVE	HOLDING OF PARTNERSHIP AND MATCHING SIP SHARES ( 30 JUNE 2018)
EDWARD ZIFF	6,514
MARK DILLEY	0
RICHARD LEWIS	5,182
BEN ZIFF	6,514

### Payments to past Directors/payments for loss of office

There were no payments to past Directors or payments for loss of office during the financial year.

### Director's Shareholdings

The table below sets out the shares held by the Directors as at 30 June 2018:

EXECUTIVE	BENEFICIAL	NON-BENEFICIAL
EDWARD ZIFF	5,481,984	17,174,747
RICHARD LEWIS	325,937	0
BEN ZIFF	172,399	0
MICHAEL ZIFF	2,609,513	10,605,892

The non-beneficial interest disclosures include the 1,069,278 ordinary shares over which a power of attorney has been granted by Mrs ME Ziff jointly to Edward and Michael Ziff for personal estate management reasons and 6,133,932 ordinary shares over which a power of attorney has been granted by AL Manning to Edward Ziff for personal estate management reasons. Non-beneficial holdings include shares held in trust and under powers of attorney.

The above non-beneficial shareholding for Michael Ziff reduced on 10 August 2018 to 9,324,033 as a result of him no longer being trustee for a holding of 1,281,859 ordinary shares, as announced on that date.

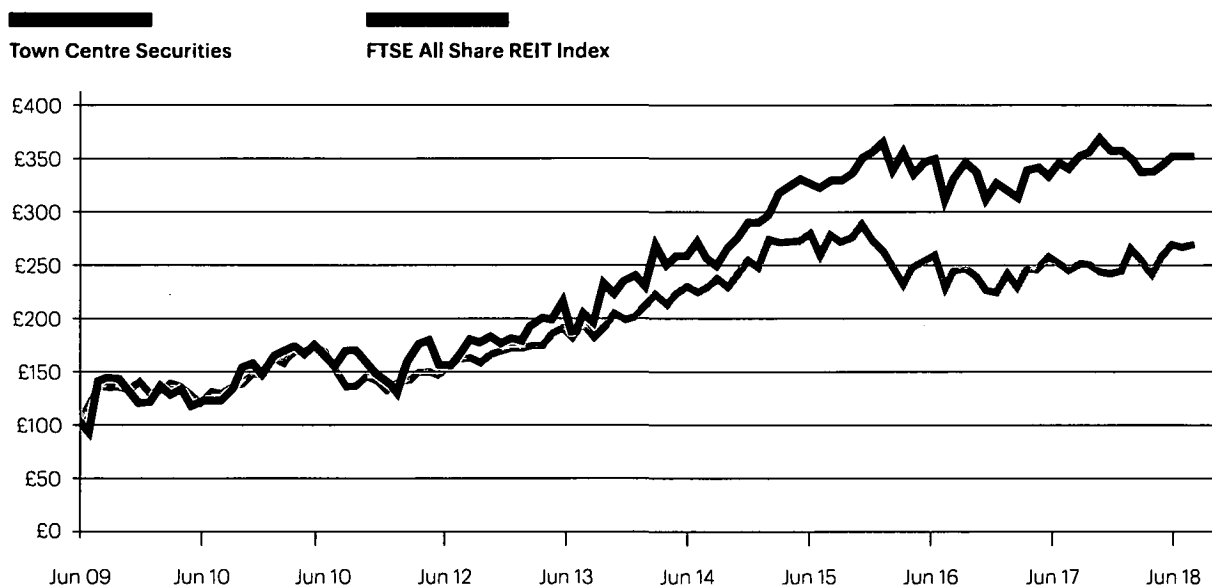
Edward Ziff, Richard Lewis and Mark Dilley are directors of TCS Trustees Limited, Trustee for the shares that are required for the All Employee Share Incentive Plan. At 30 June 2018, TCS Trustees Limited held 9,782 ordinary shares (2017: 24,490) on behalf of all participants including those share awards of Executive Directors shown above.

# Corporate Governance

## Directors Remuneration Report

### Performance graph and table

The following graph shows the Company's Total Shareholder Return ('TSR') performance compared to the FTSE All Share REIT Index, over the nine years ended 30 June 2018. This index has been chosen because the Directors consider it the most appropriate comparison and TCS is a constituent of this list. This chart illustrates the movement in value of a hypothetical investment of £100 in TCS and the FTSE All Share REIT index.



Source: DataStream (Thomson Reuters)

Over the long-term TCS has outperformed FTSE All Share REIT companies. On a 5-year basis TCS TSR was 14.1% versus the FTSE All Share REIT at 10.2%. On a 10-year basis TCS TSR was 9.1% versus the FTSE All Share REIT at 4.9%.

The table below sets out the total remuneration and incentive plan pay-outs for the Executive Chairman and CEO over a nine-year period.

YEAR	SINGLE TOTAL FIGURE OF REMUNERATION (000'S)	ANNUAL BONUS PAY-OUT (% OF MAXIMUM)
2017-18	914	40%
2016-17	809	20%
2015-16	718	10%
2014-15	782	30%
2013-14	784	33%
2012-13	604	0%
2011-12	672	13%
2010-11	669	23%
2009-10	1,498	0%

# Corporate Governance

## Directors Remuneraton Report

### Percentage change in remuneration of Executive Chairman and Chief Executive Officer

The table below sets out a comparison of the percentage change in base salary, benefits and bonus of the Executive Chairman and Chief Executive Officer versus the total employee population from 2017 to 2018.

YEAR	EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER (%)	AVERAGE PAY FOR EMPLOYEES <sup>1</sup>
SALARY % CHANGE	2.5%	5.4%
TAXABLE BENEFITS % CHANGE	(24.0%)	23.0%
ANNUAL BONUS % CHANGE	104.3%	216%

<sup>1</sup>Average pay for employees is calculated on a like for like basis for comparison purposes.

### Relative importance of spend on pay

The table below shows how expenditure on total pay compares to other financial outgoings.

	2017 (£000)	2018 (£000)	% CHANGE
STAFF REMUNERATION COSTS	4,622	4,711	1.9%
DIVIDENDS TO SHAREHOLDERS	5,928	6,114	3.1%

### External appointments

None of the Executive Directors have other external appointments for which they are paid. Edward Ziff is the unpaid Chair and Trustee of Leeds Cares.

### Implementation of the remuneration policy for 2019

The following table outlines how TCS intends to implement the remuneration policy in the year ending 30 June 2019.

Component	Implementation for 2019
Base Salary	The Committee has approved the following increases effective from 1 October 2018: <ul style="list-style-type: none"> <li>5% increase for E M Ziff and M Dilley</li> <li>20% increase for C B A Ziff based on the strong performance of CitiPark, contribution to the business as a whole, and bench marking</li> <li>RA Lewis is retiring therefore will receive no increase</li> </ul>
Benefits	Benefits provisions will be as per 2018, to include cash and non-cash benefits principally company cars or a cash alternative, permanent health and medical insurance premiums. The Chairman and Chief Executive receive re-imbursement of the costs of maintaining a flat in London which is regularly used for company meetings.
Pension	EM Ziff does not receive a contribution. The Group makes payments to a Defined Contribution scheme for M Dilley (13% base salary) and C B A Ziff (13% base salary).
Annual Bonus	Maximum opportunity 60% base salary (unchanged) The measures and weightings applying to the 2019 bonus will be similar to those used in 2018 and will be disclosed in next year's report owing to commercial sensitivity.
SIP	Executive Directors will continue to participate in the SIP.
NED Fees	A 5% increase in fees for Non-Executive Directors has been agreed. This is the first inflationary increases to NED fees since 2011.

# Corporate Governance

## Directors Remuneration Report

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### Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee formally met twice during the year and following directors were members of the Committee during 2018:

- Ian Marcus
- Paul Huberman
- Jeremy Collins

The key activities of the Committee during the year were:

- Approving the bonus outcome for 2017
- Approving the salary increases for 2018
- Setting the bonus targets for 2018
- Following the end of the financial year appointing Willis Towers Watson to advise on pay benchmarking, corporate governance and remuneration reporting, and LTIP schemes
- Updating the Terms of Reference

### Statement of voting in relation to the 2017 AGM

	REMUNERATION POLICY	ANNUAL REPORT ON REMUNERATION
VOTES FOR	94%	91%
VOTES AGAINST	6%	9%

This report was approved by the Board on 26 September 2018.

**Ian Marcus**

Chairman Remuneration Committee



# Corporate Governance Report of the Directors

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The Directors present their report for the year ended 30 June 2018.

## Principal Activities

The principal activities of the Group during the financial year remained those of property investment, development and trading and the provision of car parking.

## Company Status

Town Centre Securities Plc is a public limited liability company incorporated under the laws of England and Wales. It has premium listing on the London Stock Exchange main market for listed securities (LON: TOWN).

## Results for the year and dividends

The results for the year are set out in the Consolidated Income Statement on page 86.

An interim dividend of 3.25p per share was paid on 22 June 2018 as a PID. The Directors now propose a payment of a final dividend of 8.50p per share as a PID for approval of the shareholders at the forthcoming Annual General Meeting ('AGM'). The proposed final dividend will be paid on 4 January 2019 to ordinary shareholders on the register at the close of business on 7 December 2018.

A summary of the Corporate and financial risk management assessment and policies is reviewed in the Risk Management section of this report beginning on Page 64.

## Non-current assets

Details of movements in non-current assets are set out in Note 12 to the Consolidated Financial Statements.

Investment properties are held at fair value and were revalued by Jones Lang LaSalle and CBRE as at 30 June 2018, on the basis of open market value, or were revalued by the Directors. The key assumptions are set out in Note 12 to the Consolidated Financial Statements. In arriving at the valuation, each property has been valued individually.

## Share Capital

There were no changes in the Company's issued share capital during the year as set out in Note 23 to the Consolidated Accounts. At 30 June 2018, there were 53,161,950 Ordinary shares of 25p per share in issue and fully paid. The Company does not hold any Ordinary shares in treasury. Further details relating to share capital are set out in Note 23 to the financial statements.

## Purchase of own shares

The Company did not purchase any of its own shares during the year.

At the forthcoming AGM the Company will be seeking to renew its authority to purchase up to 15% of the ordinary shares in issue, assuming the remaining authority is fully utilised. Shares will only be purchased if the Board believes it can take advantage of stock market conditions to enhance returns for the remaining shareholders.

## Shareholder Voting Rights

The Company has only one type of Ordinary share class in issue and all shares have equal entitlement to voting rights and dividend distributions.

The Company has no share option schemes in current operation and there are no unexercised options outstanding at 30 June 2018.

## Political Donations

The Group made no political contributions in the financial year (2017: nil).

## Taxation

The Company is not a close company.

## Directors and Directors' Interests

The Directors of the Company and their biographical details are shown on page 52. None of the Directors have any contracts of significance with the Company. Details of the Executive Directors' service contracts are given in the Directors' Remuneration Report on page 73.

Beneficial and non-beneficial interests of the Directors in the shares of the Company as at 30 June 2018 are disclosed in the Directors' Remuneration Report on page 75. Details of the interests of the Directors in share options and awards of shares can be found within the same report.

In accordance with the Company's Articles of Association CBA Ziff and P Huberman will retire by rotation at the Company's AGM on 20 November 2018. CBA Ziff and P Huberman will offer themselves for re-election.

Service agreements of Executive Directors and terms of conditions of Non-Executive Directors are available for inspection at Company's registered office.

## Power of Directors

The Directors manage the business of the Company under the powers set out in the Company's Articles of Association (the 'Articles') and those contained within relevant UK legislation.

## Directors' indemnity insurance

In accordance with the Company's Articles of Association, the Company has provided to all the Directors an indemnity (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office and the Company has taken out an insurance policy in respect of those liabilities. Neither the indemnity nor insurance provide cover in the event that the Director is proven to have acted dishonestly or fraudulently. The Company has appropriate Directors' & Officers' Liability insurance cover in respect of potential legal actions against the Directors.

## 2018 Annual General Meeting

A Notice of Meeting can be found on pages 119 to 120 explaining the business to be considered at the AGM on 20 November 2018 at 10.00am. This will include renewal of the Company's authority to purchase, in the market, its own shares and allot shares for cash other than on a pre-emptive basis to existing shareholders.

## Going Concern

After consideration of future trading activities and making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors can confirm that they are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Directors also considered principal risks and uncertainties in the business and the market. For this reason, they continue to adopt the going concern basis in preparing the Financial Statements.

## Independent Auditors

The auditors, BDO LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the AGM.



# Corporate Governance

## Report of the Directors and Statement of the Directors' Responsibilities

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### Relationship Agreements

In accordance with the UK Listing Rules, the Company has entered into an agreement with the Ziff family Concert Party which, as it controls more than 30% of the Group's total issued share capital, is deemed a controlling Shareholder. The relationship agreement is intended to ensure the controlling Shareholder complies with the independence provisions in Listing Rule 9.2.2A.

Under the terms of the relationship agreement, the Principal Concert Party Shareholders (Mr E Ziff and Mr M Ziff) have agreed to procure the compliance of other individual members of the Ziff family concert party who are treated as controlling shareholders with independence obligations in the relationship agreement. The Ziff family concert party, as controlling shareholders of the Company, have a combined aggregate holding of approximately 52% of the Company's voting rights.

The Board confirms that, since the entry into the relationship agreement until 26 September 2018, being the latest practicable date prior to the publication of this annual report and accounts:

- the Company has complied with the independence provisions included in the relationship agreement
- so far as the Company is aware, the independence provisions included in the relationship agreement have been complied with by the Ziff family concert party and their associates; and
- so far as the company is aware, the procurement obligation included in the relationship agreement has been complied with by the Principal Concert Party Shareholders

### Substantial Shareholdings

As at 26 September 2018, being the last practicable date, the Company had been notified, in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules, that the shareholders in the table below held, or were beneficially interested in, 3% or more of the voting rights in the Company's issued share capital:

	NUMBER OF SHARES	% OF ISSUED CAPITAL
ZIFF CONCERT PARTY	27,520,474	51.77%
NEW FORTRESS FINANCE HOLDINGS LTD	3,736,000	7.03%

### Post-Balance Sheet Events

Details of events which have occurred since 30 June 2018 and up to the date of this report are disclosed in note 24 to the consolidated financial statements on page 107.

The Directors' Report was approved by the Board on 26 September 2018.

By order of the Board.

  
**Link Company Matters Limited**  
Company Secretary  
26 September 2018

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Company and of 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 IFRS as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company Financial Statements respectively; and
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable laws and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the Company's website <https://tcs-plc.co.uk/>. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on page 52, confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company taken as a whole; and
- the Strategic Report include a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces

## Corporate Governance Statement of the Directors' Responsibilities

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Vicar Lane, Leeds

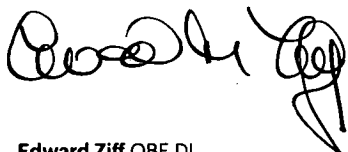
The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and the information provided to the shareholders is sufficient to allow them to assess the Company's performance, business model and strategy.

This responsibility statement for the year ended 30 June 2018 was approved by the Board on 26 September 2018.

### **Disclosure of information to the Auditors**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware. Each Director has taken all the reasonable steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are made aware of that information.

This Strategic Report was approved by order of the Board on 26 September 2018.



**Edward Ziff** OBE DL  
Chairman and Chief Executive

26 September 2018

# Independent Auditor's Report

## Opinion

We have audited the financial statements of Town Centre Securities Plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and the notes to the financial statements 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 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 with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation

### 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. We are independent of the Group and the 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 as applied to listed public interest entities, 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 principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 64 that describe the principal risks and explain how they are being managed or mitigated
- the directors' confirmation set out on page 79 in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;

- the directors' statement set out on page 79 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 70 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

## Valuation of the Group's property interests

### Risk

The valuation of the Group's property interests (pages 54 to 55) is the key driver of the Group's net asset value and underpins the results for the year.

These interests, totalling £399.5m (2017: £377.1m) consist of investment and development properties, car park fixed assets, and interests in joint ventures; being the Group's share of the fair value of investment and development properties within these entities.

All interests in property as listed above are subject to independent revaluation to open market value at each reporting date by third party valuation experts.

Due to the diverse nature of the Group's property portfolio, incorporating a range of geographical areas and industry sectors, there are a number of different assumptions made by the Group's external valuers in determining fair value.

The valuation of the Group's interests, including those held in joint ventures, depends on the individual nature of each property, including its location, and the rental income it generates. The assumptions on which the valuations are based are further influenced by quality of tenant, prevailing market yields and comparable market transactions.

Development properties are valued using the residual appraisal method, which estimates the fair value of the completed project, including a suitable developers profit and deductions for expected costs to complete.

Both of these valuation methods require significant judgement and estimations to be applied by management and the external valuers increasing the inherent risk in this area.

We consider this to be a significant risk area as small percentage changes in each key assumption could materially affect the carrying value of the assets concerned.

### Response

Our audit approach to this area included an assessment of the external valuation experts and their objectivity, independence and qualifications to undertake this work.

We confirmed that valuations had been performed on bases consistent with practices approved by the Royal Institute of Chartered Surveyors ("RICS") and the requirements of IFRS and United Kingdom Generally Accepted Accounting Practice.

We tested a sample of the key inputs used in the valuation calculations by agreeing underlying data used to internal tenancy schedules, capital expenditure details and lease terms, which were agreed back to appropriate supporting documentation. This indicated no difference in internal data used to that used within the valuation calculations.

We attended meetings with the experts to further understand the methodology applied and challenge them on any key assumptions made. In doing this we considered movements in yield that were outside of a tolerable range based on our own and wider market expectations. From these discussions and comparison to other market data available there were no indications of any bias on the part of the valuation experts and all key movements were appropriately justified.

For development properties we agreed that the costs to complete incorporated into the residual value calculations were consistent with the actual development plans in place. We considered the accuracy of the development project forecasts by considering historic estimates of costs to complete.

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, individually or in aggregate and including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £4,000,000 (2017: £3,900,000) and for the parent company £3,500,000 (2017: £3,300,000). This was determined with reference to a benchmark of total non-current assets (of which it represents 1 per cent (2017: 1 per cent)), which we consider to be one of the principal considerations for members of the company in assessing the financial performance of a property investment Group.

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality for the Group of £350,000 (2017: £440,000) to apply to all classes of transactions and balances excluding non-current assets, any property revaluation movements, gains or losses on disposal of properties and changes in the fair value of financial instruments. For the parent company financial statements this was set at £300,000. This lower level of materiality was set with reference to a benchmark of profit after taxation excluding investment and development property revaluations, gains/losses on investing and trading property disposals and changes in the fair value of financial instruments (of which it represents 5%) which we consider to be a key consideration in assessing the financial performance of the business.

# Independent Auditor's Report

Performance materiality was set at 65% of the above materiality levels which we have determined by reference to the number of components, the errors identified in prior years and our accumulated knowledge of the business.

The Group operates through a number of legal entities, which form reporting components. Audits have been performed over all components of the Group by the group audit team. Significant components were defined as those reporting components contributing more than 15% towards group assets, turnover or profits. Component materiality on those significant components was set at levels between £170,000 and £1,770,000 (2017: £140,000 and £1,804,000) with specific materiality being set between £100,000 and £270,000 (2017: £139,000 and £394,000).

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £20,000 (2017: £50,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement due to fraud.

The Group operates solely in the United Kingdom and the financial information relating to the parent company and all other material components of the Group were subject to full scope audit by the Group audit team.

## Other information

The other information comprises the information included in the annual report set out on pages 6 to 81, including the Strategic Report, the Directors' Report, the Chairman and Chief Executive's Statement, the Corporate Social Responsibility Statement, the Sustainability Report, the Valuers' Reports, the Corporate Governance Report and the Directors' Remuneration Report, 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 our 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.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** set out on page 59 – the statement by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** set out on page 62 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 59 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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 those reports have been prepared in accordance with applicable legal requirements
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules

# Independent Auditor's Report

## 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 the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

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 and the part of the directors' remuneration report to be audited 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; or
- a corporate governance statement has not been prepared by the parent company

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 80, 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Other matters which we are required to address

Following a recommendation of the Audit Committee we were reappointed by the shareholders on 28 November 2017 to audit the financial statements for the year ending 30 June 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

## Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

  
**Russell Field (Senior Statutory Auditor)**

For and on behalf of BDO LLP

Statutory Auditor

London

United Kingdom

26 September 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Financial Statements

## Consolidated income statement

For the year ended 30 June 2018

	Notes	2018 £000	2017 £000
Gross revenue	3	30,178	27,540
Property expenses	3	(10,896)	(8,148)
<b>NET REVENUE</b>		<b>19,282</b>	19,392
Administrative expenses	4	(6,574)	(6,295)
Other income	7	888	707
Valuation movement on investment properties		5,932	(2,085)
Reversal of impairment of car parking assets		1,300	1,000
Profit on disposal of investment properties		1,677	303
Share of post tax profits from joint ventures	14	3,757	1,342
<b>OPERATING PROFIT</b>		<b>26,262</b>	14,364
Finance costs	8	(7,887)	(7,639)
<b>PROFIT BEFORE TAXATION</b>		<b>18,375</b>	6,725
Taxation	9	-	-
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>18,375</b>	6,725
<b>EARNINGS PER SHARE</b>			
Basic and diluted	11	34.6p	12.7p
EPRA (non-GAAP measure)	11	13.0p	13.2p
<b>DIVIDENDS PER SHARE</b>			
Paid during the year	10	11.50p	11.15p
Proposed	10	8.5p	8.25p

## Consolidated statement of comprehensive income

For the year ended 30 June 2018

	2018 £000	2017 £000
Profit for the year	18,375	6,725
<b>ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS</b>		
Revaluation (losses)/gains on car parking assets	(350)	100
Revaluation gains on other investments	1,136	324
Total other comprehensive income	786	424
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>19,161</b>	7,149

All profit and total comprehensive income for the year is attributable to owners of the Parent. The Notes on pages 90 to 108 are an integral part of these Consolidated Financial Statements.

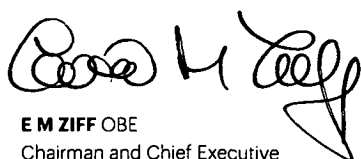
# Financial Statements

## Consolidated balance sheet

For the year ended 30 June 2018

	Notes	2018 £000	2017 £000
<b>NON-CURRENT ASSETS</b>			
<b>PROPERTY RENTAL</b>			
Investment properties	12	336,311	326,771
Investments in joint ventures	14	39,742	27,852
		<b>376,053</b>	354,623
<b>CAR PARK ACTIVITIES</b>			
Freehold and leasehold properties	12	23,423	22,495
Goodwill	13	4,024	4,024
Investments	15	2,125	1,950
		<b>29,572</b>	28,469
Fixtures, equipment and motor vehicles	12	1,544	1,972
<b>TOTAL NON-CURRENT ASSETS</b>		<b>407,169</b>	385,064
<b>CURRENT ASSETS</b>			
Investments	15	3,530	2,394
Trade and other receivables	16	6,288	3,311
Cash and cash equivalents		5,473	3,124
<b>TOTAL CURRENT ASSETS</b>		<b>15,291</b>	8,829
<b>TOTAL ASSETS</b>		<b>422,460</b>	393,893
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	(20,278)	(10,846)
<b>TOTAL CURRENT LIABILITIES</b>		<b>(20,278)</b>	(10,846)
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	18	(198,057)	(191,969)
<b>TOTAL LIABILITIES</b>		<b>(218,335)</b>	(202,815)
<b>NET ASSETS</b>		<b>204,125</b>	191,078
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>			
Called up share capital	23	13,290	13,290
Share premium account		200	200
Capital redemption reserve		559	559
Revaluation reserve		250	600
Retained earnings		189,826	176,429
Total equity		<b>204,125</b>	191,078
<b>NET ASSET VALUE PER SHARE</b>	21	<b>384p</b>	359p

The financial statements on pages 86 to 108 were approved by the Board of Directors on 26 September 2018 and signed on its behalf by:

  
**E M ZIFF OBE**  
 Chairman and Chief Executive



# Financial Statements

## Consolidated statement of changes in equity

For the year ended 30 June 2018

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
<b>BALANCE AT 1 JULY 2016</b>	13,290	200	559	500	175,308	189,857
<i>Comprehensive income for the year</i>						
Profit	-	-	-	-	6,725	6,725
Other comprehensive income	-	-	-	100	324	424
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	100	7,049	7,149
<i>Contributions by and distributions to owners</i>						
Final dividend relating to the year ended 30 June 2016	-	-	-	-	(4,200)	(4,200)
Interim dividend relating to the year ended 30 June 2017	-	-	-	-	(1,728)	(1,728)
<b>BALANCE AT 30 JUNE 2017</b>	13,290	200	559	600	176,429	191,078
<i>Comprehensive income for the year</i>						
Profit	-	-	-	-	18,375	18,375
Other comprehensive income	-	-	-	(350)	1,136	786
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	(350)	19,511	19,161
<i>Contributions by and distributions to owners</i>						
Final dividend relating to the year ended 30 June 2017	-	-	-	-	(4,386)	(4,386)
Interim dividend relating to the year ended 30 June 2018	-	-	-	-	(1,728)	(1,728)
<b>BALANCE AT 30 JUNE 2018</b>	<b>13,290</b>	<b>200</b>	<b>559</b>	<b>250</b>	<b>189,826</b>	<b>204,125</b>

# Financial Statements

## Consolidated cash flow statement

For the year ended 30 June 2018

		2018		2017	
	Notes	£000	£000	£000	£000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash generated from operations	25	14,235		18,159	
Interest paid		(7,595)		(8,051)	
Net cash generated from operating activities			6,640		10,108
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase and construction of investment properties		(900)		(12,136)	
Refurbishment of investment properties		(1,806)		(10,612)	
Payments for leasehold property improvements		(153)		(498)	
Purchases of fixtures, equipment and motor vehicles		(340)		(586)	
Proceeds from sale of investment properties		7,534		21,574	
Proceeds from sale of fixed assets		-		61	
Payments for acquisition of non-listed investments		(175)		(1,950)	
Investments in joint ventures		(8,809)		(4,250)	
Distributions received from joint ventures		676		1,031	
Net cash used in investing activities			(3,973)		(7,366)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from non-current borrowings		5,796		7,197	
Dividends paid to shareholders		(6,114)		(5,928)	
Net cash generated (used in)/generated from financing activities			(318)		1,269
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			2,349		4,011
Cash and cash equivalents at beginning of the year			3,124		(887)
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>			5,473		3,124

Cash and cash equivalents at the year end are comprised of the following:

Cash	5,473	3,124
	5,473	3,124

The Consolidated Cash Flow Statement should be read in conjunction with Note 25.

# Financial Statements

## Notes to the consolidated Financial Statements

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Continued

### 1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Town Centre Securities Plc (the Company) is a public limited company domiciled in the United Kingdom. Its shares are listed on the London Stock Exchange. The Consolidated Financial Statements of the Company for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the Group). The address of its registered office is Town Centre House, The Merlion Centre, Leeds, LS2 8LY.

#### **Basis of Preparation**

##### **Statement of compliance**

The Consolidated Financial Statements of Town Centre Securities Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006.

##### **Income and cash flow statements**

The Group presents its Income Statement by nature of expense. The Group reports cash flows from operating activities using the indirect method. The acquisitions of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities. Cash flows from investing and financing activities are determined using the direct method.

##### **Preparation of the Consolidated Financial Statements**

The Consolidated Financial Statements have been prepared under the historical cost convention as modified by the revaluation of the Group's property interests and other investments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions are changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed in Note 2.

##### **Changes in accounting policy and disclosure**

###### **a) Standards, amendments to published standards and interpretations effective for the period ended 30 June 2018**

There are no IFRSs or IFRIC interpretations that are effective for the first time for the period ended 30 June 2018 that have had a material effect on the Group.

###### **b) New standards, amendments to published standards and interpretations issued but not effective for the period ended 30 June 2018 and not early adopted**

The effect of IFRS 15 is still being assessed by the Directors but is not expected to have a material impact on the Group.

The effect of IFRS 9 is still being assessed by the Directors and may impact the classification of assets currently held as available for sale.

The effect of IFRS 16 is still being assessed by the Directors and is not expected to have a material impact on net asset value but is expected to result in a significant increase in the value of both assets and liabilities.

##### **Going concern**

The Directors have reviewed the cash flow forecasts of the Group and the underlying assumptions on which they are based. The Consolidated Financial Statements include details of bank and debenture facilities and of investment properties at open market value. The Group uses external valuers to determine the value of properties and these values are used in the assessment of loan to value covenants, compliance with which is reviewed on a regular basis.

The Group's business activities, together with the factors likely to affect its future development, are set out in the Chairman and Chief Executive's Statement. In addition, the Directors considered the accounting policies note which includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit and liquidity risk.

The Board considers that it has adequate financial resources (as set out in Note 18), tenants with appropriate leases and covenants, and properties of sufficient quality to enable it to conclude that it is well placed to manage its business risks in the current economic climate. The Directors have therefore concluded that the Group has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

##### **Consolidation**

###### **a) Subsidiaries**

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

# Financial Statements

## Notes to the consolidated Financial Statements

Continued

### 1. ACCOUNTING POLICIES continued

#### (b) Joint Arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its joint ventures post-acquisition profits or losses is recognised in the Income Statement. Investments in joint ventures are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of net assets of the joint ventures less any impairment in the value of the investment.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### Segmental Reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Group operates in three business segments comprising property rental, car park operations and hotel operations. The Group's operations are performed wholly in the United Kingdom.

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

#### Non-Current Assets

##### a) Investment properties

Investment property comprises freehold land and buildings and long-leasehold buildings. This comprises mainly retail units, offices and operational car parks, and is measured initially at cost, including related transaction costs. These are held as investments to earn rental income and for capital appreciation and are stated at fair value at the balance sheet date.

The acquisition or disposal of investment property is recognised at the point of unconditional exchange.

Investment properties held under finance leases are initially valued at the present value of minimum lease payments payable over the term of the lease.

After initial recognition investment property is carried at fair value, based on market values. It is then determined twice annually by independent external valuers or held at Directors' valuation if appropriate. The gains or losses arising from these valuations are included in the Consolidated Income Statement. When an existing investment property is redeveloped for continued future use as an investment property, it remains an investment property whilst in development.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

Subsequent expenditure is added to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the Consolidated Income Statement during the financial period in which they are incurred.

Borrowing costs associated with direct expenditure on properties undergoing major refurbishment are capitalised. The amount is calculated using the Group's weighted average cost of borrowing.

Property that is being constructed or developed for future use as an investment property is also classified as investment property under the sub-heading development property and is stated at fair value.

The gain or loss arising on the disposal of investment properties is determined as the difference between the net sale proceeds and the carrying value of the asset at the beginning of the period and is recognised in the Consolidated Income Statement of the period during which the sale becomes unconditional. In circumstances where the conditional exchange of contracts and the completion of the disposal fall on either side of the balance sheet date, the asset is re-classified as a current asset in the Consolidated Balance Sheet.

Freehold land held for development is not depreciated.

##### (b) Freehold and leasehold properties

Freehold and leasehold properties are initially recognised at cost and are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognised in profit or loss. Freehold land is not depreciated. Properties held under finance leases are initially valued at the present value of minimum lease payments payable over the term of the lease. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation is provided on all other items within this category so as to write off their carrying value over their expected useful economic lives.

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

##### (c) Fixtures, equipment and motor vehicles

Fixtures, equipment and motor vehicles are shown at historical cost less depreciation and provision for impairment. Historic cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight line basis at rates appropriate to write off individual assets over their estimated useful lives of between three and ten years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the Consolidated Income Statement.

# Financial Statements

## Notes to the consolidated Financial Statements

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Continued

### 1. ACCOUNTING POLICIES continued

#### Fair Value

Fair value estimation under IFRS 13 requires the Group to classify for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements on its financial assets. The fair value hierarchy has the following levels:-

- Level (1) quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level (2) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level (3) inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of assets held for sale, other financial assets and investment property are determined by using valuation techniques. See note 2 for further details of the judgements and assumptions made in relation to investment properties.

**Goodwill** Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued. Direct costs of acquisition are recognised immediately as an expense. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the Consolidated Statement of Comprehensive Income on the acquisition date.

#### Impairment of assets

Assets other than investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of any asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### Investments

The Group classifies its listed and unlisted investments as available for sale financial assets.

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets.

Purchases and sales of investments are recognised on the trade date, which is the date the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for sale financial assets are subsequently carried at fair value. The fair values of listed investments are based on current bid prices. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

Dividends on available for sale equity instruments are recognised in the Consolidated Income Statement when the Group's right to receive payment is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Consolidated Income Statement.

Investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured due to the range of reasonable fair value measurements obtained being significant are measured at cost.

#### Operating leases

##### (a) A Group company is the lessee

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated Income Statement on a straight line basis over the period of the lease.

##### (b) A Group company is the lessor

Properties leased to third parties under operating leases are included in investment property in the Consolidated Balance Sheet. The leases in our portfolio have a wide variety of term and tenures and there is no standard.

#### Unamortised tenant lease incentives

Leasehold incentives given to tenants on entering property leases are recognised as unamortised lease incentives. The operating lease incentives are spread over the non-cancellable life of the lease. Where this ends with a clean break clause the incentives are spread to this date unless management is reasonably certain that the break will not be exercised.

#### Trade receivables

Trade receivables are recognised initially at fair value and are subsequently measured at cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The amount of the provision is recognised in the Consolidated Income Statement.

#### Held for sale assets

Held for sale assets are investment properties which are designated as available for sale and not recognised in any of the categories above. Held for sale assets are held at fair value and are derecognised when the Group has transferred substantially all the risks and rewards of ownership.

# Financial Statements

## Notes to the consolidated Financial Statements

Continued

### 1. ACCOUNTING POLICIES continued

#### Cash and cash equivalents

Cash and cash equivalents are carried in the Consolidated Balance Sheet at cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the Consolidated Balance Sheet. Where there is a formal legal arrangement with a right to offset the net position of the individual accounts will be presented in cash or current liabilities as appropriate.

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### Borrowings

Borrowings are recognised net of transaction costs incurred. Debt finance costs are amortised based on the effective interest rate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

#### Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor. Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

#### Cash flow hedges

Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction, e.g. an interest payment, the element of the gain or loss on the derivative that is an effective hedge is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the Consolidated Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Consolidated Income Statement, i.e. when interest income or expense is recognised.

#### Taxation

The tax charge in the Consolidated Income Statement comprises tax currently payable.

Town Centre Securities Plc elected for Group Real Estate Investment Trust (REIT) status with effect from 2 October 2007. As a result the Group no longer pays United Kingdom corporation tax on the profits and gains from its qualifying rental business in the United Kingdom provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was payable. Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business was released to the Income Statement as the relevant temporary differences are no longer taxable on reversal.

In respect of non-qualifying activities and related profits, gains and losses:

##### (a) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, no provision for deferred tax is made for temporary differences arising on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group is entitled to settle its current tax assets and liabilities on a net basis.

##### (b) Current tax

The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed. It is calculated using rates of tax that have been enacted by the balance sheet date.

#### Employee benefits

The Group operates defined contribution arrangements for all eligible Directors and employees. A defined contribution plan is a pension plan under which the Group pays contributions into a private or publicly administered pension insurance plan. Pension costs are charged to the Consolidated Income Statement in the period when they fall due. Pre-paid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### Revenue recognition

##### (a) Rental income

Revenue includes the fair value of rental income and management charges from properties (net of Value Added Tax).

This income is recognised as it falls due, in accordance with the lease to which it relates. Any lease incentives are spread evenly across the period of the lease.

This income is recognised as follows:

- i) rental income is recognised on an accrual basis on a straight line basis over the term of the lease;
- ii) turnover rents are based on underlying turnover and are recognised in the period to which the turnover relates; and
- iii) rent reviews are recognised with effect from the review date.

# Financial Statements

## Notes to the consolidated Financial Statements

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Continued

### 1. ACCOUNTING POLICIES continued

#### (b) Car park income

Contract car park income is recognised as revenue as it falls due, in accordance with the contract to which it relates. Daily car park income is recognised when received.

#### (c) Hotel income

Room revenue is recognised on a daily basis in accordance with the date of the overnight stay. Food and beverage revenue is recognised at the point of sale.

#### (d) Interest income

Interest income on any short-term deposits is recognised in the Consolidated Income Statement as it accrues.

#### (e) Other income

Other income includes dividend income, which is recognised when the right to payment is established and surrender premiums or lease assignments received from outgoing tenants prior to the termination of their lease.

#### (f) Service charge income

Service charge income receivable from tenants relating to management fees is credited to gross income in the Consolidated Income Statement and recognised in line with the underlying contractual arrangement, i.e. when the service is provided.

#### Dividend distribution

Dividend distributions to the Company's shareholders are recognised in the Consolidated Financial Statements in the period in which the dividends are approved by the Company's shareholders.

#### Reserves

Reserves are analysed in the following categories:

- Share capital represents the nominal value of issued share capital.
- Share premium represents any consideration received in excess of nominal value of the shares issued.
- Capital redemption reserve represents the nominal value of the Company's own shares that have been repurchased and cancelled.
- Revaluation reserve represents the surplus valuation movement upon revaluation of freehold and leasehold property relating to car park activities.
- Retained earnings represents the cumulative profit or loss position less dividend distributions.

#### Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, cash flow and fair value interest rate risk, capital risk and price risk.

#### (a) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution. The Group has no significant concentration of credit risk as exposure is spread over a large number of counterparties and tenants.

#### (b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group treasury policy aims to maintain flexibility in funding by keeping committed credit lines available.

#### (c) Cash flow and fair value interest rate risk

The Group has no significant interest bearing assets. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce profits or create losses in the event that unexpected movements arise.

The Group continually reviews interest rates and interest rate risk and has a policy of monitoring the costs and benefits of interest rate fixing instruments with a view to hedging exposure to interest rate risk on a regular basis.

At 30 June 2018, 54.5% (2017: 56.4%) of the Group's borrowings were under long term fixed rate agreements and therefore were protected against future interest rate volatility.

#### (d) Capital risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and to provide for an appropriate level of dividend payments to shareholders.

The Group is not subject to external regulatory capital requirements.

#### (e) Price risk

Current asset investments are subject to price risk as a result of fluctuations in the market. The Group limits the amount of exposure by continually assessing the performance of these investments.

#### (f) Compliance with covenants

The Group's bank facilities and the mortgage debenture stock include a number of covenants principally relating to income and capital cover. The Directors monitor performance against these covenants on a regular basis.

# Financial Statements

## Notes to the consolidated Financial Statements

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### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value amounts of assets and liabilities within the next financial year are the Group's property investments. The basis of valuation is set out in Note 12.

### 3. SEGMENTAL INFORMATION

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

#### (A) SEGMENT ASSETS

	2018 £000	2017 £000
Property rental	379,901	364,120
Car park activities	30,659	29,773
Hotel operations	11,900	-
	<b>422,460</b>	<b>393,893</b>

#### (B) SEGMENTAL RESULTS

	2018				2017		
	Property rental £000	Car park activities £000	Hotel operations £000	Total £000	Property rental £000	Car park activities £000	Total £000
Gross revenue	15,891	11,516	2,771	30,178	16,571	10,969	27,540
Service charge income	2,556	-	-	2,556	2,346	-	2,346
Service charge expenses	(3,387)	-	-	(3,387)	(3,284)	-	(3,284)
Property expenses	(1,210)	(6,537)	(2,318)	(10,065)	(958)	(6,252)	(7,210)
<b>NET REVENUE</b>	<b>13,850</b>	<b>4,979</b>	<b>453</b>	<b>19,282</b>	14,675	4,717	19,392
Administrative expenses	(5,627)	(947)	-	(6,574)	(5,465)	(830)	(6,295)
Other income	888	-	-	888	707	-	707
Share of post-tax profits from joint ventures	1,196	-	-	1,196	871	-	871
<b>OPERATING PROFIT BEFORE VALUATION MOVEMENTS</b>	<b>10,307</b>	<b>4,032</b>	<b>453</b>	<b>14,792</b>	10,788	3,887	14,675
Valuation movement on investment properties	5,932	-	-	5,932	(2,085)	-	(2,085)
Reversal of impairment of car parking assets	-	1,300	-	1,300	-	1,000	1,000
Profit on disposal of investment properties	1,677	-	-	1,677	303	-	303
Valuation movement on joint venture properties	2,561	-	-	2,561	471	-	471
<b>OPERATING PROFIT</b>	<b>20,477</b>	<b>5,332</b>	<b>453</b>	<b>26,262</b>	9,477	4,887	14,364
Finance costs				(7,887)			(7,639)
<b>PROFIT BEFORE TAXATION</b>				<b>18,375</b>			6,725
Taxation				-			-
<b>PROFIT FOR THE YEAR</b>				<b>18,375</b>			6,725

All results are derived from activities conducted in the United Kingdom.

Hotel operations commenced in April 2017, however for the year ended 30 June 2017 the results were not material and have therefore been included in the result of the property rental business.

The results for the car park activities include the car park at the Merriion Centre. As the value of the car park cannot be separated from the value of the Merriion Centre as a whole, the full value of the Merriion Centre is included within the assets of the property rental business.

The car park results also include car park income from sites that are held for future development. The value of these sites has been determined based on their development value and therefore the total value of these assets has been included within the assets of the property rental business.

The net revenue at the Merriion Centre and development sites for the year ended 30 June 2018, arising from car park operations, was £3,658,000. After allowing for an allocation of administrative expenses, the operating profit at these sites was £2,962,000.



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## Notes to the consolidated Financial Statements

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### 4. ADMINISTRATIVE EXPENSES

	2018 £000	2017 £000
Employee benefits	3,919	3,844
Depreciation	339	318
Charitable donations	116	78
Other	2,200	2,055
	<b>6,574</b>	<b>6,295</b>

### 5. SERVICES PROVIDED BY THE GROUP'S EXTERNAL AUDITORS

During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	2018 £000	2017 £000
Audit services:		
- Fees payable to the Group auditors' for the audit of the Consolidated Financial Statements	82	60
- Audit of the Company's subsidiaries pursuant to legislation	10	10
- Other audit related services	18	20
Total audit services	<b>110</b>	<b>90</b>
Non-audit services:		
- IT consultancy	35	-
- Financial due diligence	-	25
- Other non-audit services	4	4
Total other services	<b>39</b>	<b>29</b>
<b>TOTAL AUDITORS' REMUNERATION</b>	<b>149</b>	<b>119</b>

### 6. EMPLOYEE BENEFITS

	2018 £000	2017 £000
Wages and salaries (including Directors' emoluments)	4,700	4,002
Social security costs	575	527
Other pension costs	90	93
	<b>5,365</b>	<b>4,622</b>

Employee benefits detailed above are charged to the Consolidated Income Statement through administrative expenses and property expenses.

Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement are included on pages 71 to 78 in the Directors' Remuneration Report and form part of these Consolidated Financial Statements.

The average monthly number of staff employed during the year was 140 (2017: 116).

The Group operates pension arrangements for the benefit of all eligible Directors and employees, which are defined contribution arrangements. The assets of the arrangements are held separately from those of the Group in independently administered funds. All of the pension costs in the table above relate to defined contribution schemes.

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## Notes to the consolidated Financial Statements

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### 7. OTHER INCOME

	2018 £000	2017 £000
Commission received	142	169
Dividends received	29	27
Management fees receivable	198	241
Dilapidations receipts and income relating to lease premiums	438	195
Other	81	75
	<b>888</b>	<b>707</b>

### 8. FINANCE COSTS

	2018 £000	2017 £000
Interest payable on debenture loan stock	5,698	5,698
Interest payable on bank borrowings	1,879	1,896
Amortisation of arrangement fees	310	456
Interest capitalised	-	(411)
<b>TOTAL FINANCE COSTS</b>	<b>7,887</b>	<b>7,639</b>

### 9. TAXATION

Taxation for the year is lower (2017: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2017: 20%).

The differences are explained below:

	2018 £000	2017 £000
Profit before taxation	18,375	6,725
Profit on ordinary activities multiplied by rate of corporation tax in the United Kingdom of 19% (2017: 20%)	3,491	1,345
Effects of:		
- United Kingdom REIT tax exemption on net income before revaluations	(1,630)	(1,556)
- United Kingdom REIT tax exemption on revaluations	(1,861)	217
- Profit on joint ventures already taxed	-	(6)
<b>TOTAL TAXATION</b>	<b>-</b>	<b>-</b>

### FACTORS AFFECTING CURRENT AND FUTURE TAX CHARGES

Town Centre Securities Plc elected for Group REIT status with effect from 2 October 2007. As a result the Group no longer pays United Kingdom corporation tax on the profits and gains from its qualifying rental business in the United Kingdom provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal.

# Financial Statements

## Notes to the consolidated Financial Statements

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### 10. DIVIDENDS

	2018 £000	2017 £000
2016 final paid: 7.90p per share	-	4,200
2017 interim paid: 3.25p per share	-	1,728
2017 final paid: 8.25p per share	<b>4,386</b>	-
2018 interim paid: 3.25p per share	<b>1,728</b>	-
	<b>6,114</b>	5,928

An interim dividend in respect of the year ended 30 June 2018 of 3.25p per share was paid to shareholders on 22 June 2018. This dividend was paid entirely as a Property Income Distribution (PID).

A final dividend in respect of the year ended 30 June 2018 of 8.5p per share is proposed. This dividend, based on the shares in issue at 26 September 2018, amounts to £4.5m which has not been reflected in these accounts and will be paid on 4 January 2019 to shareholders on the register on 7 December 2018. This entire dividend will be paid as a PID.

### 11. EARNINGS PER SHARE

The calculation of basic earnings per share has been based on the profit for the year, divided by the weighted average number of shares in issue. The weighted average number of shares in issue during the year was 53,161,950 (2017: 53,161,950).

	2018		2017	
	Earnings £000	Earnings per share p	Earnings £000	Earnings per share p
<b>Profit for the year and earnings per share</b>	<b>18,375</b>	<b>34.6</b>	6,725	12.7
Valuation movement on investment properties	<b>(5,932)</b>	<b>(11.2)</b>	2,085	3.9
Reversal of impairment of car parking assets	<b>(1,300)</b>	<b>(2.4)</b>	(1,000)	(1.9)
Valuation movement on properties held in joint ventures	<b>(2,561)</b>	<b>(4.8)</b>	(471)	(0.9)
Profit on disposal of investment and development properties	<b>(1,677)</b>	<b>(3.2)</b>	(303)	(0.6)
<b>EPRA EARNINGS AND EARNINGS PER SHARE</b>	<b>6,905</b>	<b>13.0</b>	7,036	13.2

There is no difference between basic and diluted earnings per share and EPRA earnings per share.

### 12. NON-CURRENT ASSETS

#### (A) INVESTMENT PROPERTIES

	Freehold £000	Long leasehold £000	Development £000	Total £000
Valuation at 30 June 2016	273,010	22,701	29,602	325,313
Additions at cost	4,074	-	-	4,074
Other capital expenditure	12,174	40	8,260	20,474
Interest capitalised	176	-	235	411
Disposals	(18,596)	-	(2,675)	(21,271)
(Deficit)/surplus on revaluation	(6,444)	(132)	4,491	(2,085)
Transfers	12,612	-	(12,612)	-
Movement in tenant lease incentives	(145)	-	-	(145)
Valuation at 30 June 2017	276,861	22,609	27,301	326,771
Additions at cost	9,483	-	-	9,483
Other capital expenditure	1,656	-	140	1,796
Disposals	(9,507)	(15)	-	(9,522)
(Deficit)/surplus on revaluation	(3,326)	(2)	9,260	5,932
Transfers	900	(900)	-	-
Movement in tenant lease incentives	1,851	-	-	1,851
<b>VALUATION AT 30 JUNE 2018</b>	<b>277,918</b>	<b>21,692</b>	<b>36,701</b>	<b>336,311</b>

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## Notes to the consolidated Financial Statements

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### (B) FREEHOLD AND LEASEHOLD PROPERTIES - CAR PARK ACTIVITIES

	Freehold £000	Long leasehold £000	Total £000
Valuation at 1 July 2016	2,000	19,075	21,075
Additions	-	498	498
Depreciation	-	(178)	(178)
Surplus on revaluation	-	100	100
Reversal of impairment	-	1,000	1,000
Valuation at 30 June 2017	2,000	20,495	22,495
Additions	-	153	153
Depreciation	-	(175)	(175)
Deficit on revaluation	-	(350)	(350)
Reversal of impairment	1,000	300	1,300
<b>VALUATION AT 30 JUNE 2018</b>	<b>3,000</b>	<b>20,423</b>	<b>23,423</b>

The historical cost of freehold and leasehold properties relating to car park activities is £22,425,000 (2017: £22,245,000).

The Company occupies an office suite in part of the Merrion Centre and also at 6 Duke Street in London. The Directors do not consider this element to be material.

The fair value of the Group's investment and development properties has been determined principally by independent, appropriately qualified external valuers CBRE and Jones Lang LaSalle. The remainder of the portfolio has been valued by the Property Director.

Valuations are performed bi-annually and are performed consistently across the Group's whole portfolio of properties. At each reporting date appropriately qualified employees verify all significant inputs and review computational outputs. The external valuers submit and present summary reports to the Property Director and the Board on the outcome of each valuation round.

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rents or business profitability, incentives offered to tenants, forecast growth rates, market yields and discount rates and selling costs including stamp duty.

The development properties principally comprise land in Leeds and Manchester. These have also been valued by appropriately qualified external valuers Jones Lang LaSalle, taking into account the income from car parking and an assessment of their realisable value in their existing state and condition based on market evidence of comparable transactions.

Property income, values and yields have been set out by category in the table below.

	Passing Rent £000	ERV £000	Value £000	Initial Yield %	Reversionary Yield %
Retail and Leisure	3,646	4,127	67,610	5.1%	5.8%
Merrion Centre (excluding offices)	7,366	7,867	97,700	7.1%	7.6%
Offices	2,235	2,648	35,442	6.0%	7.1%
Hotels	1,180	1,630	27,150	4.1%	5.7%
Out of town retail	2,919	3,611	52,050	5.3%	6.6%
Distribution	392	386	5,750	6.4%	6.3%
Residential	596	621	10,865	5.2%	5.4%
	<b>18,334</b>	<b>20,890</b>	<b>296,567</b>	<b>5.8%</b>	<b>6.7%</b>
Development Property			36,701		
Car Parks			22,022		
Finance lease adjustments			4,444		
			<b>359,734</b>		

The effect on the valuation of applying a different yield and a different ERV would be as follows:

Valuation in the Consolidated Financial Statements at an initial yield of 6.8% - £316.4m, Valuation at 4.8% - £420.9m.

Valuation in the Consolidated Financial Statements at a reversionary yield of 7.7% - £321.0m, Valuation at 5.7% - £412.1m.

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## Notes to the consolidated Financial Statements

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Property valuations can be reconciled to the carrying value of the properties in the balance sheet as follows:

	Investment Properties £000	Freehold and Leasehold Properties £000	Total £000
Externally valued by CBRE	199,375	-	199,375
Externally valued by Jones Lang LaSalle	126,060	16,300	142,360
Acquisitions recognised at cost	9,483	-	9,483
Investment properties valued by the Property Director	251	-	251
Finance lease obligations capitalised	1,142	3,302	4,444
Leasehold improvements	-	3,821	3,821
	<b>336,311</b>	<b>23,423</b>	<b>359,734</b>

Leasehold improvements primarily relate to expenditure incurred on the refurbishment of three car parks in Watford that are held under operating leases.

All investment properties measured at fair value in the consolidated balance sheet are categorised as level 3 in the fair value hierarchy as defined in IFRS13 as one or more inputs to the valuation are partly based on unobservable market data. In arriving at their valuation for each property (as in prior years) both the independent valuers and the Property Director have used the actual rent passing and have also formed an opinion as to the two significant unobservable inputs being the market rental for that property and the yield (i.e. the discount rate) which a potential purchaser would apply in arriving at the market value. Both these inputs are arrived at using market comparables for the type, location and condition of the property.

### (C) FIXTURES, EQUIPMENT AND MOTOR VEHICLES

	Cost £000	Accumulated depreciation £000
At 1 July 2016	4,373	2,222
Additions	586	-
Disposals	(140)	(103)
Depreciation	-	728
At 30 June 2017	4,819	2,847
Net book value at 30 June 2017		1,972
At 1 July 2017	4,819	2,847
Additions	339	-
Disposals	(1,526)	(1,517)
Depreciation	-	758
<b>AT 30 JUNE 2018</b>	<b>3,632</b>	<b>2,088</b>
<b>NET BOOK VALUE AT 30 JUNE 2018</b>		<b>1,544</b>

### 13. GOODWILL

	2018 £000	2017 £000
<b>AT THE START AND END OF THE YEAR</b>	<b>4,024</b>	<b>4,024</b>

Goodwill represents the difference between the fair value of the consideration paid on the acquisitions of car park businesses and the fair value of the assets and liabilities acquired as part of these business combinations. These transactions relate to businesses that held car parks under operating leases with a net asset value of £nil. Goodwill therefore represents the full consideration of these acquisitions.

A review of the year end carrying value has been performed to identify any potential impairment. This has been based on the discounted future cash flows that are expected to be generated by the assets acquired. The cash generating units are the individual car parks acquired. The key assumptions used in preparing these cash flow forecasts are an underlying revenue growth rate of 1% (2017: 1%) and a discount rate of 8% (2017: 8%). The assumptions used in the cash flow are based on historical experience of the sector.

As the discounted future cash flows are in excess of the year end carrying value, no impairment of the carrying value is required.

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## Notes to the consolidated Financial Statements

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### 14. INVESTMENTS IN JOINT VENTURES

	2018 £000	2017 £000
At the start of the year	27,852	25,093
Investments in joint ventures	8,809	4,250
Disposal of joint venture interest	-	(1,800)
Dividends and other distributions received in the year	(676)	(1,033)
Share of profits after tax	3,757	1,342
<b>AT THE END OF THE YEAR</b>	<b>39,742</b>	<b>27,852</b>

Investments in joint ventures primarily relate to the Group's interest in Merriam House LLP and Belgravia Living Group Limited. Merriam House LLP owns a long leasehold interest over a property that is let to the Group's joint venture partner, Leeds City Council ('LCC'). The interest in the joint venture for each partner is an equal 50% share, regardless of the level of overall contributions from each partner. The investment property held within this partnership has been externally valued by CBRE at each reporting date. The net assets of Merriam House LLP for the current and previous year are as stated below:

	2018 £000	2017 £000
Non-current assets	69,400	53,860
Current assets	1,754	431
Current liabilities	(1,374)	(1,839)
<b>NET ASSETS</b>	<b>69,780</b>	<b>52,452</b>

The profits of Merriam House LLP for the current and previous year are as stated below:

	2018 £000	2017 £000
Revenue	2,134	1,400
Expenses	(92)	(109)
	2,042	1,291
Valuation movement on investment properties	5,691	941
<b>NET PROFIT</b>	<b>7,733</b>	<b>2,232</b>

Belgravia Living Group Limited owns a leasehold interest in some development land at Piccadilly Basin, Manchester and is currently constructing a block of residential apartments. The Group's financial interest in this joint venture is primarily in the form of a loan with a value as at 30 June 2018 of £5.1m (2017: £1.0m).

The net assets of Belgravia Living Group for the current and previous year are as stated below:

	2018 £000	2017 £000
Non-current assets	10,466	3,876
Current assets	363	-
Current liabilities	(9,745)	(3,890)
Non-current liabilities	(1,129)	-
<b>NET LIABILITIES</b>	<b>(45)</b>	<b>(14)</b>

The profits of Belgravia Living Group Limited for the current and previous year are as stated below:

	2018 £000	2017 £000
Expenses	(31)	(14)
<b>NET PROFIT</b>	<b>(31)</b>	<b>(14)</b>

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## Notes to the consolidated Financial Statements

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The Group's interest in other joint ventures are not considered to be material.

The joint ventures have no significant contingent liabilities to which the Group is exposed nor has the Group any significant contingent liabilities in relation to its interest in the joint ventures.

A full list of the Group's joint ventures, which are all registered in England and operate in the United Kingdom, is set out as follows:

	Beneficial Interest %	Activity
Merrion House LLP	50	Property investment
Belgravia Living Group Limited	50	Property investment
Bay Sentry Limited	50	Software Development

### 15. INVESTMENTS

#### Current asset investments

	2018 £000	2017 £000
At the start of the year	2,394	2,070
Increase in value of investments	1,136	324
<b>AT THE END OF THE YEAR</b>	<b>3,530</b>	<b>2,394</b>

Current asset investments relate to an equity shareholding in a company listed on the London Stock Exchange. This is stated at market value in the table above and has a historic cost of £889,130 (2017: £889,130).

Current asset investments are measured at fair value in the consolidated balance sheet and are categorised as level 1 in the fair value hierarchy as defined in IFRS13 as the inputs to the valuation are based on quoted market prices.

The maximum risk exposure at the reporting date is the fair value of the current asset investments.

#### Non-current asset investments

	2018 £000	2017 £000
Equity investments	590	415
Loans	1,535	1,535
	<b>2,125</b>	<b>1,950</b>

Non-current asset investments primarily relate to an equity shareholding and loans advanced to YourParkingSpace Limited, a privately owned company incorporated in the United Kingdom.

The investment is valued at cost on the basis the fair value cannot be reliably measured.

### 16. TRADE AND OTHER RECEIVABLES

	2018 £000	2017 £000
Trade receivables	1,539	1,810
Less: provision for impairment of receivables	(458)	(435)
	<b>1,081</b>	<b>1,375</b>
Other receivables and prepayments	5,207	1,936
	<b>6,288</b>	<b>3,311</b>

The Directors consider that the carrying amount of net trade receivables approximates their fair value. The credit risk in respect of trade receivables is not concentrated as the Group has many tenants spread across a number of industry sectors. In addition, the tenants' rents are payable in advance.

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## Notes to the consolidated Financial Statements

As at 30 June 2018, trade receivables which had not been impaired can be analysed as follows:

	Total £000	Within credit terms £000	Outside credit terms		
			Less than one month £000	One to two months £000	Older than two months £000
<b>2018</b>	<b>1,081</b>	<b>1,006</b>	<b>11</b>	<b>7</b>	<b>57</b>
2017	1,375	1,050	226	63	36

Movements in the Group provision for impairment of trade receivables are as follows:

	<b>2018 £000</b>	2017 £000
At the start of the year	<b>435</b>	380
Provision for receivables impairment	<b>211</b>	48
Receivables written off as uncollectible	<b>(160)</b>	(16)
Provision held within acquired subsidiaries	-	30
Unused amounts reversed	<b>(28)</b>	(7)
<b>AT THE END OF THE YEAR</b>	<b>458</b>	435

The ageing of the provision is as follows:

	Total £000	Less than one month £000	One to two months £000	Older than two months £000
<b>2018</b>	<b>458</b>	<b>141</b>	<b>33</b>	<b>284</b>
2017	435	8	27	400

Other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables as mentioned above.

The Group does not hold any material collateral as security.

In assessing whether trade receivables are impaired, each debt is considered on an individual basis and provision is made based on specific knowledge of each tenant, together with the consideration of appropriate economic market indicators.

### 17. TRADE AND OTHER PAYABLES

	<b>2018 £000</b>	2017 £000
Trade payables	<b>140</b>	35
Social security and other taxes	<b>816</b>	449
Other payables and accruals	<b>19,322</b>	10,362
	<b>20,278</b>	10,846



# Financial Statements

## Notes to the consolidated Financial Statements

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### 18. FINANCIAL LIABILITIES - BORROWINGS

All the Group's borrowings are either at floating or fixed rates of interest. The Group takes on exposure to fluctuations in interest rates on its financial position and its cash flows. Interest costs may increase or decrease as a result of such changes.

	2018 £000	2017 £000
<b>Non-current</b>		
Bank borrowings	87,759	81,663
Finance leases	4,444	4,462
5.375% First mortgage debenture stock	105,854	105,844
<b>TOTAL BORROWINGS</b>	<b>198,057</b>	<b>191,969</b>

The movement in financial liabilities during the year can be summarised as follows:

	£000
Balance at 30 June 2017	191,969
<i>Cash Items</i>	
Borrowings drawn down	6,500
Arrangement fees paid	(704)
Total Cash Items	5,796
<i>Non-Cash Items</i>	
Amortisation of arrangement fees	310
Movement in finance leases	(18)
Total Non-Cash Items	292
<b>BALANCE AT 30 JUNE 2018</b>	<b>198,057</b>

The debenture, bank loans and overdrafts are secured by fixed charges on properties, valued at £339,485,000 (2017: £340,065,000) owned by the Company and its subsidiary undertakings.

The Group has an overdraft pooling facility in place with Lloyds Bank. This facility includes the right to offset, therefore the net position of all accounts that fall under this facility have been presented as the Group's cash balance at year end.

The gross cash and overdraft balances on the individual accounts are summarised as follows:

	2018 £000	2017 £000
Cash balances	23,149	17,984
Overdrawn balances	(17,676)	(14,860)
<b>CASH AND CASH EQUIVALENTS</b>	<b>5,473</b>	<b>3,124</b>

# Financial Statements

## Notes to the consolidated Financial Statements

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The Group's remaining contractual non-discounted cashflows for financial liabilities is set out below:

	2018					2017				
	Trade and other creditors £000	Bank borrowings £000	Debenture stock £000	Finance leases £000	Total £000	Trade and other creditors £000	Bank borrowings £000	Debenture stock £000	Finance leases £000	Total £000
In one year or less or on demand	20,278	2,130	5,698	211	28,317	6,553	1,654	5,698	212	14,117
In more than one year but not more than five years	-	93,919	22,790	830	117,539	-	83,419	22,790	836	107,045
In more than five years	-	-	153,860	17,785	171,645	-	-	159,159	18,008	177,167
	20,278	96,049	182,348	18,826	317,501	6,553	85,073	187,647	19,056	298,329

The debenture issue premium is net of issue costs and is amortised over the life of the debt agreement.

The numbers disclosed in the maturity profile above have been calculated to include notional interest payments, using the interest rates prevailing at the balance sheet date. The calculation is based on the assumption that the level of borrowings remains unchanged until maturity.

The Group had undrawn committed floating rate bank facilities as follows:

	2018 £000	2017 £000
Expiring in one year or less	-	-
Expiring in more than one year	14,500	26,000
	14,500	26,000

### 19. FINANCIAL INSTRUMENTS

The Group finances its operations through a combination of retained cash flows, debentures, finance leases and bank borrowings. Procedures are in place to monitor interest rate risk as considered appropriate by management. Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the accounting policies relating to financial risk management. The carrying value of short-term receivables and payables approximate to their fair values. All financial liabilities are denominated in Sterling.

#### Interest rate risk

The interest rate risk of the Group's financial liabilities is as follows:

	As at 30 June 2018			As at 30 June 2017		
	Nominal value £000	Weighted average rate %	Weighted average period Years	Nominal value £000	Weighted average rate %	Weighted average period Years
Debenture stock	106,001	5.375	13	106,001	5.375	14
Bank floating rate liabilities	88,500	2.41	3	82,000	2.03	2
Finance leases	4,444	5.0	119	4,462	5.0	120
	198,945			192,463		

Floating rate financial liabilities bear interest at rates for term loans based on LIBOR plus an average margin of 1.72% and for the overdraft of 2.00% above base rate.

Facilities provided by banks and other investors are a mixture of fixed rates and floating charge funding. Floating rate borrowings are exposed to the risk of rising interest rates which the Group manages where necessary by the use of appropriate financial hedging instruments, primarily interest rate swaps.

An increase in LIBOR by one percentage point would have reduced profit for the year by approximately £803,000 (2017: £839,000).

#### Financial instruments held for trading purposes

It is, and has been throughout the year under review, the Group's policy not to trade in financial instruments.

#### Foreign currency exposure

The Group has no exposure to foreign currency as it has no overseas operations and all sales and purchases are made in Sterling.

# Financial Statements

## Notes to the consolidated Financial Statements

Continued

### Effective interest rates

The effective interest rates at the balance sheet date are set out below:

	2018	2017
Bank overdraft facility	2.50%	2.25%
Bank borrowings	2.41%	2.03%
Debenture loan	5.375%	5.375%
Finance leases	5.0%	5.0%

### Fair value of current borrowings

The fair value of bank borrowings and overdrafts approximate to their carrying value.

### Fair value of non-current borrowings

	2018		2017	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Debenture stock	105,854	111,347	105,844	110,176
Non-current borrowings	87,759	87,759	81,663	81,663

The above debenture stock has been valued as at 30 June 2018 by J C Rathbone Associates on the basis of open market value. The fair valuation of debenture stock is categorised as level 3 in the fair value hierarchy as defined in IFRS13 as one or more inputs to the valuation are partly based on unobservable market data.

All financing liabilities are held at amortised cost.

### Capital management

The Group manages its capital to ensure that entities in the Group will each be able to continue to operate as a going concern while maximising the return to stakeholders through the optimisation of debt and equity. The capital structure of the Group consists of financial liabilities per note 18 and equity per the consolidated statement of changes in equity. The Group's capital structure is reviewed regularly by the directors.

The Group is not subject to externally imposed capital requirements.

## 20. FINANCE LEASES

The Group has a long leasehold interest in two properties that are classified as finance leases.

Future lease payments are as follows:

	2018			2017		
	Minimum lease payments £000	Interest £000	Present value £000	Minimum lease payments £000	Interest £000	Present value £000
In one year or less on demand	211	211	-	212	212	-
In more than one year but not more than five years	836	836	-	836	836	-
In more than five years	17,785	13,341	4,444	18,008	13,546	4,462
	18,832	14,388	4,444	19,056	14,594	4,462

## 21. EPRA NET ASSET VALUE PER SHARE

The Basic and EPRA net asset values are the same, as set out in the table below.

	2018 £000	2017 £000
Net assets at 30 June	204,125	191,078
Shares in issue (000)	53,162	53,162
Basic and EPRA net asset value per share	384p	359p

# Financial Statements

## Notes to the consolidated Financial Statements

Continued

### 22. COMMITMENTS

The Group has no capital commitments (2017: £nil) in respect of capital expenditure contracted for at the balance sheet date but not yet incurred, for investment and development property.

	2018 £000	2017 £000
<b>MINIMUM TOTAL FUTURE LEASE PAYMENTS RECEIVABLE:</b>		
Within one year	14,224	15,838
One to five years	45,444	69,086
In more than five years	88,591	91,496

The Group has a wide range of leases in place with tenants across a broad range of properties, sectors, tenures and rental values.

	2018 £000	2017 £000
<b>MINIMUM TOTAL FUTURE LEASE PAYMENTS PAYABLE:</b>		
Within one year	1,411	1,370
One to five years	5,643	5,482
In more than five years	26,922	27,619

Future lease commitments relate to five car parks operated under lease agreements. The annual rent for these car parks ranges from £175,000 to £400,000 and the remaining term on the leases are all less than 35 years.

The expense recognised in relation to operating lease agreements for the year ended 30 June 2018 was £1,400,000 (2017: £1,379,000).

### 23. CALLED UP SHARE CAPITAL

#### Authorised

The authorised share capital of the company is 164,879,000 (2017: 164,879,000) ordinary shares of 25p each.

The nominal value of authorised share capital is £41,219,750 (2017: £41,219,750).

#### Issued and fully paid up

	Number of shares 000	Nominal value £000
<b>AT 30 JUNE 2017 AND 30 JUNE 2018</b>	<b>53,162</b>	<b>13,290</b>

The Company has only one type of ordinary share class in issue. All shares have equal entitlement to voting rights and dividend distributions.

### 24. POST BALANCE SHEET EVENTS

On 23 July 2018, one of the Group's joint ventures, Merrion House LLP, received an advance rent payment of £54.6m from a tenant. This cash was distributed evenly between the joint venture partners and the Group therefore received £27.3m in cash (excluding costs) on the same day. This cash has been used to pay down debt on the Revolving Credit Facilities.

On 13 July 2018 the Group purchased a property on Chiswick High Road in London for £1.6m plus costs.

On 28 August 2018, the Group announced the acquisition of The Cube, 123 Albion Street, Leeds for £12m plus costs. Contracts have been exchanged and the completion of the purchase is set for 1 October 2018.

On 31 August the Group purchased a property on Gordon Street in Glasgow for £2.4m plus costs.

# Financial Statements

## Notes to the consolidated Financial Statements

For the year ended 30 June 2018

### 25. CASH FLOWS FROM OPERATING ACTIVITIES

	2018 £000	2017 £000
Profit for the financial year	18,375	6,725
Adjustments for:		
Depreciation	933	905
Profit on disposal of fixed assets	-	(23)
Profit on disposal of investment properties	(1,677)	(303)
Finance costs	7,887	7,639
Share of post tax profits from joint ventures	(3,757)	(1,342)
Movement in valuation of investment and development properties	(5,932)	2,085
Movement in lease incentives	(1,851)	145
Reversal of impairment of car parking assets	(1,300)	(1,000)
Decrease in receivables	144	4,192
Increase/(decrease) in payables	1,413	(864)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>14,235</b>	<b>18,159</b>

### 26. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the applicable categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on page 74.

	2018 £000	2017 £000
Short-term employee benefits	2,332	1,826
Post-employment benefits	66	38
	<b>2,398</b>	<b>1,864</b>

# Financial Statements

## Company Balance Sheet

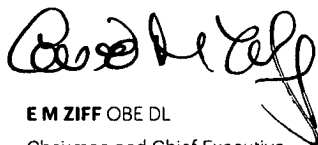
As of 30 June 2018

	Notes	2018 £000	2017 £000
<b>FIXED ASSETS</b>			
Investment properties	4	92,984	79,061
Property, plant and equipment	4	457	698
Investments	5	255,909	250,643
		<b>349,350</b>	<b>330,402</b>
<b>CURRENT ASSETS</b>			
Investments	6	3,530	2,394
Debtors	7	121,520	114,855
Cash		20	-
		<b>125,070</b>	<b>117,249</b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Financial liabilities – borrowings	9	(16,270)	(13,057)
Other creditors	8	(131,709)	(119,251)
		<b>(147,979)</b>	<b>(132,308)</b>
<b>NET CURRENT LIABILITIES</b>		<b>(22,909)</b>	<b>(15,059)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>326,441</b>	<b>315,343</b>
Financial liabilities – borrowings	9	(193,613)	(187,507)
<b>NET ASSETS</b>		<b>132,828</b>	<b>127,836</b>
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>			
Called up share capital	10	13,290	13,290
Share premium account		200	200
Capital redemption reserve		559	559
Other reserves		80,057	80,057
Profit and loss account		38,722	33,730
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>132,828</b>	<b>127,836</b>

### COMPANY NUMBER: 623364

As permitted by Section 408 of the Companies Act 2006, the Parent Company's Profit and Loss Account has not been included in these financial statements. The profit shown in the financial statements of the Parent Company was £11,106,000 (2017: £6,500,000).

The financial statements on pages 111 to 118 were approved by the Board of Directors on 26 September 2018 and signed on its behalf by:



**E M ZIFF** OBE DL  
Chairman and Chief Executive

# Financial Statements

## Statement of changes in equity

For the year ended 30 June 2018

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
<b>BALANCE AT 1 JULY 2016</b>	13,290	200	559	80,057	33,158	127,264
<i>Comprehensive income for the year</i>						
Profit	-	-	-	-	6,500	6,500
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	-	6,500	6,500
<i>Contributions by and distributions to owners</i>						
Final dividend relating to the year ended 30 June 2016	-	-	-	-	(4,200)	(4,200)
Interim dividend relating to the year ended 30 June 2017	-	-	-	-	(1,728)	(1,728)
<b>BALANCE AT 30 JUNE 2017</b>	<b>13,290</b>	<b>200</b>	<b>559</b>	<b>80,057</b>	<b>33,730</b>	<b>127,836</b>
<i>Comprehensive income for the year</i>						
Profit	-	-	-	-	11,106	11,106
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-	-	11,106	11,106
<i>Contributions by and distributions to owners</i>						
Final dividend relating to the year ended 30 June 2017	-	-	-	-	(4,386)	(4,386)
Interim dividend relating to the year ended 30 June 2018	-	-	-	-	(1,728)	(1,728)
<b>BALANCE AT 30 JUNE 2018</b>	<b>13,290</b>	<b>200</b>	<b>559</b>	<b>80,057</b>	<b>38,722</b>	<b>132,828</b>

# Financial Statements

## Notes to the Company Financial Statements

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### 1. ACCOUNTING POLICIES

#### Basis of Preparation

The Company Financial Statements have been prepared in accordance with FRS 102, (The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland), the going concern basis, the historical cost convention as modified by the revaluation of investment properties and certain investments and in accordance with the Companies Act 2006 and applicable law.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2). The principal accounting policies, which have been applied consistently, are as set out below:

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Town Centre Securities Plc as at 30 June 2018 and these financial statements may be obtained from Companies House, Cardiff CF4 3UZ.

#### Deferred Taxation

Town Centre Securities Plc elected for Group REIT status with effect from 2 October 2007. As a result the Company no longer pays United Kingdom corporation tax on the profits and gains from qualifying rental business in the United Kingdom provided it meets certain conditions. Non-qualifying profits and gains of the Company continue to be subject to corporation tax as normal. On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was payable. Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business was released to the income statement as the relevant temporary differences are no longer taxable on reversal. From 17 July 2012 there is no REIT entry charge payable where the Company makes acquisitions of companies owning qualifying properties.

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

#### Investment Properties

Investment properties are included in the accounts at open market values based on an independent external valuation, as at 30 June each year, or held at Directors' valuation. Movements in fair value are taken through the income statement.

#### Investments

The Company classifies its listed and unlisted investments as available for sale financial assets.

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets.

Purchases and sales of investments are recognised on the trade date, which is the date the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available for sale financial assets are subsequently carried at fair value. The fair values of listed investments are based on current bid prices. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold, the accumulated fair value adjustments are as gains and losses from investment securities.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired.

Investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured due to the range of reasonable fair value measurements obtained being significant are measured at cost.

#### Investment Income

Income from investments is accounted for on the payment date of the dividends.

#### Investments in Subsidiary Undertakings

Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost less impairment.

#### Trade Receivables

Trade receivables are recognised initially at fair value and are subsequently measured at cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The amount of the provision is recognised in the Consolidated Income Statement.

#### Cash and cash receivables

Cash and cash equivalents are carried in the Balance Sheet at cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the Balance Sheet. Where there is a formal legal arrangement with a right to offset the net position of the individual accounts will be presented in cash or current liabilities as appropriate.



# Financial Statements

## Notes to the Company Financial Statements

Continued

### Joint Ventures

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control.

Investments in jointly controlled entities are valued at cost less impairment.

### Turnover

Turnover, which excludes value added tax, represents the invoiced value of rent and services supplied to customers. Rental income is accounted for as it falls due in accordance with the lease to which it relates.

### Unamortised tenant lease incentives

Leasehold incentives given to tenants on entering property leases are recognised as unamortised lease incentives. The operating lease incentives are spread over the non-cancellable life of the lease. Where this ends with a clean break clause the incentives are spread to this date unless management is reasonably certain that the break will not be exercised.

### Derivative financial instruments (derivatives) and hedge accounting

The Company occasionally uses interest rate swaps to help manage its interest rate risk. In accordance with its treasury policy, the Company does not hold or issue derivatives for trading purposes.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently re-measured at fair value.

The fair value of interest rate swaps is based on broker quotes.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

### Cash flow hedges

Where a derivative is designated as a hedge of the variability of a highly probable forecast transaction, e.g. an interest payment, the element of the gain or loss on the derivative that is an effective hedge is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the Income Statement in the same period or periods during which the asset acquired or liability assumed affects the Income Statement, i.e. when interest income or expense is recognised.

### Reserves

Reserves are analysed in the following categories:

- Share capital represents the nominal value of issued share capital
- Share premium represents any consideration received in excess of nominal value of the shares issued
- Capital redemption reserve represents the nominal value of the Company's own shares that have been repurchased and cancelled
- Other reserves relates to the revaluation of the company's investments
- Retained earnings represents the cumulative profit or loss position less dividend distributions

## 2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value amounts of assets and liabilities within the next financial year are investment properties (Note 4).

## 3. EMPLOYEE BENEFITS

	2018 £000	2017 £000
Wages and salaries (including Directors' emoluments)	2,693	2,663
Social security costs	452	450
Other pension costs	58	69
	3,203	3,182

Employee benefits are charged to the Profit and Loss account through administrative expenses.

All of the pension costs in the table above relate to defined contribution schemes.

The aggregate remuneration of the Directors of the Company was £2,398,000 (2017: £1,864,000).

The average monthly number of staff employed during the year was 56 (2017: 70). Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement, are included on page 74 in the Remuneration Report and form part of the Consolidated Financial Statements. The remuneration paid to the Parent Company auditors in respect of the audit of the Parent Company Financial Statements for the year ended 30 June 2018 is included in note 5 to the Consolidated Financial Statements.

# Financial Statements

## Notes to the Company Financial Statements

Continued

### 4. TANGIBLE ASSETS

#### INVESTMENT PROPERTIES

	Freehold £000	Long leasehold £000	Development £000	Total £000
Valuation at 1 July 2017	46,971	7,340	24,750	79,061
Additions	9,598	-	140	9,738
Disposals	(7,190)	-	-	(7,190)
Valuation movement	254	-	11,260	11,514
Movement in tenant lease incentives	(139)	-	-	(139)
<b>VALUATION AT 30 JUNE 2018</b>	<b>49,494</b>	<b>7,340</b>	<b>36,150</b>	<b>92,984</b>

The above freehold and long leasehold properties have been valued as at 30 June 2018 on the basis of open market value by Jones Long LaSalle and CBRE in accordance with the Royal Institution of Chartered Surveyors Appraisal and Investment Manual.

#### FIXTURES, EQUIPMENT AND MOTOR VEHICLES

	Cost £000	Accumulated depreciation £000
Balance at 1 July 2017	2,987	2,289
Additions	23	-
Disposals	(1,526)	(1,517)
Depreciation	-	255
<b>BALANCE AT 30 JUNE 2018</b>	<b>1,484</b>	<b>1,027</b>
<b>NET BOOK VALUE AT 30 JUNE 2018</b>		<b>457</b>
Net book value at 30 June 2017		698
<b>TOTAL TANGIBLE ASSETS</b>		
<b>AT 30 JUNE 2018</b>		<b>93,441</b>
At 30 June 2017		79,759

# Financial Statements

## Notes to the Company Financial Statements

Continued

### 5. FIXED ASSET INVESTMENTS

	2018 £000	2017 £000
<b>SHARES IN GROUP UNDERTAKINGS</b>		
At 1 July	248,693	245,092
Additions	-	3,601
<b>AT 30 JUNE</b>	<b>248,693</b>	<b>248,693</b>
<b>OTHER INVESTMENTS</b>		
At 1 July	1,950	-
Additions	175	1,950
<b>AT 30 JUNE</b>	<b>2,125</b>	<b>1,950</b>
<b>INTEREST IN JOINT VENTURES</b>		
At 1 July	-	1,800
Loans advanced	4,985	-
Share of profits after tax	106	129
Dividends received	-	(129)
Transferred to shares in group undertakings	-	(1,800)
<b>AT 30 JUNE</b>	<b>5,091</b>	<b>-</b>
<b>TOTAL FIXED ASSET INVESTMENTS</b>	<b>255,909</b>	<b>250,643</b>

As permitted by Section 615 of the Companies Act 2006, where the relief afforded under Section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of shares issued plus the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

### 6. LISTED INVESTMENTS

	2018 £000	2017 £000
At 1 July	2,394	2,070
Increase in value of investments	1,136	324
<b>AT 30 JUNE</b>	<b>3,530</b>	<b>2,394</b>

Listed investments, all of which are listed on a recognised stock exchange, are stated at market value in the table above and have a historic cost of £889,130 (2017: £889,130).

### 7. DEBTORS

	2018 £000	2017 £000
Trade debtors	169	229
Less: provision for impairment of debtors	(68)	(30)
	101	199
Amounts owed by subsidiary undertakings	120,988	109,161
Other debtors and prepayments	431	5,495
	<b>121,520</b>	<b>114,855</b>

The expense recognised in relation to the impairment of debtors for the year ended 30 June 2018 was £1,000 (2017: £22,000).  
Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

# Financial Statements

## Notes to the Company Financial Statements

Continued

### 8. OTHER CREDITORS

	2018 £000	2017 £000
Trade payables	35	23
Taxation and social security	22	358
Amounts owed to subsidiary undertakings	120,242	115,791
Other payables and accruals	11,410	3,079
	<b>131,709</b>	<b>119,251</b>

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

### 9. FINANCIAL INSTRUMENTS

The Company's borrowings are at both floating and fixed rates of interest. The Company takes on exposure to fluctuations in interest rates on its financial position and cash flows. Interest costs may increase or decrease as a result of such changes.

	2018 £000	2017 £000
<b>Non-current</b>		
Bank borrowings	87,759	81,663
5.375% First mortgage debenture stock	105,854	105,844
	<b>193,613</b>	<b>187,507</b>
<b>Current</b>		
Bank borrowings	16,270	13,057
<b>TOTAL BORROWINGS</b>	<b>209,883</b>	<b>200,564</b>

The debenture, bank loans and overdrafts are secured by fixed charges on properties, valued at 339,485,000 (2017: £340,065,000) owned by the Company and its subsidiary undertakings.

The debenture issue premium is net of issue costs and is amortised over the life of the debt agreement.

The Company had undrawn committed floating rate bank facilities as set out below:

	2018 £000	2017 £000
Expiring in one year or less	-	-
Expiring in more than one year	14,500	26,000
	<b>14,500</b>	<b>26,000</b>

Included within facilities expiring in one year or less are overdraft facilities subject to annual review. There are net cash balances of £21,743,000 held by other Group companies which offset the Company's overdraft on consolidation. The total overdraft facility is based on the Group's right of set off. Other facilities are available to provide funding for future investments.

The Company finances its operations through a combination of retained cash flows, debentures and bank borrowings. Procedures are in place to monitor interest rate risk as considered appropriate by management. Numerical financial instruments disclosures are set out overleaf.

All financial liabilities are denominated in Sterling.

# Financial Statements

## Notes to the Company Financial Statements

Continued

### INTEREST RATE RISK

The interest rate risk of the Company's financial liabilities is as follows:

	As at 30 June 2018			As at 30 June 2017		
	Nominal value £000	Weighted average rate %	Weighted average period Years	Nominal value £000	Weighted average rate %	Weighted average period Years
Debenture stock	106,001	5.375	13	106,001	5.375	14
Bank floating rate liabilities	104,750	2.41	3	95,057	2.03	2
	210,751			201,058		

Floating rate financial liabilities bear interest at rates for term loans based on LIBOR plus an average margin of 1.72% and for the overdraft of 2.00% above base rate.

### FINANCIAL INSTRUMENTS HELD FOR TRADING PURPOSES

It is, and has been throughout the year under review, the Company's policy not to trade in financial instruments.

### FOREIGN CURRENCY EXPOSURE

The Group has no exposure to foreign currency as it has no overseas operations and all sales and purchases are made in Sterling.

### EFFECTIVE INTEREST RATES

The effective interest rates at the balance sheet date were as follows:

	2018	2017
Bank overdraft facility	2.50%	2.25%
Bank borrowings	2.41%	2.03%
Debenture loan	5.375%	5.375%

### FAIR VALUES OF CURRENT BORROWINGS

Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of short-term borrowings approximate to book value.

### FAIR VALUE OF NON-CURRENT BORROWINGS

	2018		2017	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Debenture stock	105,854	111,347	105,844	110,176
Long-term bank borrowings	87,759	87,759	81,663	81,663

## 10. CALLED UP SHARE CAPITAL

### AUTHORISED

164,879,000 (2017: 164,879,000) ordinary shares of 25p each.

### ISSUED AND FULLY PAID

	Number of shares 000	Nominal value £000
AT 30 JUNE 2017 AND 30 JUNE 2018	53,162	13,290

The company has only one type of ordinary share class in issue. All shares have equal entitlement to voting rights and dividend distributions.

# Financial Statements

## Notes to the Company Financial Statements

Continued

### 11. SUBSIDIARY COMPANIES

The Company's wholly owned active subsidiary undertakings at 30 June 2018, registered in England or Scotland and operating in the United Kingdom, are as follows:

	Company No.	Activity
<b>Held directly</b>		
TCS Holdings Limited	2271353	Property investment
Dundonald Property Investments Limited	3672365	Property investment
Buckley Properties (Leeds) Limited	647309	Property investment
CitiPark Plc	8837214	Car park operations
TCS Development Management (Merrion) Limited	8696141	Property investment
TCS (Residential Conversions) Limited	3946495	Property investment
TCS (Property Management) Limited*	5281225	Management company
TCS Trustees Limited*	3112923	Trustee for employee benefit plans
TCS Properties Limited*	2831154	Property investment
TCS (Whitehall Plaza) Limited	9922032	Property investment
TCS (9 Cheapside) Limited	10139127	Property investment
TCS (Tariff Street) Limited	09929851	Property investment
TCS (Brownsfield Mill) Limited	10291290	Property investment
TCS (Merrion Hotel) Limited	10380988	Hotel operator
Apperley Bridge Limited	6879596	Dormant
TCS Park Row Limited	8077103	Dormant
CitiPark UK Limited	8837203	Dormant
TCS (Merrion House JVC02) Limited	8561356	Dormant
Tassgander Limited	4077297	Dormant
Blackpool Markets Limited	2740190	Dormant
Emett Exhibitions Limited	1544918	Dormant
Milngavie East Limited	SC464805	Dormant
No 29 Management Co (Eastgate) Limited	3873683	Dormant
T Herbert Kaye's Estates Limited	0226678	Dormant
TCS (Bolton) Limited	4104688	Dormant
TCS Piccadilly Limited	4317396	Dormant
TCS Whitehall Riverside Limited	4329860	Dormant
TCS (Rochdale JV) Limited	7712764	Dormant
TCS (Rochdale Management) Limited	7712123	Dormant
TCS Car Parks Limited	4847697	Dormant
TCS Eastgate Limited	6554827	Dormant
TCS Finance Limited	3108777	Dormant
TCS Trading Limited	3060862	Dormant
The Merrion Centre Limited	0814845	Dormant
Town Centre Enterprises Limited	0221003	Dormant
Town Centre Securities (Developments) Limited	3946549	Dormant
Town Centre Securities (Manchester) Limited	0129485	Dormant
Town Centre Securities (Scotland) Limited	0748937	Dormant
Town Centre Services Limited	2285764	Dormant
TCS Plc	4329979	Dormant
TCS (EX TCCP) Plc	3385312	Dormant

# Financial Statements

## Notes to the Company Financial Statements

Continued

	Company No.	Activity
<b>Held indirectly</b>		
TCS Freehold Investments Limited	3684812	Property investment
TCS Leasehold Investments Limited	3684827	Property investment
Town Centre Car Parks Limited	5494592	Car park operations
TCCP (Clarence Dock) Limited	6219875	Car park operations
TCS (Milngavie) Limited	6391627	Property investment
TCS (Merrion House JVC01) Limited	8561354	Property investment
Dundonald (Cumbernauld) Limited	5983938	Dormant
TCS (Bothwell Street) Limited	4240551	Dormant
Dundonald Property Developments Limited	6430444	Dormant
Riverside (Leeds) Limited	4569350	Dormant
TCS (Greenhithe) Limited	4413344	Dormant
TCS (Isleworth) Limited	4413343	Dormant
TCS (Parliament Street 1) Limited	4768830	Dormant
TCS (Parliament Street 2) Limited	4768845	Dormant
TCS Energy Limited	4414144	Dormant
TCS (Mill Hill) Limited	4413341	Dormant
TCS (Residential) Limited	4249007	Dormant
TCS Solar Limited	5113915	Dormant

\*The subsidiaries marked with an asterisk above are exempt from preparing audited statutory accounts under section 479a of the Companies Act 2006.

The registered office of all subsidiaries is at the following address:

Town Centre House  
The Merrion Centre  
Leeds  
LS2 8LY

The Company's directly owned joint ventures, which are all registered in England and operate in the United Kingdom, are as follows:

	Proportion of ordinary shares held %	Activity
Belgravia Living Group Limited	50	Property investment
Bay Sentry Limited	50	Software Development

The registered offices of joint ventures are as follows:

<b>Belgravia Living Group Limited</b>	<b>Bay Sentry Limited</b>
Middleton House	Town Centre House
Westland Road	The Merrion Centre
Leeds	Leeds
LS11 5UH	LS2 8LY

The company also has an indirect 50% interest in Merrion House LLP, which has the same registered office as the company.

# Notice of Annual General Meeting

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Notice is hereby given that the 2018 annual general meeting (the "Meeting") of Town Centre Securities Plc (the "Company") will be held at Rudding Park Hotel, Rudding Lane, Follifoot, Harrogate, HG3 1JH on Tuesday, 20 November 2018 at 10.00am.

You will be asked to consider and, if thought fit, to pass the resolutions below. Resolutions 1 to 11 will be proposed as ordinary resolutions. For an ordinary resolution to be passed, a simple majority of the votes cast must vote in favour of the resolution. Resolutions 12 to 15 will be proposed as special resolutions. For a special resolution to be passed, at least 75% of the votes cast must vote in favour of the resolution.

## ORDINARY RESOLUTIONS:

### Resolution 1: Annual Financial Statements and Directors' Report

1. To receive the Company's annual financial statements (together with the Directors' Report and the auditors' report) for the financial year ended 30 June 2018.

### Resolution 2: Directors' Remuneration Report

2. To approve the Directors' Remuneration Report set out on pages 71 to 79 of the Company's 2018 Annual Report for the year ended 30 June 2018 (excluding the Directors' Remuneration Policy included in the report).

### Resolution 3: Final Dividend

3. To declare a final cash dividend recommended by the Board for the year ended 30 June 2018 of 8.50 pence per ordinary share, to be paid on 4 January 2019, to shareholders whose names appear on the register at close of business on 7 December 2018

### Resolution 4 to 7: Election and Re-election of Directors

4. To re-elect Paul Huberman, serving as a non-executive director of the Company who retires by rotation.
5. To elect Jeremy Collins as a non-executive director of the Company.
6. To re-elect Benjamin Ziff serving as an executive director of the Company who retires by rotation.
7. To elect Lynda Shillaw as a director of the Company.

### Resolution 8: Re-appointment of Auditors

8. To re-appoint BDO LLP as the auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next general meeting at which annual financial statements are laid before the Company's shareholders.

### Resolution 9: Remuneration of Auditors

9. To authorise the Directors to determine the remuneration of the Company's auditors.

### Resolution 10: Authority to Make Political Donations

10. To authorise, in accordance with Part 14 of the UK Companies Act 2006 (the "Act"), the Company and all companies that are subsidiaries of the Company at the date on which this resolution is passed, or at any time when this resolution has effect to:

- (a) make political donations to political parties and/or independent election candidates;
- (b) make political donations to political organisations other than political parties; and
- (c) incur political expenditure,

(as such terms are defined in the Act), up to an aggregate amount of £50 000, and the amount authorised under each of paragraphs (a) to (c) above shall also be limited to such amount, during the period beginning on the date of the passing of this resolution and ending at the conclusion of the next annual general meeting of the Company to be held in 2019. Upon the passing of this resolution, all existing authorisations and approvals relating to political donations or expenditure under Part 14 of the Act shall be revoked without prejudice to any donation made, or expenditure incurred, prior to the passing of this resolution pursuant to such authorisation or approval. For the purpose of this resolution, the terms "political donation", "political parties", "independent election candidates", "political organisation" and "political expenditure" shall have the meanings given by sections 363 to 365 of the Act.

### Resolution 11: Authority to Allot Ordinary Shares

11. To generally and unconditionally authorise the Board, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, pursuant to and in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company:

- (a) up to an aggregate nominal amount of £4,430,162.50 (representing 17,720,650 ordinary shares) (such amount to be reduced by any allotments or grants made under paragraph (b) below in excess of such sum); and
- (b) comprising equity securities (as defined in the Act) up to a nominal amount of £8,860,325 (representing 35,441,300 ordinary shares) (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue:
  - (i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
  - (ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary, expedient or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

provided that this authority shall expire at the conclusion of the next annual general meeting of the Company, to be held in 2019, or 20 February 2020, whichever is earlier, save that the Company may, before such expiry, make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry; and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

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# Notice of Annual General Meeting

Continued

## Special Resolutions

### Resolution 12: Authority to Disapply Pre-emption Rights

12. That, if resolution 11 above is passed, the Board be given power to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

(a) to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 11, by way of a rights issue only);

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) in the case of the authority granted under paragraph (a) of resolution 12 and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £664,524.25,

such power to apply until the end of the next annual general meeting to be held in 2019, or 20 February 2020, whichever is earlier, but, in each case, during this period the Company may make offers and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

### Resolution 13: Additional Authority to Disapply Pre-emption Rights for Purposes of Acquisitions or Capital Investments

13. That, if resolution 11 above is passed, the Board be given the power, in addition to any power granted under resolution 12 above, to allot equity securities (as defined in the Act) for cash under the authority granted under paragraph (a) of resolution 11 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be:

(a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £664,524.25; and

(b) used only for the purposes of financing a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-emption Group prior to the date of this notice, or for the purposes of refinancing such a transaction within six months of it taking place,

such power to apply until the end of the next annual general meeting to be held in 2019, or 20 February 2020, whichever is earlier, but, in each case, during this period the Company may make offers and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

### Resolution 14: Authority to purchase Company's own shares

14. That the Company be generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares of £0.25 each in the capital of the Company, provided that:

(a) the maximum number of Ordinary Shares which may be purchased is 7,974,292;

(b) the minimum price, exclusive of any expenses, which may be paid for each Ordinary Share is £0.25;

(c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary Share is an amount equal to the higher of:

(i) 105% of the average mid-market value of an Ordinary Share, as derived from the London Stock Exchange Daily Official List for the five business days prior to the day on which the purchase is made; and

(ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share.

(d) this authority shall expire on the date of the next annual general meeting of the Company or on 20 February 2020 whichever is the earlier, but, in each case, provided that the Company may, before such expiry, enter into a contract or contracts to purchase shares which will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of shares under such contract or contracts as if the authority had not expired.

### Resolution 15: Notice of General Meetings, other than Annual General Meetings

15. That a general meeting (other than an annual general meeting) of the Company may be called on not less than 14 clear days' notice.

By order of the Board.

Link Company Matters Limited

Company Secretary

26 September 2018

Registered Office:

Town Centre House, The Merriem Centre, Leeds LS2 8LY

Registered in England and Wales No. 00623364

# Notice of Annual General Meeting

## Explanatory Notes

Continued

### EXPLANATORY NOTES:

#### Ordinary Resolutions

##### Resolution 1: To receive the Annual Financial Statements and Directors' Report

Under the Company's Act 2006, the Directors are required to present the strategic report, directors' report, auditor's report and annual financial statements of the Company to the Meeting. These are contained in the Company's 2018 Annual Report and Financial Statements for the year ended 30 June 2018 (the "Annual Report"), which was circulated at the time of this Notice and is also available on the Company's website at [www.tcs-plc.co.uk](http://www.tcs-plc.co.uk).

##### Resolution 2: Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 30 June 2018

Under the Companies Act 2006 (the "Act"), the Directors must prepare an Annual Report detailing the remuneration of the Directors and a statement by the chairman of the Remuneration Committee (together, the "Directors' Remuneration Report"). The Act also requires that a resolution be put to shareholders each year for their approval of that report. The Directors' Remuneration Report can be found on pages 71 to 78 of the Annual Report. Resolution 2 is an advisory vote only and the Directors' entitlement to remuneration is not conditional on it. No changes are proposed to the remuneration policy approved by shareholders at the Annual General Meeting held in 2017.

##### Resolution 3: Final Dividend

The Board proposes a final dividend of 8.50 pence per share in respect of the year ended 30 June 2018. If approved, the recommended final dividend will be paid on 4 January 2019 to all ordinary shareholders who are on the register of members on 7 December 2018.

##### Resolution 4-7: Election and Re-election of Directors

The Company's Articles of Association require that at the annual general meeting of the Company, one-third of the Directors for the time being or, if their number is not three or a multiple of three, the nearest number to but not exceeding one-third shall retire from office. Accordingly, Paul Huberman and Ben Ziff will retire by rotation, whilst Jeremy Collins and Lynda Shillaw will be seeking election following their appointments to the Board since the last Annual General Meeting.

The Board believes that each Director seeking election and re-election continues to have the requisite skills and experience, and demonstrates the necessary commitment, to contribute effectively to the Board. The biographical details of the Directors seeking election and re-election at the Meeting are set out on page 52 of the Annual Report with the exception of Lynda Shillaw who was appointed with effect from 5 November 2018. Lynda's biography is therefore set out below.

Lynda served on the Board of Manchester Airports Group ('MAG') as the Divisional Chief Executive Officer, Property from June 2014 and was a member of the MAG Executive Committee, responsible for MAG's £525m Investment portfolio, its 1,000 acre development land bank across its UK airports and its interest in the £1bn Airport City Joint Venture. Prior to MAG, Lynda was Director of Real Estate at Scottish Widows Investment Partnership, Managing Director and Global Head of Corporate Real Estate for Lloyds Banking Group, Managing Director of Co-Operative Estates, and Director of Property at BT Plc. Lynda also holds Non-Executive Director positions on the boards of the Crown Estate and VIVID housing association.

None of the non-executive directors seeking election or re-election at the Meeting has any existing or previous relationship, transaction or arrangement with the Company, nor with any controlling shareholder of the Company or any associate of a controlling shareholder of the Company, within the meaning of Listing Rule 13.8.17R(1). In considering the independence of the non-executive directors, the Board has taken into account guidance from the UK Corporate Governance Code.

##### Resolution 8: Re-appointment of Auditor

At each general meeting at which the Company's annual financial statements are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit Committee, recommends the re-appointment of BDO LLP as auditors of the Company.

##### Resolution 9: Remuneration of Auditor

The remuneration of the Company's auditor must be fixed by the Company in a general meeting or in such manner as the Company may determine in a general meeting. This resolution gives authority to the Directors to approve the terms of engagement and determine the remuneration of the Company's auditors.

##### Resolution 10: Authority to make political donations

Under the Act, political donations to any political parties, independent election candidates or political organisations other than political parties, or the incurring of political expenditure, are prohibited unless authorised by shareholders in advance.

As the legislation is capable of wide interpretation, the terms "political donation", a "political party", a "political organisation" or "political expenditure" are not easy to define. For example, sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within the scope of these matters.

Therefore, notwithstanding that the Company has not made a political donation in the past, and has no intention, either now or in the future, of making any political donation or incurring any political expenditure, the Board has decided to propose Resolution 10 to avoid running the risk of the Company or its subsidiaries inadvertently breaching the Act through the undertaking of routine activities.

As permitted under the Act, this resolution also covers any political donations made or political expenditure incurred by any subsidiaries of the Company. This resolution caps the amount of all forms of political donations and expenditure that the company and its subsidiaries would be permitted to make at an aggregate of £50,000.

# Notice of Annual General Meeting

## Explanatory Notes

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Continued

### **Resolution 11: Authority to Allot Ordinary Shares**

The purpose of this resolution is to give the Directors authority to allot shares in place of the existing authority approved at the annual general meeting of the Company held on 28 November 2017, which expires at the end of the 2018 annual general meeting.

The authority in paragraph (a) of the resolution will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to a nominal value of £4,430,162.50 (representing 17,720,650 ordinary shares), which is equivalent to approximately one third of the total issued ordinary share capital of the Company as at 26 September 2018, which is the latest practicable date prior to publication of this Notice.

In accordance with institutional guidelines issued by the Investment Association, paragraph (b) of Resolution 11 will allow Directors to allot, including the Ordinary shares referred to in paragraph (a) of Resolution 11, further of the Company's Ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £8,860,325, representing approximately two thirds (66.67%) of the Company's existing issued ordinary share capital and calculated as at 26 September 2018 (being the latest practicable date prior to publication of this document).

The Company does not currently hold any shares in treasury.

The Board believes it is in the best interests of the Company to have these authorities so that the Board can allot securities at short notice and without the need to hold a general meeting if the need arises.

The authorities sought in paragraphs (a) and (b) of resolution 11 are without prejudice to previous allotments made under such existing authorities.

The authorities will only be valid until the conclusion of the next annual general meeting of the Company to be held in 2019 or 20 February 2020, whichever is earlier.

### **Resolution 12: Authority to Dis-apply Pre-emption Rights**

At the annual general meeting held on 28 November 2017, the Directors were given the authority to issue equity securities of the Company and sell treasury shares in exchange for cash until the 2018 annual general meeting. Resolution 12 renews this authority allowing Directors to issue equity securities and to sell treasury shares for cash on a non pre-emptive basis: (i) to ordinary shareholders in proportion to their existing shareholdings and to holders of other equity securities as required by the rights of those securities, or as the Directors consider necessary, and to deal with, among other things, treasury shares, fractional entitlements and legal and practical problems in any territory, for example, in the case of a rights issue or other similar share issue; and (ii) otherwise, up to an aggregate nominal amount of £664,524.25 (representing 2,658,097 ordinary shares). This number represents approximately 5% of the issued share capital as at 26 September 2018, the latest practicable date prior to publication of this Notice.

The Directors believe that this resolution will assist them in taking advantage of business opportunities as they arise.

The Company does not currently hold any shares in treasury.

These authorities are without prejudice to allotments made under previous authorities and will only be valid until the conclusion of the next annual general meeting to be held in 2019 or 20 February 2020, whichever is earlier.

### **Resolution 13: Additional Authority to Disapply Pre-emption Rights for Purposes of Acquisitions or Capital Investments**

On 5 May 2016, the Pre-Emption Group published a monitoring report on the implementation of its 2015 Statement of Principles for Disapplying Pre-emption Rights and a recommended template resolution for disapplying pre-emption rights. The template recommends companies request authority to disapply pre-emption rights in respect of the additional 5% to be used when the Board considers the use to be for an acquisition or specified capital investment in accordance with the 2015 Statement of Principles as a separate resolution to the disapplication to issue shares on an unrestricted basis.

Resolution 13 seeks this separate authority. Where the authority granted under resolution 13 is used, the Company will disclose this in the announcement regarding the issue, the circumstances that have led to its use and the consultation process undertaken.

In accordance with the section of the Statement of Principles regarding cumulative usage of authorities within a rolling three-year period, the Directors also confirm their intention that (except in relation to an issue pursuant to resolution 13 in respect of the additional 5% referred to above) no more than 7.5% of the issued ordinary share capital will be issued for cash on a non pre-emptive basis during any rolling three-year period, without prior consultation with shareholders.

The Directors believe that this resolution will assist them in taking advantage of business opportunities as they arise.

These authorities are without prejudice to allotments made under previous authorities and will only be valid until the conclusion of the next annual general meeting to be held in 2019, or 20 February 2020, whichever is earlier.

### **Resolution 14: Authority to Purchase Company's Own shares**

Resolution 14 is a special resolution that will grant the Company authority to make market purchases of up to 7,974,292 ordinary shares, representing 15% of the ordinary shares in issue as at the date of the Notice.

The Directors have no present intention to exercise the authority granted by this resolution, but the authority provides the flexibility to allow them to do so in future. The Directors would not exercise the authority unless they believed that the expected effect would promote the success of the Company for the benefit of its shareholders as a whole. Any shares bought back will either be cancelled or placed into treasury at the determination of the Directors.

# Notice of Annual General Meeting

## Explanatory Notes

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Continued

The maximum price which may be paid for each ordinary share must not be more than the higher of (i) 105% above the average of the mid-market values of the ordinary shares for the five business days before the purchase is made or (ii) the higher of the price of the last independent trade and the highest current independent bid for the ordinary shares. The minimum price which may be paid for each ordinary share is £0.25.

This authority shall expire at the annual general meeting to be held in 2019 or on 20 February 2020, whichever is the earlier, when a resolution to renew the authority will be proposed.

### **Resolution 15: Notice of general meetings other than Annual General Meetings**

Under the Act, the notice period required for all general meetings of the Company is 21 clear days. Annual General Meetings will always be held on at least 21 clear days' notice but shareholders can approve a shorter notice period for other general meetings. At last year's Annual General Meeting shareholders authorised the calling of general meetings (other than an Annual General Meeting) on not less than 14 clear days' notice, and it is proposed that this authority be renewed.

### **Resolutions and Important Notes**

The formal notice convening the Meeting ("the Notice") is set out on pages 119 to 125 of this document and includes explanatory notes to each of the resolutions to be proposed at the Meeting. There will be an opportunity for you to raise questions at the Meeting about the resolutions set out in the Notice and about the business of the Company.

### **Attendance and Voting in Person or by Proxy**

All resolutions for consideration at the Meeting will be voted on by way of a show of hands. The proxy votes will be taken into account where necessary or appropriate.

If you are entitled to, but unable to attend and vote at the Meeting, you may appoint a proxy to vote on your behalf. Please take careful note of the provisions included in the Notice set out on pages 124 to 125 regarding the actions required by shareholders. If you are in any doubt as to the action you should take, please consult your stockbroker, solicitor/attorney, accountant, CSDP, banker or other independent professional adviser immediately.

### **Further Information**

Further information relating to the Company and its financial information can be found in the Company's Annual Report and Financial Statements for the year ended 30 June 2018, which was circulated at the same time as this Notice and is also available on the Company's website at [www.tcs-plc.co.uk](http://www.tcs-plc.co.uk)

### **Recommendation**

The Board considers that Resolutions 1 to 15 are in the best interests of the Company and its shareholders as a whole and recommends that you vote in favour of such resolutions, as the Directors intend to do in respect of their own beneficial holdings.

# Notice of Annual General Meeting

## Important Notes

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Continued

### IMPORTANT NOTES

The following notes explain your general rights as a shareholder and your right to attend and vote at this Annual General Meeting or to appoint someone else to vote on your behalf.

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at close of business on Friday, 16 November 2018 (or, in the event that the meeting is adjourned, in the register of members at close of business on the date which is two days before the date of any adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.
2. In order to gain admittance to the meeting, members may be required to produce their attendance card which is attached to the Form of Proxy enclosed with this document, or otherwise prove their identity.
3. A shareholder is entitled to appoint one or more persons as proxies to exercise all or any of his or her rights to attend, speak and vote at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him/her. To appoint more than one proxy, you will need to complete a separate Form of Proxy in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar at Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or you may photocopy the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the number of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.

4. A Form of Proxy is enclosed. To be valid, it must be completed, signed and sent to the offices of the Company's registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive no later than 10.00am on Friday 16 November 2018 (or, in the event that the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
5. As an alternative to completing the hard copy Form of Proxy, a shareholder can appoint proxies electronically by logging onto [www.signalshares.com](http://www.signalshares.com) where full instructions are given. For an electronic proxy appointment to be valid, the appointment must be received by the Company's registrar by no later than 10.00am on Friday 16 November 2018 (or in the event that the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

Any electronic communication sent by a member to the Company or the Company's registrar which is found to contain a virus will not be accepted by the Company but every effort will be made by the Company to inform said member of the rejected communication.

6. A shareholder or shareholders having a right to vote at the meeting and holding at least 5 per cent of the total voting rights of the Company (see Note 8 below), or at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid share capital, may require the Company to publish on its website a statement setting out any matter that such shareholder(s) propose to raise at the meeting relating to either the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting of the Company in accordance with Section 527 of the Act.

Any such request must:

- 6.1 identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported;
- 6.2 comply with the requirements set out in Note 7 below; and
- 6.3 be received by the Company at least one week before the meeting.

Where the Company is required to publish such a statement on its website:

- 6.4 it may not require the shareholder(s) making the request to pay any expenses incurred by the Company in complying with the request;
- 6.5 it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and
- 6.6 the statement may be dealt with as part of the business of the meeting.

7. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in Note 6 above:

7.1 may be made either:

- 7.1.1 in hard copy, by sending it to the Company Secretary, Town Centre House, The Merriion Centre, Leeds LS2 8LY; or
- 7.1.2 in electronic form, by sending it to 0113 234 0442, marked for the attention of the Company Secretary, or to [info@tcs-plc.co.uk](mailto:info@tcs-plc.co.uk) (please state "TCS: AGM" in the subject line of the email);
- 7.2 must state the full name(s) and address(es) of the shareholder(s); and
- 7.3 (where the request is made in hard copy from or by fax) must be signed by the shareholder(s).

# Notice of Annual General Meeting

## Important Notes

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Continued

**8.** As at 26 September 2018 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consists of 53,161,950 ordinary shares of 25p each, carrying one vote each. The Company does not hold any ordinary shares in treasury. Therefore, the total voting rights in the Company as at 26 September 2018 are 53,161,950.

**9.** Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with Section 319A of the Act. The Company must answer any such questions unless:

**9.1** to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;

**9.2** the answer has already been given on a website in the form of an answer to a question; or

**9.3** it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

**10.** Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Act ("Nominee"):

**10.1** the Nominee may have a right under an agreement between the Nominee and the shareholder by whom he/she was appointed, to be appointed, or to have someone else appointed, as a proxy for the meeting; or

**10.2** if the Nominee does not have any such right or does not wish to exercise such right, the Nominee may have a right under any such agreement to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in Notes 3 to 5 above does not apply to a Nominee. The rights described in such notes can only be exercised by shareholders of the Company.

**11.** Biographical details of all those Directors who are offering themselves for appointment or re appointment at the meeting are set out on page 52 to 53 and page 121 of the Annual Report and Accounts.

**12.** A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

**13.** The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends:

**13.1** copies of the service contracts of the Executive Directors; and

**13.2** copies of the letters of appointment of the Non executive Directors.

**14.** The information required by Section 311A of the Act to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders is available at [www.tcs-plc.co.uk](http://www.tcs-plc.co.uk).

# Investor Information

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## Registrar

All general enquiries concerning shareholdings in Town Centre Securities Plc should be addressed to:

Link Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

Telephone: 0871 664 0300  
(Calls cost 12p per minute plus network extras.  
Lines are open from 9.00am - 5.30pm,  
Monday to Friday.)

Telephone outside  
United Kingdom: +44 (0) 371 664 0300

Email: [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk)

Website: [www.linkassetservices.com](http://www.linkassetservices.com)

## Dividends

Interim dividend: 3.25p per share paid on 22 June 2018 to  
shareholders on the register on 25 May 2018

Final dividend: 8.50p per share to be paid on 4 January 2019  
to shareholders on the register on 7 December 2018

## Payment of dividends

Shareholders whose dividends are not currently paid to mandated accounts may wish to consider having their dividends paid directly into their bank or building society account. This has a number of advantages, including the crediting of cleared funds into the nominated account on the dividend payment date. If shareholders would like their future dividends to be paid in this way, they should complete a mandate instruction available from the registrars. Under this arrangement tax vouchers are sent to the shareholder's registered address.

## ADVISORS

### Independent auditor

8DO LLP

### Brokers

Liberum

### Bankers

Lloyds Banking Group Plc  
The Royal Bank of Scotland Plc  
Svenska Handelsbanken AB (Publ)

### Solicitors

DLA Piper UK LLP  
Bond Dickinson LLP  
Leslie Wolfson

### Principal Valuers

Jones Lang LaSalle  
CBRE

### Corporate public relations

MHP Communications

## CONTACT INFORMATION

### Registered office

Town Centre House  
The Merriam Centre  
Leeds LS2 8LY

### Registered number

623364 England

### Email

[info@tcs-plc.co.uk](mailto:info@tcs-plc.co.uk)

### Website

[www.tcs-plc.co.uk](http://www.tcs-plc.co.uk)

### Company Secretary

Link Company Matters  
6th Floor  
65 Gresham Street  
London EC2V 7NQ

### Registrar and transfer office

Link Asset Services

### Trustees to mortgage debenture holders

Link Market Services Trustees  
6th Floor  
65 Gresham Street  
London EC2V 7NQ

Proud to be making a difference



**Town  
Centre  
Securities**

Town Centre House  
The Merrion Centre  
Leeds LS2 8LY  
+44 (0)113 222 1234

6 Duke Street  
Marylebone  
London W1U 3EN  
+44 (0)20 3370 0080

[info@tcs-plc.co.uk](mailto:info@tcs-plc.co.uk) | [tcs-plc.co.uk](http://tcs-plc.co.uk) |