Town Centre Securities PLC

Annual report and accounts 2013

About us

Town Centre Securities PLC is a property investor and developer and car park operator.

Our aim is to maximise shareholder returns over the long term through the acquisition and active management of investments, developments and car parks with secure and growing income, in good and improving locations.

Our investment portfolio

Our investment properties are located in the major cities of Leeds, Manchester, Edinburgh and Glasgow. Our portfolio comprises retail, leisure, office, out-of-town retail and residential apartments and car parks.

We purchased four new properties and disposed of one during the financial year. Read more on **page 8**

Merrion Centre, Leeds

Our largest single asset is the Merrion Centre in Leeds, a mixed use shopping centre. We constantly refresh the centre and are improving our Merrion Way frontage with nine new retail and leisure units and have plans to refurbish the multi-storey car park.

Pure Gym is our first new tenant on Merrion Way.
Read about our plans for the Merrion Centre on **page 10.**

Portfolio value
£301.0m

Total income
£22.4m

Value of Merrion Centre
£116.1m

Annual Merrion Centre footfall
10m per annum

Our early history

Town Centre Securities was founded in 1959 by Arnold Ziff and was listed in 1960. Work on building the Merrion Centre commenced in 1962 and it was opened in 1964.

Strong customer focus

We are focussed on providing the best possible experience for our tenants and customers. We increasingly use the latest technologies to attract footfall and maintain our competitiveness.

Financial highlights

Underlying* profit before tax

£7.3m

(2012: £7.3m)

Underlying* earnings per share

13.7p

(2012: 13.6p)

Statutory profit/(loss)

£3.6m

(2012: £4.2m loss)

Basic earnings/(loss) per share

6.7p

(2012: 7.9p loss)

Proposed final dividend per share

7.34p

(2012: 7.34p)

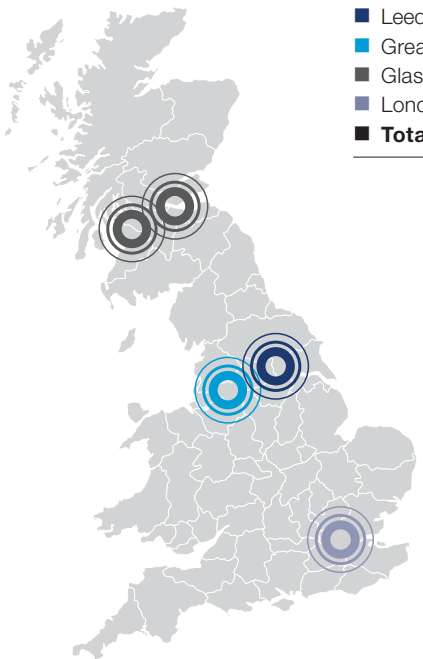
Total dividend per share

10.44p

(2012: 10.44p)

* Excluding valuation movement, exceptional items and profits and losses on disposals

Our property portfolio 2013



	£m	% by value
Leeds city region	163.1	58.4
Greater Manchester	45.4	16.2
Glasgow and Edinburgh	67.5	24.2
London	3.3	1.2
Total portfolio	**279.3**	**100.0**

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Review of the year

Chairman and Chief Executive's statement

"Town Centre Securities has remained focussed on maintaining value for our shareholders."

Edward Ziff
Chairman and Chief Executive

Introduction

I am pleased to present my tenth report as Chairman of Town Centre Securities PLC and that the Company has once again produced good results despite the economic background.

The Company has provided consistently strong returns and a shareholder investing £1,000 in the Company in 1969 (from when records are available) has seen a total return on that investment of £429,000 compared to a sector average of £350,000. This is the fourth best performance over that period out of twelve real estate companies.

Results

Our underlying profit before tax of £7.3m (2012: £7.3m) (excluding property revaluation, exceptional items and property disposal) is in line with expectations. As anticipated, we experienced higher finance costs in the first full year since our refinancing, but this was offset by the addition of rental income from acquisitions and increased car park revenue.

We report a statutory profit for the year, after revaluation, of £3.6m (2012: loss £4.2m). This improvement reflects a lower revaluation deficit compared to last year. After adjustment for capital expenditure and acquisition costs the deficit was £3.8m (2012: deficit £11.4m). On a like for like basis the investment portfolio showed an increase in value of £1.0m.

Underlying earnings per share were 13.7p (2012: 13.6p). Basic earnings per share (including exceptional items and property disposals) were 6.7p (2012: loss per share 7.9p).

Our property portfolio is now valued at £301.0m (2012: £287.6m). We purchased four properties during the year for a total consideration of £11.6m, and in addition, we now own 100% of a former joint venture, which brought five smaller properties into the portfolio.

Net assets at 30 June 2013 were £141.9m, representing 267p per share (2012: £143.7m, 270p per share). Triple net asset value was £151.6m, representing 285p per share (2012: £156.1m, 294p per share), the change reflecting the movement in the mark to market value of the debenture.

Dividend

The Board is recommending an unchanged final dividend of 7.34p per share, which, together with the interim dividend of 3.1p per share, provides an unchanged total dividend of 10.44p per share. The final dividend comprises a Property Income Distribution of 6.52p and an ordinary dividend of 0.82p per share. The final dividend will be paid on 6 January 2014 to shareholders on the register on 6 December 2013.

Funding

Net debt at 30 June 2013 amounted to £158.4m (2012: £144.6m). This comprised £105.8m of 5.375% First Mortgage Debenture Stock 2031 and £52.6m of revolving credit facilities and overdrafts. The increase in the level of net debt is principally due to acquisitions (£11.6m) and capital expenditure (£3.2m).

The Company retains revolving credit facilities of £90m (expiring 2015/16) and an overdraft facility of £5m. The loan to value of our total borrowings is 52.6% (2012: 50.3%).

Property portfolio

We have made significant progress during the year on a number of major projects. At the Merrion Centre our retail and leisure project opposite the new Leeds Arena is taking shape. Pure Gym recently took occupation of their unit and are due to open shortly. Prior to our year end we exchanged agreements to lease with Costa Coffee, and with Cosmo, a pan-Asian cuisine restaurant with eleven units in the UK. Over 60% of the projected income is now committed and we have good interest in the remaining units.

I am delighted that we were granted planning consent to construct a new food store which has been pre-let to Waitrose, adjacent to our Homebase store in Milngavie, Glasgow. We expect to commence construction in the early part of 2014. We have received council support for a residential scheme on the site we purchased earlier in the year at Apperley Bridge near Leeds. Rochdale Council has withdrawn its plans for a ring road extension which affected an out-of-town retail development site we own. This should now allow us to progress this scheme.

Underlying profit before tax

For the year ended 30 June	2013 £000	2012 £000
Rental income	**17,499**	17,156
Car park income	**4,928**	4,855
	22,427	22,011
Property expenses	**(1,815)**	(1,852)
Car park expenses	**(2,156)**	(2,273)
Administrative expenses	**(4,183)**	(4,150)
	14,273	13,736
Joint venture pre-tax income	**78**	73
Other income	**609**	730
Interest	**(7,676)**	(7,288)
Underlying profit before tax	**7,284**	7,251

Amount spent on new acquisitions

£11.6m

(2012: £nil)

Change in like for like property valuation

0.4% increase

(2012: 2.8% reduction)

We completed four property acquisitions and one disposal during the year. The acquisitions of Park Row, Leeds, occupied by Lloyds TSB Bank plc, and Apperley Bridge, occupied by Barratts, with a combined yield of over 9% were completed in July and August 2012 respectively. In May 2013, we acquired a property in Kilburn, London, comprising a shop, occupied by GNC, the health and nutrition product retailer, and three apartments. We also acquired a small vacant shop adjacent to our existing properties on Shandwick Place, Edinburgh; the consideration for both purchases was £1.75m. We disposed of a property in York in March 2013 for £2.7m (£0.2m above valuation).

Capital expenditure including the creation of a Tesco Express in York, conversion of a property in Glasgow to a Burger King and the Merrion retail and leisure project amounted to £4.4m.

At the end of June 2013 our occupancy level across the portfolio was 98% (June 2012: 97%). Although we experienced eight administrations during the year we have retained or replaced tenants at the majority of the affected units. Overall property income has increased to £17.5m and once again rent collections were very strong, with over 99% of rents due collected within five days of the relevant quarter day.

Car parking

Town Centre Car Parks which operates eleven car parks and over 5,000 spaces in Leeds and Manchester has performed well during the year. On a like for like basis underlying net profit increased by 3.2%. Initiatives undertaken during the year included commencing the roll-out of new parking management systems at sites in Leeds including the Merrion multi-storey car park. This, coupled with the launch of the new web site (www.towncentrecarparks.com), will allow considerable flexibility in pricing and an overall improved customer experience.

Our team remains motivated to identify opportunities to acquire or manage new car parks and our planned refurbishment of the Merrion Centre multi-storey car park is expected to get underway in the new year.

Outlook

Our decision to invest in major cities continues to be a sound strategy during these economic times. Whilst data now shows that there was no double dip, there is no doubt that confidence is fragile and that a full recovery is some time away. We are encouraged by signs of economic recovery but remain focussed on progressing development opportunities on assets we own and other value enhancing projects.

As ever, I would like to thank our loyal and dedicated staff for their commitment to Town Centre Securities PLC. They remain focussed on maintaining and creating value on behalf of our shareholders.

Edward M Ziff
Chairman and Chief Executive
18 September 2013

Review of the year
continued

We aim to generate predictable returns to shareholders through delivery of strong income to support sustainable dividends.

Our ability to actively manage our portfolio is our greatest strength. This is evident from our performance throughout the year.

Our strategic priorities

Our strategic priorities underpin our approach, the aim of which is to ensure we focus our efforts on the most value enhancing activities. Our four priorities are outlined below:

1. Invest in core cities

Achievements in 2013
- Property centred in four key cities: Leeds, Manchester, Edinburgh and Glasgow
- Maintained a well balanced portfolio
- Sold regeared investment in York

Focus areas for 2014
- Identify opportunities to add value and recycle assets
- Add assets in London

2. Actively manage our assets to enhance existing portfolio

Achievements in 2013
- First new Merrion retail and leisure project unit handed over to Pure Gym
- Council backing for new Waitrose store in Milngavie
- Tesco Express completed in York
- New parking equipment at two Leeds car parks

Focus areas for 2014
- Complete Merrion retail and leisure development
- Commence works on Merrion car park
- Develop site at Milngavie for Waitrose
- Agree formal terms for Merrion House with Leeds City Council

3. Seek acquisitions with potential to add value

Achievements in 2013
- Acquisitions in Leeds, London and Edinburgh
- Successful operation of two new car parks in Leeds

Focus areas for 2014
- Recycle assets to fund further acquisitions
- Identify car park asset and management opportunities

4. Maintain fiscal headroom and return to shareholders

Achievements in 2013
- Operated within bank covenants
- Met profitability targets and maintained dividend

Focus areas for 2014
- Continue to maintain appropriate headroom
- Maintain tight financial discipline
- Manage cash flow for acquisitions and developments

Number of properties
37
(2012: 29)

Number of car parks
11
(2012: 11)

Occupancy rate
98%
(2012: 97%)

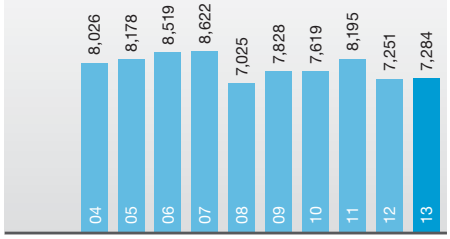
Rent collections within five days of due date
99%
(2012: 99%)

How we measure our progress

Ten year record

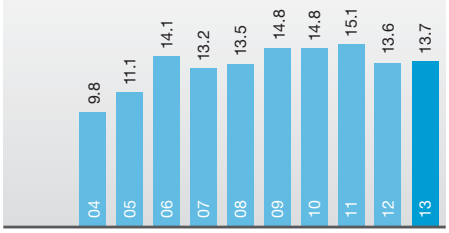
Underlying profit before tax (£'000)

£7,284



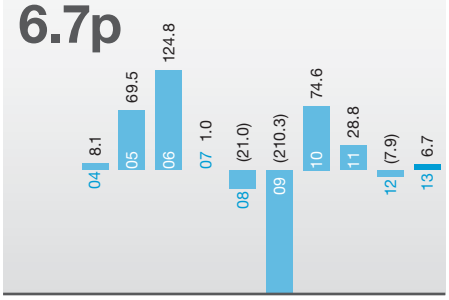
Underlying earnings per share (p)

13.7p



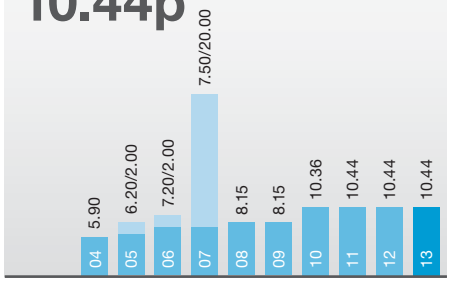
Basic earnings per share (p)

6.7p



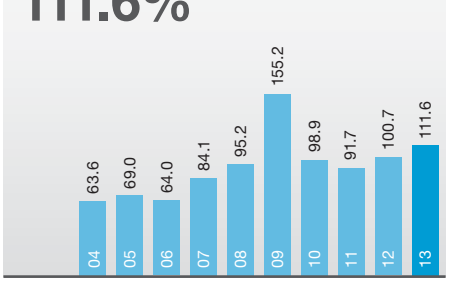
Dividends per share (p)

10.44p



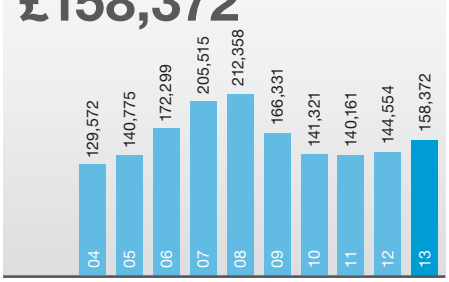
Gearing (%)

111.6%



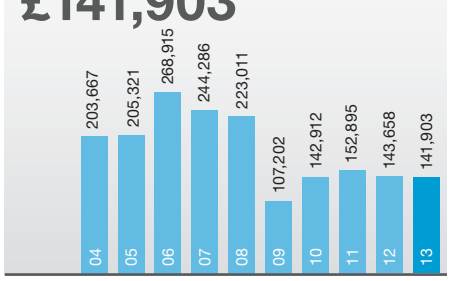
Borrowings (£'000)

£158,372



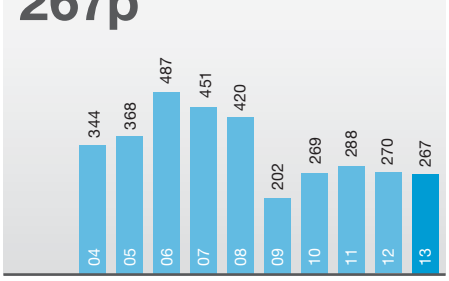
Net assets (£'000)

£141,903



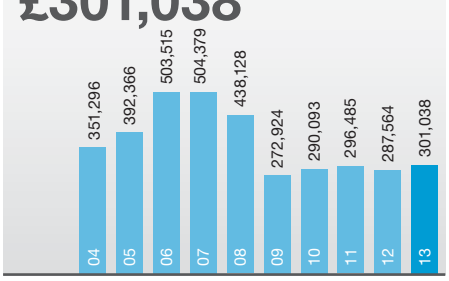
Net assets per share (p)

267p



Properties (£'000)

£301,038



Notes

1 Underlying profit before tax and underlying earnings per share have been adjusted to exclude exceptional items, profits or losses on disposal of investment properties, joint venture tax adjustments and revaluation surpluses.

2 The dividend per share for the year ended 30 June 2007 includes a 20p special dividend and the years ended 30 June 2005 and 2006 a 2.0p special dividend.

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Our market

We have a sound strategy for our property and car parking businesses. Through effective marketing and strong asset and risk management we are making good progress.

UK property values (including London) fell by 1.5% in the year to 30 June 2013 whilst rental values were flat. Retail property values fell by 2.7% and rental income by 1%. Economic growth in the first two quarters of 2013 following a period of over a year with no growth and poor consumer confidence.

* Source: CBRE

Our performance

0.4% **increase in like for like valuation**

No change in rental income

Our property

Our property portfolio is predominately retail based but increasingly mixed use as we respond to market changes. We invest in assets in good and improving locations. The majority of our assets are in key cities (Leeds, Manchester, Edinburgh and Glasgow). This has protected the Company from the worst of the declines in value in recent years and should provide a solid base for recovery.

Retail market

The retail sector has shown signs of growth in recent months with a recent upturn in consumer confidence. The signs are that consumers are more positive about the economic outlook and respond well to good deals.

Leisure

Destination shopping is increasingly about the overall experience, with customers seeking to combine an outing with either dining or a coffee and a snack. Modern shopping centres set aside over 20% of often prime space to food, drink and leisure activities.

Car parking

Competition

The market for parking is fragmented and is highly competitive. Town Centre Car Parks (TCCP) operates in Leeds and Manchester and has both multi-storey and surface branches. The market barriers to entry, particularly for surface sites, are low and there are many unregulated parking providers.

Differentiators

Demand for parking is based on affordability, location and other matters such as personal safety. TCCP focuses on providing excellent customer service and ease of access to its customers. Its branches meet ParkMark standards and booking and accessibility are enhanced by a market leading web site, mobile app and social media capabilities. We also have a programme to introduce Automatic Number Plate Recognition (ANPR) at branches.

The Leeds Arena opened opposite the Merrion Centre in July 2013, with an audience of over 13,000 people at the first event. We installed a new parking management system combined with ANPR technology prior to the opening to ensure the car park operated successfully with minimal queuing times for our customers.

Total spaces under management

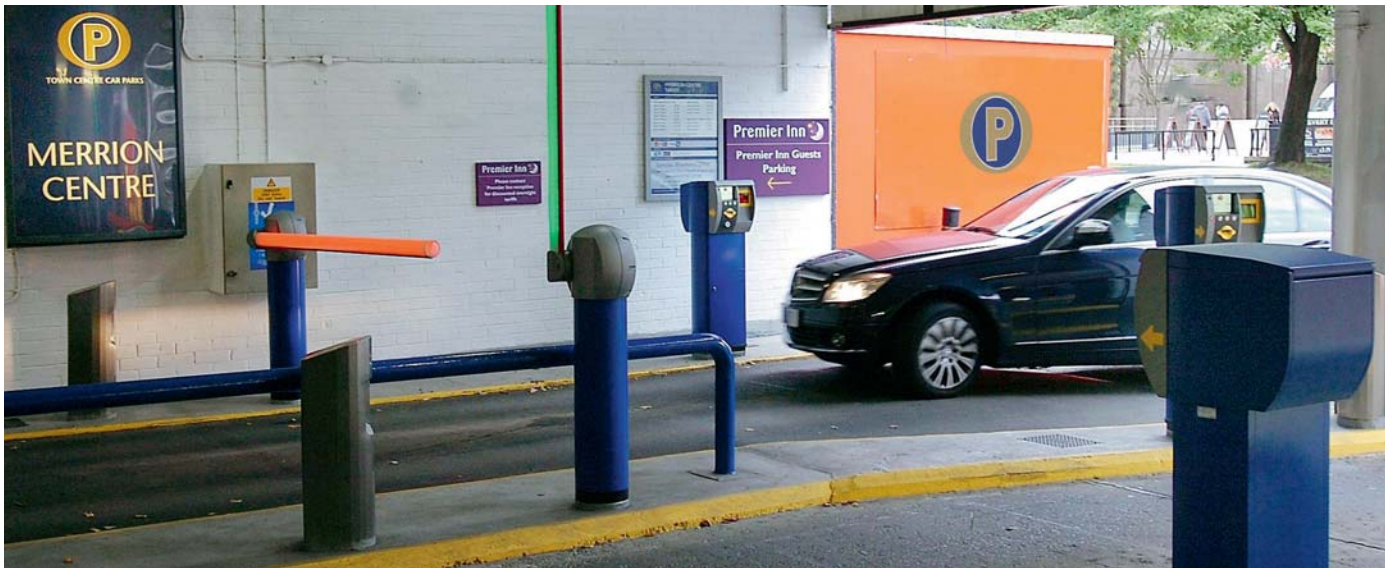
5,000

(2012: 5,000)

Net revenue

£2.9m

(2012: £2.6m)



New entry and exit equipment at Merrion Centre MSCP

Property review

"Our focus remains concentrated in the major conurbations of Leeds, Manchester, Glasgow and Edinburgh."

Richard Lewis
Property Director

We have delivered another stable year and believe we are well placed for what appears to be a gradual return to economic growth.

Portfolio performance

The value of our portfolio now stands at £301.0m with a gross income of £22.4m and an occupancy rate based upon income (rather than square footage) of 98%. The external valuation of our investment portfolio as at 30 June 2013 on a like for like basis showed a slight increase of 0.4% (£1.0m). Like for like income was static after completing over 90 leases, lease renewals and extensions.

Including acquisitions and disposals, the total external valuation of our portfolio is £279.3m (2012: £269.0m) and reflects an initial yield of 7.2% (2012: 7.1%) and a reversionary yield of 7.5% (2012: 7.4%).

Our largest asset, the Merrion Centre in Leeds, saw growth in value of 2.75% to £116.1m with a modest 2% rise in passing rent.

Within the remainder of the portfolio, increases in value in our principal retail investments in Leeds and Glasgow were offset by a fall in value in the stand-alone offices particularly in Scotland.

Acquisitions and disposals

We made four acquisitions during the year. We reported the purchase of Park Row, Leeds, and Apperley Bridge, for a total of £9.7m at a running yield of 9.2% in the first half of the year. In the second half we added to our existing holding on Shandwick Place, Edinburgh, with the purchase of a small vacant shop unit for £0.3m and we acquired a shop with three upper floor residential apartments on Kilburn High Road for £1.45m at an initial yield of 6.8%.

We continue to seek retail opportunities where we can add value and in particular in the Greater London market. We saw attractive returns from the two stand-alone retail units we sold last year in Wood Green and Holloway Road and hence this strategy will be maintained.

Rent roll by lease expiry and voids

	Analysis by lease expiry			
	0–5 years %	5–10 years %	Over 10 years %	Voids %
Retail	46.2	34.9	18.9	2.0
Leisure	19.9	31.8	48.3	0.0
Shopping centres	58.0	32.8	9.2	1.7
Office	35.7	32.5	31.8	4.7
Out-of-town retail	26.2	22.2	51.6	0.0
Total portfolio	**40.4**	**32.3**	**27.3**	**2.0**

Top ten tenants (passing rent) (£m)	
Leeds City Council	**> 1m**
Wm Morrison	**> 500k**
Waitrose	**> 500k**
Homebase	**> 500k**
Matalan	**> 500k**
Lloyds TSB Bank	**> 500k**
Step Change	**> 250k**
Pure Gym	**> 250k**
Dune Group	**> 250k**
Luminar Oceana	**> 250k**

CGI of Merrion retail and leisure development

Portfolio performance

	Value £m	Proportion of portfolio %	Valuation movement %
Retail and leisure	75.6	27.1	(3.1)
Merrion Centre (excluding offices)	79.5	28.5	3.8
Office	60.4	21.6	(3.2)
Car parking	11.8	4.2	(14.3)
Out-of-town retail	44.4	15.9	1.1
Residential	7.6	2.7	9.3
Total portfolio	**279.3**	**100.0**	**1.0**

Lease profile

	Passing rent £m	Proportion of portfolio %	ERV £m	Initial yield %	Reversionary yield %
Retail and leisure	5.4	28.0	5.4	6.7	6.9
Merrion Centre (excluding offices)	6.7	35.0	7.1	8.3	8.8
Office	4.7	24.5	4.4	7.4	7.3
Out-of-town retail	2.4	12.5	2.8	5.9	6.8
Let portfolio	19.2	100.0	19.7	7.2	7.5
Offices void			0.2		
Merrion void (excluding offices)			0.1		
Other voids			0.1		
Total portfolio			**20.1**		

Property review
continued

"The main focus of our asset management activity has been at the Merrion Centre."

Asset management

The main focus of our asset management activity has been at the Merrion Centre with the creation of retail and leisure units facing the new Leeds Arena (which held its first concert in July). We are on programme to complete this first phase by December representing a capital commitment of £8m. This will create an additional 50,000 sq ft of accommodation with an ERV of £0.65m per annum. At the end of June, we had handed over the first pre-let unit to Pure Gym for their fit-out. Tenant demand has been encouraging with over 60% currently pre-let and with a further 10% in solicitor's hands.

The second phase of the scheme will refurbish the existing 1,100 space multi-storey car park and is due to commence in the early part of 2014.

We successfully re-let a former Pizza Hut on Sauchiehall Street, Glasgow, to Burger King who took a new 20 year lease and we regeared the adjacent Starbucks, who extended their lease by a further ten years to 2024. Both demonstrated confidence in this retail location.

In York we took the opportunity to obtain vacant possession of a unit, extending and converting it for occupation by Tesco Express on a new 15 year lease.

Customer satisfaction

In March we commissioned an independent customer satisfaction study at the Merrion Centre. We were delighted that the majority of retailers rated their overall satisfaction as either good or excellent. The feedback was much appreciated and a number of opportunities for improvement were identified.

CGI of the new retail and leisure units at the Merrion Centre

Sauchiehall Street, Glasgow

Starbucks, Glasgow

Tesco Express, York

Property portfolio

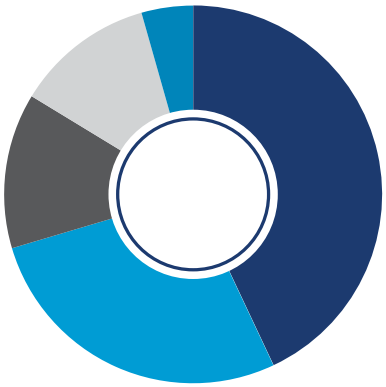
Leeds

Outside London, Leeds is the UK's second largest city and the largest financial and legal services hub. As a whole, Leeds city region has a population of 3m and an economy worth £52bn per year.

Situated in the centre of the UK, Leeds lies on the axis of the county's main north–south (M1) and east–west (M62) motorways and has a population of over 700,000 of which at least 100,000 people commute to Leeds every working day.

Our holdings in the Leeds regional area are spread across a diverse base although dominated by the Merrion Centre, a mixed use development occupying six acres in the city centre.

Valuation by sector



Retail	**43.0%**
Offices	**27.4%**
Leisure	**13.3%**
Car parking	**11.9%**
Residential	**4.4%**

Offices

Lloyds, Park Row

Freehold
Size: 45,000 sq ft
Value: △

Acquired in July 2012, the property is let to Lloyds TSB Bank and comprises a banking hall and offices.

Key to valuations

△ less than £10m

☐ £10–20m

○ more than £20m

Retail

Merrion Centre

Freehold
Size: 1,000,000 sq ft
Value: ○

Situated on a six acre site, it comprises a covered shopping centre, offices, leisure, multi-storey car park and hotel. Major retail tenants include Wm Morrisons, Poundworld and Home Bargains with the principal office tenants being Leeds City Council and StepChange.

Leisure

Oceana

Freehold – Part of the Merrion Centre

The Oceana night club opened in 2005. It has six themed bars and an outdoor secret garden providing City Centre entertainment.

Residential

76/82 Vicar Lane

Freehold
Value: △

This property consists of 17 apartments located above a retail unit let to Flannels, High and Mighty and Fired Earth.

Car parking

Clarence Dock Car Park

Freehold
Spaces: 1,650
Value: △

The car park specifically serves the Clarence Dock development, a mix of residential apartments, offices, hotel, conference centre and the Royal Armouries Museum.

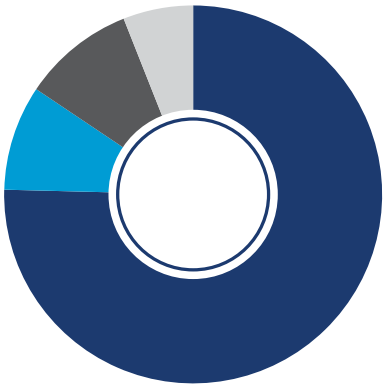
Property portfolio

Manchester

Manchester is home to 2.69m people (Greater Manchester), of whom 1.76m are of working age. The city-region economy generates £47bn of gross value added (GVA) every year – which represents 40% of the north west GVA.

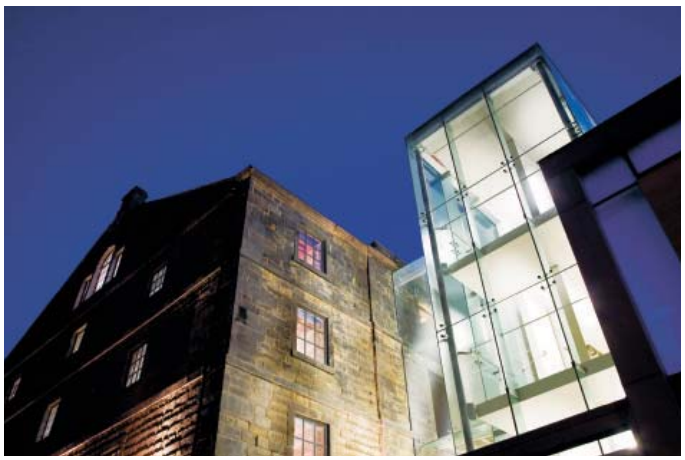
With over 1m international visitors a year, Manchester is the third most popular destination in the UK for overseas visitors to Britain. Manchester Airport is the global gateway to the north of England, every year handling around 19.9m passengers using over 60 airlines flying direct to around 200 destinations. It is the original modern city. Birthplace of everything from the Industrial Revolution, the computer, the football league and the vegetarian movement, it is truly a city of firsts.

Valuation by sector



Retail	**75.4%**
Offices	**9.0%**
Leisure	**9.6%**
Car parking	**6.0%**

Offices



Carvers Warehouse

Freehold
Size: 20,000 sq ft
Value: Δ

Refurbished and extended in 2008, this Grade 2* listed building is multi-let with tenants who include Marketing Manchester, TechHub and English Heritage.

Key to valuations

△ less than £10m

☐ £10–20m

○ more than £20m

Retail

Urban Exchange

Freehold
Size: 120,000 sq ft
Value: ☐

The property comprises a two level retail store with decked car parking. The property has an open A1 with food planning consent and is occupied by Aldi, GO Outdoors, M&S Outlet and Pure Gym.

Leisure

Pure Gym

Freehold – Part of Urban Exchange

Located on the ground floor and basement levels at Urban Exchange, this 24 hour gym is fully air conditioned.

Residential

Manchester Piccadilly Basin redevelopment site

Freehold
Size: 100 apartments
Value: △

Land comprising the third phase of a residential scheme around our narrow boat marina will comprise approximately 100 apartments.

Car parking

Tariff Street Car Park

Freehold
Spaces: 240
Value: △

The car park is used by residents as well as business, retail and leisure visitors to Piccadilly Basin and the Urban Exchange.

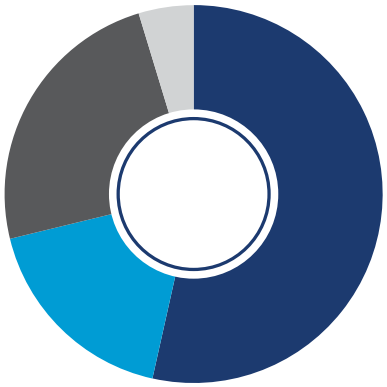
Property portfolio

Glasgow and Edinburgh

Glasgow is Scotland's largest city with a population of 592,000 and over 1m living in the Greater Glasgow urban area. It forms the UK's second largest and most economically important retail sector after central London.

Served by two international airports, it has the largest economy in Scotland, supporting more than 410,000 jobs, and will host the 2014 Commonwealth Games which has seen a £230m investment in city infrastructure.

Valuation by sector



Retail	**53.5%**
Offices	**17.7%**
Leisure	**24.1%**
Residential	**4.7%**

Leisure

59 Sauchiehall Street and Renfield Street

Freehold
Size: 22,300 sq ft
Value: Δ

This property is principally occupied by Burger King and KFC.

Retail

101/109 Buchanan Street

Freehold
Size: 11,500 sq ft
Value: Δ

The property provides retail accommodation on basement, ground and first floors with ancillary accommodation above. The principal tenants are Dune and Timpsons.

Residential

38 Bath Street

Freehold
Size: 24,000 sq ft
Value: Δ

The property forms accommodation with retail at ground and lower ground floor levels and 20 serviced apartments above. The retail tenant is Bridal Fashions and the apartments are operated by Max Serviced Apartments.

Key to valuations

△ less than £10m

☐ £10–20m

○ more than £20m

Development
Page 18

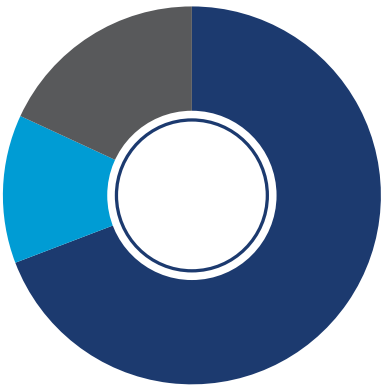
Town Centre Car Parks
Page 20

Edinburgh regularly polls as one of the best places to live having won more than twelve UK best city awards in the last decade.

Scotland's capital city has a population of over 480,000 and sits at the centre of a larger urban zone of some 850,000 people. Edinburgh is recognised as having the strongest economy of any city outside of London which is mainly based on financial services with particularly strong insurance and investment sectors, scientific research, higher education and of course tourism that sees millions of visitors each year.

Apart from its already excellent transport links in the form of an international airport/ motorways and train station hub, the city will see the introduction of a tram system in 2014.

Valuation by sector



Retail	**69.2%**
Offices	**12.7%**
Leisure	**18.1%**

Offices

Empire House

Freehold
Size: 69,000 sq ft
Value: ☐

The property comprises an island site. There are seven retail units with four floors of offices above. Retail tenants include Starbucks, Body Shop and Ann Summers.

Retail, leisure and offices

Shandwick Place

Freehold
Size: 30,000 sq ft
Value: △

The property comprises a parade of period buildings, forming retail premises with offices above with Wm Morrison due to open their first M Local store in Scotland.

Development

A strong mix of opportunities

We are well placed to take advantage of any recovery in the occupational market.

No.1 Whitehall Riverside (Sold July 2006)

CGI of the proposed No. 2 Whitehall Riverside

With some signs that the occupational market is recovering we have recently obtained detailed consent for a 126 bed hotel on our Whitehall Riverside site in Leeds and have lodged a revised outline application on the remainder for 450,000 sq ft of commercial offices together with a 500 space multi-storey car park which will replace the current surface parking.

Agreement has been reached with Leeds City Council to refurbish and extend Merrion House at the Merrion Centre which will become its principal office building in the city and the single point of call for all customer enquiries. Subject to obtaining planning consent the building will comprise 170,000 sq ft of accommodation. Scheduled for completion in 2017 the council will enter into a new 25 year lease.

In June we obtained planning consent for a 36,500 sq ft food store for Waitrose on land opposite our existing Homebase unit outside of Glasgow city centre. The site currently forms part of the West of Scotland Football Club and involves the relocation of a rugby pitch prior to commencing construction of the store. We intend to commence construction in the early part of 2014 targeting a store opening in spring 2015.

Representations made by the Company to Rochdale Council have led to the withdrawal of proposals for a ring road which blighted our redevelopment site situated opposite our existing out-of-town

CGI of proposed hotel at Whitehall Riverside

CGI of the Whitehall Riverside site, Leeds

CGI of the New Merrion House, Merrion Centre, Leeds

CGI of Waitrose Milngavie, Glasgow

Waitrose should be able to commence their store fit out in early 2015 for a spring opening.

retail investment, Central Retail Park. This now allows us to progress the scheme which has a detailed planning consent for 125,000 sq ft of open A1 and we will be seeking tenant interest.

We have received Council support for our redevelopment of the Apperley Bridge property which paves the way for an 80 unit residential development in the future. Currently the property is fully occupied and income producing for a further two years.

Richard Lewis
Property Director
18 September 2013

Central Retail Park Phase 2 Indicative

Town Centre Car Parks

"We are in discussions to manage a number of new car parks and hope to expand the portfolio in the current year."

We experienced another good year for our car park business with revenues increasing to £4.93m, delivering underlying profits of £2.4m (2012: £4.86m and £2.4m respectively).

These results have been delivered despite a general fall in daily parking rates, particularly for commuters. Competing sites without planning permission have provided further pressure.

Our main success has been an active campaign to recruit corporate customers. We have also invested in our branches in Leeds. We installed a new parking management system (PMS) in the Merrion Centre, Leeds using Automatic Number Plate Recognition (ANPR) technology. This is the first stage in a major refurbishment of this car park; the second phase begins in January 2014. We have also completed a similar installation at Whitehall Road. This has allowed us to increase revenue and decrease costs at this branch.

The Leeds Arena opened on 24 July and we are an official parking partner under a management agreement with Leeds City Council. The arena holds 13,000 people and our car park is within 100 yards of the main entrance.

We have a programme to acquire and manage car parks to enable us to capitalise on our investment and hope to expand the portfolio in the current financial year. We will regularly upgrade to state of the art technology in our branches to improve service and efficiency, enhancing the customer experience and growing this business.

Ben Ziff
Managing Director TCCP
18 September 2013

Ben Ziff Managing Director, TCCP

Developing our online presence

We have further developed our web site, mobile app and use of social media. We believe that this will be a significant factor in our future development.

We have a user friendly website where customers can pre-book season tickets, reserve spaces and get directions to each car park from their current location.

Still in development, launching later in the year, we have planned integration of satellite navigation to mobile devices to enable customers to drive straight to any of our branches. We will also extend the use of barcodes to facilitate marketing campaigns with promotional discount vouchers.

Our website and mobile app allow customers to pre-book season tickets, reserve spaces and get directions to each car park from their current location

Our core values

SAFE CLEAN CUSTOMER VALUE

Valuers' reports

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

30 June 2013

Dear Sirs

Town Centre Securities PLC – Property Portfolio Valuation – 30 June 2013

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 accounts purposes as at 30 June 2013.

The valuations have been prepared in accordance with RICS Valuation – Professional Standards (March 2012)) issued by the Royal Institution of Chartered Surveyors, in our capacity of external valuers, 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 Jones Lang LaSalle, as at 30 June 2013, subject to and with the benefit of the tenancies currently subsisting, is:

Freehold	£98,885,000
Long leasehold	£11,900,000
Total	**£110,785,000**

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

Simon Cullimore MRICS
Director, Valuation Advisory
For and on behalf of Jones Lang LaSalle Limited

Total external valuation

CBRE	£165,720,000
Jones Lang LaSalle	£110,785,000
Other	£2,800,000
Total	**£279,305,000**

CBRE

CBRE Limited
Henrietta House
Henrietta Place
London
W1G 0NB

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

25 July 2013

Dear Sirs

Town Centre Securities PLC – 30 June 2013 valuations

In accordance with your written instructions we have inspected and valued The Merrion Centre, Leeds; Homebase, Main Street, Milngavie; 363–381 Byres Road and 9–19 Grosvenor Lane, Glasgow; Phases 1 and 2, Central Retail Park, Rochdale; 6/7 Park Row, Leeds; and 106A Kilburn High Road, London, held by Town Centre Securities PLC and its various subsidiary companies, for accounts purposes as at 30 June 2013.

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards (2012) ("the Red Book") and should be read in conjunction with our Valuation Report as at 30 June 2013 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 2013, subject to and with the benefit of the tenancies currently subsisting, is:

£165,720,000 (one hundred and sixty-five million, seven hundred and twenty 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

Michael H Brodtman FRICS
RICS approved valuer
Executive Director

John Shaw MRICS
RICS approved valuer
Associate Director

Financial review

"Our dividend of 10.44p per share is unchanged and continues to represent a strong return for shareholders."

Chris Kelly
Finance Director

Income statement

Underlying profit before tax was £7.3m (2012: £7.3m). This result excludes all exceptional items and property disposal profits and losses. Rental income increased by £0.4m. The increase in income from acquisitions and car parking was partially offset by disposals.

Our statutory profit after taxation amounted to £3.6m. The revaluation movement this year was a reduction of £3.8m compared to a reduction in 2012 of £11.4m.

Underlying administrative expenses were £4.2m (2012: £4.1m) and underlying property expenses were £4.0m (2012: £4.1m). Property expenses can be further analysed between property portfolio costs of £1.8m (2012: £1.8m) and car park operations expenses of £2.2m (2012: £2.3m). Administrative expenses can be analysed between the property business of £3.8m (2012: £3.9m) and car parks of £0.4m (2012: £0.2m).

Interest costs amounted to £7.7m (2012: £7.3m). This is the first full year since refinancing and costs have increased as expected, offset by a reduction in LIBOR in the second half. Interest cover was 1.95 times (2012: 2.0 times).

Balance sheet

Our net asset value at 30 June 2013 reduced marginally to £141.9m from £143.7m. This was due to the property valuation movement and dividend this year exceeding our profits. Net assets per share were 267p (2012: 270p per share).

Our property portfolio (excluding properties owned by joint ventures) is now valued at £301.0m (2012: £287.6m).

Net borrowings increased during the year to £158.4m from £144.6m. This was mainly due to property acquisitions and capital expenditure during the year. As a result gearing increased to 112% (2012: 101%). Gross borrowings of £159.1m comprised £106m of debenture loan, £52.7m drawn on our revolving credit facilities and a £0.4m overdraft. Net borrowings represent 52.6% of property assets (2012: 50.3%).

Cash flow

Cash inflows from operations amounted to £15.0m (2012: £13.8m). After net interest payments of £7.9m (2012: £7.7m) the net cash generated of £7.1m (2012: £6.1m) was absorbed by £11.6m spent on acquisitions and £3.2m (2012: £6.6m) on improving and refurbishing investment properties. Net disposal proceeds amounted to £2.5m (2012: £2.5m). Dividend payments amounted to £4.8m (2012: £5.6m). £8.9m was drawn down on existing facilities, resulting in a reduction in cash and cash equivalents of £1.3m.

Dividends

The total dividend comprises an interim dividend of 3.1p per share and the final dividend of 7.34p per share, unchanged from 2012. The dividend comprises PID payments of 9.62p per share and an ordinary dividend of 0.82p per share.

Key performance indicators

The Board has set performance targets which are measured as Key Performance Indicators (KPIs). The Board's preferred measure is underlying profit before taxation which excludes revaluation movements, property disposals and other exceptional items. This is also measured in underlying profit per share. The profit achieved is in line with the target set and with market expectations.

REIT balance of business tests

Year ended 30 June 2013	Tax-exempt business £000	Residual business £000	Adjusted results £000
Adjusted profit before tax	6,876	417	7,293
75% profits test	**94%**	**6%**	
Adjusted total assets	284,120	17,222	301,342
75% assets test	**94%**	**6%**	

The Board's internal measure of performance is the creation of total shareholder value (TSV), calculated as the change in net asset value plus dividend per share. For the year ended 30 June 2013 TSV increased by 7.1p per share (2012: reduction of 6.9p).

Property KPIs

We measure our property business based on a number of specific KPIs.

Our key management indicator is occupancy levels. At 30 June 2013 occupancy was 98% (2012: 97%).

We have an internal target of collecting at least 95% of rental income within a week of it falling due. During 2012/13 we collected 99% within a week of the due date.

We also review remaining lease lengths and report to the Board forthcoming lease breaks and renewals. This enables us to take management action in good time to avoid vacant property.

We closely monitor the covenant and trading of our tenants, particularly those we consider to be at risk of failure. We enter into an active dialogue with tenants and work closely with them.

During the year management met the targets set for the year for each KPI.

Car park KPIs

We measure the income from each car park on a daily, weekly and monthly basis comparing to budget, prior period and prior year. The profitability of each car park is closely monitored on a monthly basis and expenditure is closely controlled.

Occupancy levels are measured on a weekly basis and major fluctuations are investigated by senior management.

During the year our senior team achieved the income and profitability targets set.

Chris Kelly
Finance Director
18 September 2013

Total dividend per share

10.44p

(2012: 10.44p)

Risk management

Town Centre Securities has a risk management framework which provides a structured and consistent process for identifying, assessing and responding to risks.

Risk management policies and procedures have been established throughout our property and car parking businesses. Regular Review Forum Team meetings and Town Centre Car Parks management meetings review and allocate responsibility for risk management.

A detailed risk analysis is performed every six months for consideration by the Audit Committee and Board. The Board considers risks associated with matters reserved for its consideration at each Board meeting as appropriate.

The key components of the Group's risk management framework have operated throughout the year ended 30 June 2013.

Key risks and uncertainties

Senior management identifies and assesses risks across a wide range of risk categories. The likelihood and impact of these risks are considered and assessed dependent upon their effect on the achievement of our corporate strategies.

Mitigation

Responsibility for taking necessary actions to manage risk is delegated to appropriate colleagues in the business, with executive involvement. The Company's Risk Register is monitored and updated with current and ongoing mitigation on a regular basis.

Report and review

The Group Board considers the risks reported within the Risk Register and monitors new risks and all mitigating actions to ensure the status of risk mirrors the Board's appetite for risk.

Financial Review
Page 24

Corporate governance
Page 31

Risk	Impact	Mitigation
Investment portfolio		
▪ Major economic downturn ▪ Sourcing opportunities to generate required returns ▪ Sector or tenant dependency (in particular exposure to retail sector) ▪ Letting and tenancy risks ▪ Lack of investment in upkeep	▪ Fall in property values ▪ Impact on shareholder return ▪ Cyclical nature of the market may impact short-term returns ▪ Impact on occupancy levels and rental income	▪ Diversification of activity, e.g. development, office, residential and mixed use schemes ▪ Active management of portfolio ▪ Rigorous due diligence and review of acquisition performance ▪ Experienced and skilled in-house managers ▪ Review of tenant covenant ▪ Strong credit control
Development risk		
▪ Planning risk ▪ Construction risk and poor control over the project ▪ Letting risk	▪ Unable to progress developments to schedule and budget and/or abortive costs or cost overruns ▪ Impact on project profitability and capital returns ▪ Failure of contractor	▪ Skilled hands-on project management team ▪ Use of specialist contractors ▪ Preparation and monitoring of appraisals ▪ Review of contractor covenant
Financial risk		
▪ Funding ▪ Breach of covenants ▪ Interest rate exposure ▪ Breach of REIT conditions	▪ Unable to progress opportunities through insufficient funding or liquidity ▪ Withdrawal of facilities ▪ Adverse interest rate movements on net returns ▪ Penalties or loss of REIT status	▪ Cash flows and funding requirements closely monitored ▪ Borrowing and covenant headroom maintained ▪ Fixed rate long-term borrowings or hedging used as appropriate ▪ Review of compliance with REIT legislation and conditions
Reputation, health and safety and environmental risks		
▪ Major incident at the Merrion Centre ▪ Liability arising from other events	▪ Adverse publicity leading to damage to reputation ▪ Reduced footfall ▪ Litigation ▪ Impact on profitability	▪ Defined responsibilities, policies and procedures ▪ Business continuity planning ▪ Regular reporting and communication of the above ▪ Security provision at the Merrion Centre ▪ Appropriate insurance arrangements
Retention of key staff		
▪ Loss of key staff	▪ Loss of skills and experience ▪ Lack of continuity resulting in instability	▪ Career development and positive culture ▪ Remuneration structure reviewed and benchmarked ▪ Succession planning

Corporate social responsibility

We strive to make a difference. We aim to be a key contributor in our local communities, providing time and financial support. We have implemented energy and waste initiatives to minimise our overall environmental impact.

Our installation of two solar photovoltaic schemes demonstrates our commitment to reduce our carbon footprint.

Total waste recycled

84%

(2012: 48%)

Energy consumption

2.28m Kwh

(2012: 2.06m Kwh)

Solar panels at Clarence Dock, Leeds

Health and safety

We are fully aware of the health, safety and environmental (HSE) impacts associated with the property sector and all of these issues are formally debated internally within the organisation at both monthly and quarterly HSE meetings. The Company continues to focus on continual improvement in the HSE sectors within the business and recognises its importance in our overall CSR strategy.

The HSE implications for our properties are regularly reviewed and addressed and appropriate action taken. HSE matters are reported at Board level and Richard Lewis continues as the Board member with responsibility supported by specialist external advisors.

Environmental management

Our environmental management framework continues to be developed and implemented and is fully integrated into our reporting system.

Our commitment to improving our carbon footprint is demonstrated by the installation of solar photovoltaic schemes at Clarence Dock car park in July 2011 and at Urban Exchange in June 2012. We benefit from the guaranteed government 25 year "feed-in tariff" and the electricity generated reduces operating costs.

Monthly meetings are held to review energy usage, energy tariffs and minimisation initiatives. Our tenants typically are responsible for the extent of energy and utility usage for our portfolio. For the Merrion Centre our total energy consumption increased to 2.28m Kwh and our water usage to 7,500m^3. Both increases are largely driven by tenant usage patterns and we regularly review the statistics to seek to manage demand.

Waste management remains a major initiative for the Merrion Centre. We completed the implementation of a new scheme of 100% landfill avoidance. Tenant communication remains of great importance to our waste initiatives with their commitment being key to the achievement of our objectives in this area. In total 84% of waste was recycled during the year (2012: 48%).

We have fulfilled our obligations set out in the EU's Energy Performance in Building Directive (EPBD) 2002/91/EC and have obtained Energy Performance Certificates for all our properties where formal certification is required. This certification process forms part of our due diligence to ensure compliance as property transactions are undertaken.

Charity and staff involvement

We continue to demonstrate both corporate and individual staff commitment to our local communities. Charitable donations and sponsorship by the Company amounted to £91,000 (2012: £95,000). We have four nominated charities: Leeds Jewish Welfare Board, Lion Heart, Variety, the children's charity, and Teenage Cancer Trust. Each of our Executive Directors has given time and personal commitment to one of our nominated charities, holding leadership positions.

At the Merrion Centre we have worked with a number of local groups, holding an inaugural interfaith event, supporting the LEAP business initiative for the sixth year running, providing business insight to teenagers, providing support to 'Leeds Loves Food' and providing an environment for numerous local groups to raise money for their chosen charities.

It is an important element of our culture to provide support to the less well off in our community and we are delighted that it is well received by those who benefit from our actions. Members of staff have given their time during the year to train for and participate in events such as the Great North Swim, the Great North Run, Great Yorkshire Bike Ride and the Yorkshire Three Peaks Walk as well as rowing across Windermere and participating in The Crypt Factor.

Sponsorship

We have provided sponsorship this year to West of Scotland Football Club. The club has benefited from our financial support and provides wide ranging activities to players from mini rugby to First XV.

West of Scotland Football Club

© www.vector-photography.com

We continue to demonstrate a substantial commitment to raise money for good causes.

Total donations made

£91,000

(2012: £95,000)

Our nominated charities

We regularly provide support to:

LJWB CARES
LEEDS JEWISH WELFARE BOARD

TEENAGE CANCER TRUST

LionHeart

variety
the children's charity

Directors and senior management

Edward Ziff HonDBA (53)

Chairman and Chief Executive
Nominations Committee

Edward Ziff joined the Company in 1981 before being appointed to the Board in 1985, becoming Managing Director in 1993, Chief Executive in 2001 and Chairman in 2004. Edward is a life-long supporter of Leeds the city and plays an active role in the community. He is president of the Leeds Jewish Welfare Board, a governor of the Grammar School at Leeds and sits on the board of directors for the Leeds Apprenticeship Training Agency. In 2013 he was awarded an Honorary Doctorate of Business Administration by Leeds Metropolitan University.

Richard Lewis FRICS (58)

Property Director

Richard Lewis joined the Company in April 2000 and was appointed to the Board in February 2001. In 2008 Richard became responsible for all property activities as Property Director. Richard is chairman of the Piccadilly Partnership in Manchester and a member of the Leeds Property Forum Steering Group. He is also vice chairman of the LionHeart benevolent fund.

Chris Kelly BA ACA (51)

Finance Director

Chris Kelly joined the Company and was appointed to the Board in April 2010. He is a Chartered Accountant who qualified with Ernst & Young, becoming a partner in 1997. Whilst at Ernst & Young he advised a number of major Yorkshire public companies. He is treasurer of the Yorkshire Committee of Variety, the children's charity.

John Nettleton FRICS ACIArb (65)

Non-executive Director
Nominations, Remuneration and Audit Committees

John Nettleton was appointed to the Board in July 2004. A chartered surveyor and arbitrator specialising in retail property and development, he was senior partner of Donaldsons Chartered Surveyors from 1997 until his retirement in June 2004. He is the Senior Independent Director.

Michael Ziff Hon DUniv (Brad) (60)

Non-executive Director
Nominations Committee

Dr Michael Ziff was appointed a Director in July 2004. He is chairman and chief executive of Barratts Trading Limited. He is chairman of Maccabi Foundation and Maccabi GB, and president of UK Israel Business. Michael is also a trustee and director of the Hepworth Wakefield. He has recently retired as deputy pro-chancellor of the Council of Leeds University

Howard Stanton FCCA (70)

Non-executive Director
Remuneration and Audit Committees

Howard Stanton was appointed to the Board in April 2009. He is a Certified Accountant with extensive knowledge of the property sector. He is a business, property and financial consultant.

Senior management – Review Forum Team

David Donkin MRICS
Estates

Helen Green MRICS
Estates

Matthew Barlow
IT

Dan Riley BA ACA
Group Financial Controller

Ben Ziff
Managing Director, Town Centre Car Parks

Corporate governance

Dear shareholder,

The Board takes its responsibility for ensuring strong governance very seriously. Our Executive and Non-executive Directors bring a diverse range of knowledge and experience to our Board.

In this governance report we seek to be transparent about how we operate. We welcome an open dialogue with shareholders and encourage communication with them.

E M Ziff
Chairman and Chief Executive
18 September 2013

This report is prepared in accordance with the UK Corporate Governance Code (the Code). The Board is collectively responsible for the success of the Group and is committed to a high standard of governance. The Group has complied throughout the year with the provisions set out in the Code, except where noted below. This statement, together with the Directors' Remuneration Report set out on pages 37 to 40, describes how the relevant principles of governance are applied to the Company.

Directors' Remuneration Report
Page 37

Share capital

The Company has one class of share, being ordinary shares with a nominal value of 25p each. At 30 June 2013 the issued share capital of the Company was 53,161,950 ordinary shares with a nominal value of £13,290,488. The Company held no shares in Treasury. Further details are provided in Note 25 to the Consolidated Accounts.

Shares may be issued with such preferred, deferred or other rights or restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine (or failing such determination as the Directors may decide), subject to the provisions of the Companies Act 2006 and the Company's Articles of Association.

Unissued shares are under the control of the Directors who may allot, grant options over, or otherwise dispose of them to such persons (including the Directors themselves) at such times and on such terms as the Directors may think proper, subject to the Companies Act 2006 and the Company's Articles of Association.

Substantial shareholdings

Substantial shareholdings are detailed on page 42 of the Directors' Report and page 40 of the Directors' Remuneration Report.

Directors' Report
Page 41

Transfer of shares

Any member may transfer their shares in writing in any usual or common form or in any other form acceptable to the Directors and permitted by the Companies Act 2006 and the United Kingdom Listing Authority.

Board of Directors

Details of the Board of Directors are given on page 30 of this report. At the end of the year the Board comprised three Non-executive Directors and three Executive Directors, including the Chief Executive whose role is combined with that of Chairman. Since July 2013 M A Ziff and J A Nettleton have been Non-executive Directors for a period in excess of nine years. They continue to make a significant contribution to the work of the Board. Both have been re-appointed for a period of a further three years to July 2016.

Corporate governance continued

Code for Independent Non-Executive Directors

No Independent Non-executive Director:

- has been an employee of the Group within the last five years;
- has, or has had within the last three years, a material business relationship with the Group either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Group;
- has received or receives additional remuneration from the Group apart from a Director's fee, participates in the Company's share option schemes or a performance-related pay scheme, or is a member of the Company's pension arrangements;
- has close family ties with any of the Group's advisors, Directors or senior employees; or
- represents a significant shareholder.

Board of Directors continued

The Code asks the Board to identify each Non-executive Director it considers to be independent. Of the three Non-executive Directors on the Board, it considers J A Nettleton and H T Stanton to be fully independent. J A Nettleton has served on the Board for more than nine years and continues to make a significant contribution to the work of the Board.

The Board does not believe that M A Ziff can be deemed to be independent under the Code, due to his significant shareholding and close family ties. However, the Board believes that M A Ziff brings considerable business experience and makes valuable contributions to the work of the Board.

The Senior Independent Director is J A Nettleton who, throughout the period under review, chaired the Remuneration and Nominations Committees.

The full Board met nine times in the year and annually reviews the strategic direction of the Group. The record of Directors' attendance at Board meetings is set out opposite.

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 a Review Forum, which comprises Executive Directors and senior managers which met ten times during the year. The Board has delegated responsibility to the Review Forum 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 take part in an induction programme whereby they receive information about the Group's operations, the role of the Board, the Group's corporate governance policies and the latest financial information about the Group. Training and briefings are available to all Directors on appointment and subsequent training is also undertaken as appropriate.

The Group has had a policy for a number of years whereby employees may contact management about any concerns relating to fraud, questionable accounting practice, breaches or weaknesses in internal controls or accounting matters and any other concerns that employees have in regard to the operation of the Company. This policy is commonly referred to as the whistle blowing procedure. Concerns that are raised are investigated at the earliest opportunity and the employee's anonymity is preserved. The Audit Committee reviewed and approved this procedure when implemented and remains satisfied with the procedure.

Attendance at meetings

	Board meetings	Audit Committee meetings
E M Ziff	9/9	—
R A Lewis	9/9	—
C J Kelly	9/9	—
J A Nettleton	9/9	2/2
M A Ziff	9/9	—
H T Stanton	9/9	2/2

Performance evaluation of the Board

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 Company Secretary would minute any unresolved concerns expressed by any Director. Were a Director to resign over an unresolved issue, the Chairman and Chief Executive would bring the issue to the attention of the Board. There have been no such instances in the year.

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. The Non-executive Directors, chaired by the Senior Independent Director, meet without the Chairman and Chief Executive at least annually to appraise the Chairman and Chief Executive's performance.

Performance evaluation of the Board

The effectiveness of the Board, its committees and Directors was reviewed during the year. Given the size of the Board and nature of the business the Directors performed a self-evaluation.

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 Independent Director, taking into account the views of the Executive Directors.

The terms of reference for the standing Committees of the Board (Audit Committee, Remuneration Committee and Nominations Committee) and the terms and conditions of appointment of Non-executive Directors are available on application to the Company Secretary at the Company's registered office.

Audit Committee

The Audit Committee comprises H T Stanton, a qualified accountant, and J A Nettleton. The Audit Committee is responsible for monitoring the integrity of the Company's financial statements, for reviewing internal control and risk management systems and for overseeing the Company's relationship with its auditor. The Audit Committee annually reviews the independence, objectivity and effectiveness of the auditor. The scope of the forthcoming year's audit is discussed in advance by the Audit Committee and the auditor's report on the year end audit is reviewed and evaluated by the Audit Committee. Audit fees are reviewed by the Audit Committee and then referred to the Board for approval. Rotation of audit partners' responsibilities within PwC is required by their profession's ethical standards and is actively encouraged. A new audit partner was responsible for the 2013 audit.

Assignments awarded to PwC have been, and are subject to, controls by management that have been agreed by the Audit Committee so that audit independence is not compromised. A summary of the auditor's remuneration for non-audit services is provided in Note 7 to the Consolidated Accounts.

These controls provide the Audit Committee with adequate confidence in the independence of PwC in its reporting on the audit of the Group.

Corporate governance continued

Communication with shareholders

The Board is committed to maintaining good communications with shareholders.

- The Chairman and Chief Executive, Property Director and Finance Director maintain a dialogue with institutional shareholders and analysts immediately after the announcement of the half year and full year results.
- 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 any 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.

Remuneration Committee

Details of the Remuneration Committee are given in the Directors' Remuneration Report on page 37.

Nominations Committee

The Nominations Committee comprises J A Nettleton (Chairman), E M Ziff and M A Ziff and is responsible for the selection and approval of candidates for appointment to the Board. No meetings were held during the year.

Internal control

Provision C.2.1 of the Code requires that the Directors review, at least annually, the effectiveness of the Company's risk management and internal control systems and should report to shareholders that they have done so. The Board of Directors is responsible for ensuring that adequate internal controls are in place to safeguard the assets and interests of the Group and considerable importance is placed on maintaining a strong control environment. However, any such control system can only give reasonable and not absolute assurance against material misstatement or loss.

The processes and procedures for identifying and managing the risks faced by the Group have been operating fully throughout the year and up to the date of this report. No significant failings or weaknesses were identified during the year under review. The Group's policies and procedures have been reviewed to ensure compliance with the Bribery Act 2010 which came into force on 1 July 2011. The key control procedures, which the Directors have established with a view to providing effective internal control, are as follows:

- a bi-annual review (in accordance with Turnbull guidance) by the Board and the Review Forum of all significant business risks, which also identifies procedures to manage and mitigate such risks;
- a clearly defined organisational structure with appropriate levels of authority and segregation of duties;
- a comprehensive system of financial reporting to the Board and Senior Executives based upon an annual budget in line with strategic objectives. Performance is monitored and relevant action is taken throughout the year through reporting of variances from budget and updated profit forecasts;
- active participation by the Board in treasury management matters. Cash flow projections are prepared monthly on a rolling two year basis; and
- capital expenditure and disposal proposals are appraised and monitored by the Review Forum on a project by project basis. Significant acquisitions, capital expenditure and disposals are ratified by the Board.

The Group does not have an internal audit function because, given the size of the Group, it is not considered necessary. During the year BDO LLP were appointed to perform a review of the effectiveness of the Group's IT function and IT controls. This highlighted no major concerns. The need for an internal audit function is considered by the Audit Committee annually.

Statement of compliance with the Code

The Board of Directors has complied with the Code throughout the year except for the following matters:

- E M Ziff combines the roles of Chairman and Chief Executive. Code Provision A.2.1 requires that a justification for the combination of roles is required. As Chairman and Chief Executive, E M Ziff is responsible for the Board and the Group's business. In view of the current size and complexity of the Group the Directors believe that the benefits of splitting the roles would be outweighed by the cost;
- Code Provision A.3.1 requires that the Chairman is determined independent under the Code at the date of appointment. E M Ziff was previously Chief Executive and therefore was not independent at the date of appointment;
- under the Articles it is not currently a requirement for the Chairman and Chief Executive and the Executive Directors to retire by rotation and J A Nettleton and M A Ziff have been Non-Executive Directors for more than nine years and are not subject to annual re-election, as recommended by Code Provision B.7.1. The Chairman and Chief Executive and the Executive Directors voluntarily offer themselves for retirement by rotation. Details of the re-elections are given in the Notice of AGM;
- in view of the size of the Board the Nominations Committee does not have Independent Non-executive Directors as a majority of its members as recommended by Code Provision B.2.1; and
- the Chairman and Chief Executive has a service contract with a notice period greater than one year, such being the recommended limit in Code Provision D.1.5.

Notice of AGM
Page 75

Stay up to date on shareholder information:
www.tcs-plc.co.uk

Corporate governance continued

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. They 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors' responsibility statement for the year ended 30 June 2013 is set out opposite.

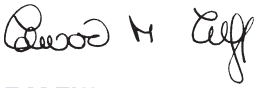
By order of the Board

C J Kelly
Company Secretary
18 September 2013

Directors' responsibility statement

Each of the Directors, whose names and functions are listed on page 30 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Business Review contained in the Chairman and Chief Executive's Statement, the Property Report and the Financial Review includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.



E M Ziff
Chairman and Chief Executive
18 September 2013

C J Kelly
Finance Director
18 September 2013

Directors' remuneration report

for the year ended 30 June 2013

The aim of the Company's remuneration policy is to remunerate the Directors fairly for their performance.

As a property company the valuation movement is directly linked to market performance and consequently it is company policy that Directors are not rewarded for market driven changes in the value of the investment portfolio. It is our view that our approach to remuneration is pragmatic and reflects current economic circumstances.

During 2012/13 the Directors have made significant progress in moving towards strategic goals set in their annual objectives. However, completion of key projects in 2013/14 and beyond will determine the extent of remuneration for this.

We made no changes to the remuneration structure in the year to 30 June 2013 and do not propose any changes for the year to 30 June 2014. The Directors received no increase in salary for the year to 30 September 2013 and no annual bonus is proposed. In addition the Company has again made no awards under the Long Term Incentive Plan (LTIP). It has also been determined that the Executive Directors will again receive no salary increase in the year to 30 September 2014.

John A Nettleton.

J A Nettleton
Chairman of the Remuneration Committee
18 September 2013

Remuneration Committee

The Remuneration Committee consists of Non-Executive Directors, with J A Nettleton (Chairman) and H T Stanton serving on the committee throughout the year. The committee met twice during the year. The Chairman and Chief Executive provided input to the committee with regard to the discretionary bonus of the directors. No external advice was sought on remuneration matters during the course of the year.

Read more about our committees
Page 33

Policy report

The Remuneration Committee implements the Company's remuneration policy, which is to provide remuneration packages with fixed and variable elements that fairly reward 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 Executive Directors' remuneration comprises base salary, benefits and pension. This element seeks to ensure that the Company attracts and retains appropriately talented individuals and provides a framework for them to save for retirement. The Remuneration Committee considers the overall balance between the elements. Salaries are determined with regard to individual and Company 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 and the Chairman and Chief Executive has the use of a flat in London, which is also used for meetings.

The value of the benefits or salary alternative is not pensionable. The group makes contributions to defined contribution schemes for R A Lewis (subject to a salary cap) and C J Kelly. Following a final payment in 2010, E M Ziff has agreed to receive no further pension payment. These pension arrangements give no exposure to underfunding whatsoever.

Directors' remuneration report continued
for the year ended 30 June 2013

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 Company makes pension contributions for eligible employees to SIPPs at rates which vary depending on seniority. The Company is actively working with advisors on preparations for auto-enrolment which will apply from July 2014.

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 payment schemes or any other benefits.

Variable remuneration
The Company operates an Annual Bonus Plan under which awards are discretionary and the Remuneration Committee consider the performance of each individual director and of the Company 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) are carefully considered by the Remuneration Committee. The maximum award is up to 60% of salary and is not pensionable. The average bonus since 2008 has been 7% of salary. It is company policy to reward exceptional growth.

The Company has an executive share option scheme (2007 Approved Scheme). However, the Company has not issued any options to Directors under the scheme. 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 £1,500 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.

Service agreements and external appointments
The Chairman and Chief Executive has, for historical reasons, a service contract that is subject to not less than two years' notice. R A Lewis and C J Kelly have service contracts with one year and six months' notice respectively. Their contracts provide for retirement at 60 and 65 respectively. The Company 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 Company 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.

Directors are permitted to accept non-executive appointments by prior arrangement and provided there is no conflict with the Company's objectives.

Consideration of shareholder views
The Company receives comments on its remuneration from shareholders. These comments are reviewed by the Remuneration Committee who consider the comments particularly with a view to overall levels of remuneration.

Performance graph

The following graph shows the Company's TSR performance, compared with the FTSE All Share Real Estate Index, measured in the same way, over the five years ended 30 June 2013. The UK Real Estate Index has been selected because the Company believes that the constituent companies comprising the index are the most appropriate for this comparison as they are affected by similar commercial and economic factors.

Implementation report

Directors' remuneration details in respect of the year ended 30 June 2013 (audited)

A summary of emoluments paid to Directors is shown in the table below.

Executive Directors' salaries and service contracts

E M Ziff was paid a salary of £538,125, R A Lewis a salary of £290,588 and C J Kelly a salary of £184,500. These salaries will also apply for the year ending 30 June 2014.

The Directors' service contracts were entered into as follows; E M Ziff 22 May 1985, R A Lewis 7 September 2010 and C J Kelly 12 April 2010.

Share Incentive Plan

In May 2013 E M Ziff, C J Kelly and R A Lewis accepted an invitation to participate in the SIP by each agreeing to purchase shares in the Company to the value of £1,500, paid between June 2013 and November 2013. 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 2013. For illustration, based on the share price as at 30 June 2013, this would equate to each Director receiving 833 partnership shares and 833 matching shares. In November 2012 each of the Directors received 931 partnership shares and 931 matching shares in respect of the 2012 Share Incentive Plan. The total number of partnership and matching SIP shares beneficially held at 30 June 2013 is shown below.

Share Incentive Plan

	2013 Number of shares	2012 Number of shares
E M Ziff	**9,502**	8,248
R A Lewis	**9,502**	8,248
C J Kelly	**3,636**	1,774

Directors' remuneration

	Salaries and fees		Bonuses		Taxable benefits		Total		Pension contributions		Total	
	2013 £000	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
Executive Chairman and Chief Executive												
E M Ziff	**538**	535	**—**	67	**64**	70	**602**	672	**—**	—	**602**	672
Executive Directors												
R A Lewis	**291**	289	**—**	36	**23**	25	**314**	350	**43**	43	**357**	393
C J Kelly	**185**	183	**—**	23	**11**	11	**196**	217	**24**	22	**220**	239
	1,014	1,007	**—**	126	**98**	106	**1,112**	1,239	**67**	65	**1,179**	1,304
Non-executive Directors												
J A Nettleton	**47**	46	**—**	—	**—**	—	**47**	46	**—**	—	**47**	46
M A Ziff	**47**	46	**—**	—	**—**	—	**47**	46	**—**	—	**47**	46
H T Stanton	**47**	46	**—**	—	**—**	—	**47**	46	**—**	—	**47**	46
	141	138	**—**	—	**—**	—	**141**	138	**—**	—	**141**	138
	1,155	1,145	**—**	126	**98**	106	**1,253**	1,377	**67**	65	**1,320**	1,442

E M Ziff received £22,500 during the year for his services to Redbreak Limited (2012: £33,750).

Directors' remuneration report continued
for the year ended 30 June 2013

Directors' interests in shares

Details of the interests of the Directors and their connected parties in the ordinary share capital of the Company and movements in Directors' shareholdings during the year are set out below. There have been no movements in Directors' shareholdings between 1 July 2013 and 17 September 2013.

The non-beneficial interest disclosures include 1,887,094 ordinary shares over which a power of attorney has been granted by M E Ziff jointly to E M Ziff and M A Ziff for personal estate management reasons and 3,030,307 ordinary shares over which a power of attorney has been granted by A L Manning to E M Ziff for personal estate management reasons. Non-beneficial holdings include shares held in trust and under powers of attorney.

E M Ziff, R A Lewis and C J Kelly are directors of TCS Trustees Limited, Trustee for the shares that are required for the All Employee Share Incentive Plan. At 30 June 2013, TCS Trustees Limited held 185,345 ordinary shares (2012: 205,771) on behalf of all participants including those share awards of Executive Directors shown on page 39.

In addition, E M Ziff has granted security over 394,401 ordinary shares and M A Ziff has granted security over 640,772 ordinary shares.

Bonus arrangements
The Executive Directors have been awarded no bonus for the year ended 30 June 2013.

The 2012 Annual Report included three inspiring goals for the future. The Remuneration Committee assessed that the Directors have made significant progress in moving towards these goals. However, completion of these key projects in 2013/14 and beyond will determine the extent of future remuneration.

Long Term Incentive Plan
No options have been awarded during the year and there are no outstanding options.

Pensions
The Group made contributions to defined contribution schemes for R A Lewis (subject to a salary cap) and C J Kelly of 15% and 13% of annual salary respectively.

Non-executive Directors' remuneration
Currently the Non-executive Directors are each paid £46,500 per annum. There is to be no increase for the year ended 30 June 2014.

This report was approved by the Board on 18 September 2013 and signed on its behalf by

J A Nettleton
Chairman of the Remuneration Committee
18 September 2013

Directors' interests in shares

		30 June 2013 Number of shares	30 June 2012 Number of shares
E M Ziff	Beneficial	**5,852,358**	5,853,560
	Non-beneficial	**19,564,107**	19,570,718
R A Lewis	Beneficial	**320,837**	318,975
C J Kelly	Beneficial	**13,636**	11,174
J A Nettleton	Beneficial	**36,000**	36,000
M A Ziff	Beneficial	**3,353,156**	3,358,456
	Non-beneficial	**13,430,782**	13,430,782
H T Stanton	Beneficial	**5,000**	5,000

Directors' report

The Directors have pleasure in presenting the Annual Report and Accounts for the year ended 30 June 2013.

An operating and financial review of the performance of the Group and its results for the year is contained within pages 2 to 29, which should be read in conjunction with this report.

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.

Results for the year and dividends
The results are set out in the Consolidated Income Statement on page 45.

An interim dividend of 3.10p per share was paid on 28 June 2013 as a PID. The Directors now recommend the payment of a final dividend of 7.34p per share comprising a PID of 6.52p per share and an ordinary dividend of 0.82p per share. The proposed final dividend will be paid on 6 January 2014 to ordinary shareholders on the register at the close of business on 6 December 2013.

Business review
The Operating and Financial Review within pages 2 to 29, which is incorporated in this report by reference, provides detailed information relating to the Group. This includes the strategy, operation and development of the business, the basis on which the Group generates or preserves value over the longer term, its future prospects and the results and financial position for the year ended 30 June 2013.

Non-current assets
Details of movements in non-current assets are set out in Note 15 to the Consolidated Accounts.

Business Review
Page 2

Investment properties are held at fair value and were revalued by Jones Lang LaSalle and CB Richard Ellis, as at 30 June 2013, on the basis of open market value, or were revalued by the Directors. The key assumptions are set out in Note 15 to the Consolidated Accounts. 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 shown in Note 25 to the Consolidated Accounts.

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

At the forthcoming Annual General Meeting (AGM) the Company will be seeking to renew its authority to purchase up to 14.99% of the ordinary shares in issue, assuming the remaining authority is fully utilised. Authority was previously granted to acquire 7,968,976 ordinary shares at the AGM in November 2012 and remains unutilised. Shares will only be purchased if the Board believes it can take advantage of stock market conditions to enhance returns for the remaining shareholders.

Derivatives and other financial instruments
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and debenture stock.

The Group seeks to minimise the risk of fluctuating interest rates by using long-term fixed debt to match its property ownerships and commitments, or by using interest rate swaps and caps to protect floating rate borrowings.

Supplier payment policy
It is the Company and Group's policy to agree payment terms with suppliers when entering into each transaction or series of transactions, to ensure that suppliers are made aware of these terms and abide by them. Creditor days at the end of the year for the Group were 18 days (2012: 28 days) and for the Company were nil days (2012: 8 days).

Donations
Charitable donations during the year amounted to £91,000 (2012: £95,000). Details of charities supported by the Group are set out on page 29. The Group made no political contributions in either year.

Corporate social responsibility
Page 28

Taxation
The Company is not a close company.

Substantial shareholdings
Substantial interests (other than Directors) in the share capital of the Company are set out in the table on page 42.

Directors and Directors' interests
The Directors of the Company and their biographical details are shown on page 30. All of the Directors served for the whole of the year. None of the Directors has any contracts of significance with the Company. Details of the Executive Directors' service contracts are given in the Directors' Remuneration Report on page 38 and 39.

Directors and Directors' interests continued

Beneficial and non-beneficial interests of the Directors in the shares in the Company as at 30 June 2013 are disclosed in the Directors' Remuneration Report on page 40. Details of the interests of the Directors in share options and awards of shares can be found within the same report.

Directors' Remuneration Report
Page 37

No changes in the interests of the Directors have occurred between 30 June 2013 and 17 September 2013.

In accordance with the Company's Articles of Association C J Kelly, J A Nettleton and M A Ziff will retire by rotation at the Company's AGM on 19 November 2013 and, being eligible, offer themselves for re-election.

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 provides cover in the event that the Director is proven to have acted dishonestly or fraudulently.

Annual General Meeting

A Notice of Meeting can be found on pages 75 to 79 explaining the business to be considered at the AGM on 19 November 2013. 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.

Disclosure of information to auditor

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 auditor is unaware and each Director has taken all the 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 auditor is aware of that information.

Going concern

After consideration of future trading activities and making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Independent auditor

The auditor, PricewaterhouseCoopers LLP (PwC), has indicated its willingness to continue in office, and a resolution that PwC be re-appointed will be proposed at the AGM.

Substantial shareholding

Excluding those of the Directors, the Company had been notified of the following substantial interests in its share capital at 17 September 2013:

	Number of shares	% of issued capital
A L Manning	6,124,936	11.52
HSBC Global Custody Nominee (UK) Limited	2,517,593	4.74
M E Ziff	1,887,094	3.55

By order of the Board

C J Kelly

C J Kelly
Company Secretary
18 September 2013

Consolidated accounts
prepared in accordance with IFRS

Independent auditor's report

To the members of Town Centre Securities PLC

We have audited the consolidated financial statements of Town Centre Securities PLC for the year ended 30 June 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the Directors are responsible for the preparation of the Consolidated Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Consolidated Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Consolidated Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the Consolidated Financial Statements are prepared is consistent with the Consolidated Financial Statements; and
- the information given in the Corporate Governance Statement set out on pages 31 to 36 in the Annual Report and Accounts with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Consolidated accounts continued
prepared in accordance with IFRS

Independent auditor's report continued

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 42, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the Parent Company Financial Statements of Town Centre Securities PLC for the year ended 30 June 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
18 September 2013

Consolidated income statement
for the year ended 30 June 2013

	Notes	2013 £000	2012 £000
Gross revenue	4	**22,427**	22,011
Property expenses	5	**(3,879)**	(4,125)
Net revenue		**18,548**	17,886
Administrative expenses	6	**(4,183)**	(4,150)
Other income	9	**609**	730
(Loss)/profit on disposal of investment properties		**(4)**	25
Gain on acquisition of subsidiary		**41**	—
Profit on disposal of listed investments		**85**	—
Profit on disposal of other fixed assets		**3**	2
Valuation movement on investment properties	15	**(3,810)**	(11,332)
Valuation movement on development properties	15	**4**	(55)
Operating profit		**11,293**	3,106
Finance income	10	**57**	95
Finance costs	10	**(7,733)**	(7,383)
Share of post tax (losses)/profits from joint ventures	16	**(54)**	53
Profit/(loss) before taxation		**3,563**	(4,129)
Taxation	11	**(5)**	(40)
Profit/(loss) for the year attributable to owners of the Parent		**3,558**	(4,169)
Earnings/(loss) per ordinary share of 25p each	14		
Basic		**6.7p**	(7.9p)
Diluted		**6.7p**	(7.9p)
Underlying (non-GAAP measure)		**13.7p**	13.6p
Dividends per ordinary share	12		
Paid during the year		**10.44p**	10.44p
Proposed		**7.34p**	7.34p

Consolidated statement of comprehensive income
for the year ended 30 June 2013

	Notes	2013 £000	2012 £000
Profit/(loss) for the year		**3,558**	(4,169)
Other comprehensive income			
Revaluation gains/(losses) on cash flow hedges		**237**	(49)
Revaluation gains on other investments	17	**20**	675
Total comprehensive income for the year		**3,815**	(3,543)

All recognised income for the year is attributable to owners of the Parent. The Notes on pages 49 to 65 are an integral part of these Group financial statements.

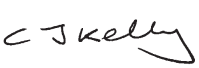
Consolidated balance sheet

as at 30 June 2013

	Notes	2013 £000	2012 £000
Non-current assets			
Investment properties	15	**287,477**	274,148
Development properties	15	**13,561**	13,416
Fixtures, equipment and motor vehicles	15	**904**	752
Investments in joint ventures	16	**1,661**	2,616
Unamortised tenant lease incentives		**3,705**	3,714
Total non-current assets		**307,308**	294,646
Current assets			
Investments	17	**1,766**	1,887
Trade and other receivables	18	**4,190**	3,853
Cash and cash equivalents		**—**	956
Total current assets		**5,956**	6,696
Total assets		**313,264**	301,342
Current liabilities			
Trade and other payables	19	**(12,691)**	(11,595)
Financial liabilities – borrowings	20	**(3,688)**	—
Derivative financial instruments	21	**(298)**	(535)
Total current liabilities		**(16,677)**	(12,130)
Net current liabilities		**(10,721)**	(5,434)
Non-current liabilities			
Financial liabilities – borrowings	20	**(154,684)**	(145,554)
Total non-current liabilities		**(154,684)**	(145,554)
Total liabilities		**(171,361)**	(157,684)
Net assets		**141,903**	143,658
Equity attributable to the owners of the Parent			
Called up share capital	25	**13,290**	13,290
Share premium account		**200**	200
Other reserves		**261**	24
Retained earnings		**128,152**	130,144
Total equity		**141,903**	143,658
Net assets per share		**267p**	270p

The financial statements on pages 45 to 65 were approved by the Board of Directors on 18 September 2013 and signed on its behalf by:

E M Ziff
Chairman and Chief Executive



C J Kelly
Finance Director

Consolidated statement of changes in equity as at 30 June 2013

	Share capital £000	Share premium account £000	Hedging reserve[1] £000	Capital redemption reserve[1] £000	Retained earnings £000	Total equity £000
Balance at 1 July 2011	13,290	198	(486)	559	139,334	152,895
Loss for the year	—	—	—	—	(4,169)	(4,169)
Other comprehensive income:						
– Revaluation losses on cash flow hedge	—	—	(49)	—	—	(49)
– Revaluation gains on other investments	—	—	—	—	675	675
Total comprehensive income for the year ended 30 June 2012	—	—	(49)	—	(3,494)	(3,543)
Other adjustments	—	—	—	—	(146)	(146)
Issued on take up of share options	—	2	—	—	—	2
Final dividend relating to the year ended 30 June 2011 paid in January 2012	—	—	—	—	(3,902)	(3,902)
Interim dividend relating to the year ended 30 June 2012 paid in June 2012	—	—	—	—	(1,648)	(1,648)
	—	2	—	—	(5,696)	(5,694)
Balance at 30 June 2012	13,290	200	(535)	559	130,144	143,658
Balance at 1 July 2012	13,290	200	(535)	559	130,144	143,658
Profit for the year	—	—	—	—	3,558	3,558
Other comprehensive income:						
– Revaluation gains on cash flow hedge	—	—	237	—	—	237
– Revaluation gains on other investments	—	—	—	—	20	20
Total comprehensive income for the year ended 30 June 2013	—	—	237	—	3,578	3,815
Other adjustments	—	—	—	—	(20)	(20)
Final dividend relating to the year ended 30 June 2012 paid in April 2013	—	—	—	—	(3,902)	(3,902)
Interim dividend relating to the year ended 30 June 2013 paid in June 2013	—	—	—	—	(1,648)	(1,648)
	—	—	—	—	(5,570)	(5,570)
Balance at 30 June 2013	**13,290**	**200**	**(298)**	**559**	**128,152**	**141,903**

1 Other reserves on the balance sheet consist of hedging reserve and capital redemption reserve in the table above.

Consolidated cash flow statement

for the year ended 30 June 2013

	Notes	2013 £000	2013 £000	2012 restated £000	2012 restated £000
Cash flows from operating activities					
Cash generated from operations	26	**14,977**		13,842	
Interest paid		**(7,861)**		(7,680)	
Interest received		**—**		13	
Tax paid		**(5)**		(40)	
Net cash generated from operating activities			**7,111**		6,135
Cash flows from investing activities					
Purchases and refurbishment of investment properties		**(12,406)**		(6,436)	
Acquisition of shares in Apperley Bridge Limited		**(1,370)**		—	
Settlement of Apperley Bridge Limited obligations		**(1,000)**		—	
Property development		**(142)**		(131)	
Purchases of plant and equipment		**(389)**		(212)	
REIT entry charge instalment payment		**—**		(1,318)	
Proceeds from sale of investment properties		**2,496**		2,496	
Proceeds from sale of listed investments		**153**		—	
Proceeds from sale of machinery, plant and equipment		**17**		18	
Dividends received from joint venture		**75**		100	
Increase of loan to joint ventures		**(2)**		(35)	
Net cash used in investing activities			**(12,568)**		(5,518)
Cash flows from financing activities					
Proceeds from issue of share capital		**—**		2	
Proceeds from other non-current borrowings		**8,900**		6,500	
Purchase of own shares for Employee SIP		**—**		(143)	
Dividends paid to shareholders		**(4,787)**		(5,550)	
Net cash generated from financing activities			**4,113**		809
Net (decrease)/increase in cash and cash equivalents			**(1,344)**		1,426
Cash and cash equivalents at 1 July			**956**		(470)
Cash and cash equivalents at 30 June	20		**(388)**		956

The Cash Flow Statement should be read in conjunction with Note 26.

Notes to the consolidated accounts

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 2013 comprise the Company and its subsidiaries (together referred to as the Group). The address of its registered office is Town Centre House, The Merrion 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 investment property.

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 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 disclosures

a) Standards, amendments to published standards and interpretations effective for the period ended 30 June 2013

There are no IFRSs or IFRIC interpretations that are effective for the first time for the period ended 30 June 2013 that have had a material impact on the Group.

b) New standards, amendments to published standards and interpretations issued but not effective for the period ended 30 June 2013 and not early adopted

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Going concern

The Directors have reviewed the cash flow forecasts of the Group and the underlying assumptions on which they are based. The Group Accounts 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 and the Operating and Financial Review. In addition the Directors considered the Accounting Polices note which includes the Company'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 20), 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 Company 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 annual financial statements.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Notes to the consolidated accounts continued

1. Accounting policies continued

Consolidation continued

(a) Subsidiaries continued

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Joint ventures

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

Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' 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 jointly controlled entity less any impairment in the value of the investment.

Unrealised gains on transactions between the Group and its jointly controlled entities 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.

Segment reporting

A business 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.

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Group operates in two business segments comprising property investment and development, and car park 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.

Foreign currency translation

Functional and presentation currency

Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Consolidated Financial Statements are presented in Sterling, which is the Group's functional and presentation currency.

Property, plant and equipment

(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.

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 surplus or deficit arising from these valuations is included in the 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 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.

1. Accounting policies continued

Property, plant and equipment continued

(a) Investment properties continued

Property that is being constructed or developed for future use as an investment property is classified as development property and stated at cost until construction or development is complete, at which time it is reclassified at fair value and subsequently accounted for as investment property.

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 income statement of the period during which the sale becomes unconditional. In circumstances where the exchange of contracts and the completion of the disposal fall on either side of the balance sheet date, the asset is reclassified as a current asset in the balance sheet.

(b) Development properties

Development properties are stated at cost less accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent expenditure is included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. Other repair and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Interest incurred on development projects is capitalised on all qualifying assets that are large new build developments and major refurbishments to the extent that they are capital in nature. A property ceases to be treated as being in the course of development when substantially all the activities that are necessary to prepare the property for use are complete.

Once a development property becomes income generating it is transferred, at fair value, to investment properties.

Freehold land held for development is not depreciated.

(c) Plant and equipment

Plant and equipment 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 income statement.

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 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. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

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 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 income statement.

Notes to the consolidated accounts continued

1. Accounting policies continued

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 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 balance sheet.

Unamortised tenant lease incentives

Leasehold incentives given to tenants on entering property leases are currently recognised as unamortised lease incentives on the balance sheet and are amortised to the income statement over the term of the lease.

Trade receivables

Trade receivables are recognised initially at fair value and are subsequently measured 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 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.

Cash and cash equivalents

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.

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.

Derivative financial instruments (derivatives) and hedge accounting

The Group uses interest rate swaps to help manage its interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

The Group 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 Group 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 remeasured 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.

1. Accounting policies continued

Taxation continued

The tax charge in the 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 timing 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 substantially 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

(a) Pension arrangements

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 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.

(b) Share-based compensation

Share options granted before 7 November 2002

In accordance with IFRS 2 [no] expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received are allocated between share capital and share premium.

Share options granted after 7 November 2002 and vested after 1 July 2004

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement over the vesting period of the options.

The fair value of employee share option plans is calculated using the Black-Scholes pricing model. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Non-recurring items

Significant transactions which occur outside the normal scope of business are classified as non-recurring items.

Revenue recognition

(a) Rental income

Revenue comprises 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.

Notes to the consolidated accounts continued

1. Accounting policies continued

Revenue recognition continued

(b) Car park income

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

(c) Interest income

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

(d) 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.

(e) Service charge income

Service charge income receivable from tenants relating to management fees is credited to gross income in the income statement and recognised in line with the underlying contractual arrangement, i.e. when the income falls due.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised in the Group's financial statements in the period in which the dividends are paid.

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 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.

The Group assesses the effectiveness of hedges and where a hedge is highly effective, the gain or deficit is taken to the hedging reserve.

At 30 June 2013, 87.9% (2012: 93.2%) of the Group's borrowings were protected against future interest rate volatility, either through fixed rate borrowings or by using interest rate swaps or caps to protect floating rate borrowings.

(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.

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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of investment properties

Investment properties are revalued at fair value by independent external valuers, Jones Lang LaSalle and CB Richard Ellis, each half year at 31 December and at 30 June. Other investment properties are revalued at fair value by the Directors.

The valuations are based on the application of RICS Practice Statements and take into account evidence of market values of similar properties and the lettings obtained on the properties.

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.

Segment assets

	2013 £000	2012 £000
Property rental	**300,835**	286,814
Car park operations	**12,429**	14,528
	313,264	301,342

Segmental results

	2013			2012		
	Property rental £000	Car park operations £000	Total £000	Property rental £000	Car park operations £000	Total £000
Gross revenue	**17,499**	**4,928**	**22,427**	17,156	4,855	22,011
Property expenses	**(1,815)**	**(2,064)**	**(3,879)**	(1,852)	(2,273)	(4,125)
Net revenue	**15,684**	**2,864**	**18,548**	15,304	2,582	17,886
Administrative expenses	**(3,830)**	**(353)**	**(4,183)**	(3,912)	(238)	(4,150)
Other income	**608**	**1**	**609**	730	—	730
Property valuation movement	**(1,816)**	**(1,990)**	**(3,806)**	(11,387)	—	(11,387)
Other items	**124**	**1**	**125**	25	2	27
Operating profit	**10,770**	**523**	**11,293**	760	2,346	3,106
Finance income	**57**	**—**	**57**	95	—	95
Finance costs	**(7,733)**	**—**	**(7,733)**	(7,383)	—	(7,383)
Share of post tax (losses)/profits from joint ventures	**(54)**	**—**	**(54)**	53	—	53
Profit/(loss) before taxation	**3,040**	**523**	**3,563**	(6,475)	2,346	(4,129)
Taxation charge	**(5)**	**—**	**(5)**	(40)	—	(40)
Profit/(loss) for the year	**3,035**	**523**	**3,558**	(6,515)	2,346	(4,169)

All results are derived from the UK.

4. Gross revenue

	2013 £000	2012 £000
Rental income from investment properties	**17,499**	17,156
Income from car park activities	**4,928**	4,855
	22,427	22,011

Notes to the consolidated accounts continued

5. Property expenses

	2013 £000	2012 £000
Car park expenses	**2,119**	2,229
Depreciation	**37**	44
Other	**1,815**	1,852
Non-recurring items:		
– Exceptional credit	**(92)**	–
	3,879	4,125

6. Administrative expenses

	2013 £000	2012 £000
Employee benefits	**2,817**	2,757
Depreciation	**186**	160
Charitable donations	**91**	95
Other	**1,089**	1,138
	4,183	4,150

The income statement charge for share-based payments in accordance with IFRS 2 is not material.

7. Services provided by the Group's external auditor

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

	2013 £000	2012 £000
Audit services:		
– Fees payable to the Group auditor for the audit of the Consolidated Financial Statements (Company – 2013: £25,000; 2012: £22,000)	**40**	35
– Audit of the Company's subsidiaries pursuant to legislation	**5**	5
Other services relating to taxation:		
– Compliance	**51**	51
– Advisory	**53**	73
Total other services	**104**	124
Total auditor's remuneration	**149**	164

In addition to the above services, the Group's auditor acted as auditor to the staff pension plan. The aggregate fees paid to the Group's auditor for audit services to the pension scheme during the year were £nil (2012: £3,000).

8. Employee benefits

	2013 £000	2012 £000
Wages and salaries (including Directors' emoluments)	**2,403**	2,435
Social security costs	**291**	288
Other pension costs	**123**	34
	2,817	2,757

Employee benefits detailed above are charged to the income statement through administrative expenses and include equity-based remuneration as disclosed in Note 6 to these Accounts.

Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement are included on pages 37 to 40 in the Directors' Remuneration Report and form part of these Consolidated Financial Statements.

The average monthly number of administration staff employed during the year was 91 (2012: 92).

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.

9. Other income

	2013 £000	2012 £000
Commission received	**126**	111
Dividends received	**28**	28
Management fees receivable	**158**	167
Dilapidations receipts and income relating to lease premiums	**83**	304
Other	**214**	120
	609	730

10. Finance costs/(income)

	2013 £000	2012 £000
Interest expense		
Interest and amortisation of debenture loan stock	**5,708**	5,708
Interest payable on bank borrowings	**1,627**	1,200
Interest capitalised at 4.5%	**(108)**	(27)
Other finance costs	**506**	502
Total finance costs	**7,733**	7,383
Interest income		
Interest income on loan to joint venture	**(56)**	(82)
Other interest receivable	**(1)**	(13)
Total finance income	**(57)**	(95)

11. Taxation

	2013 £000	2012 £000
Analysis of tax charge in year		
Current tax:		
– Adjustment in respect of previous years	**5**	40
Total taxation	**5**	40

Taxation for the year is lower (2012: higher) than the standard rate of corporation tax in the United Kingdom of 23.75% (2012: 25.5%). The differences are explained below:

	2013 £000	2012 £000
Profit/(loss) before taxation	**3,563**	(4,129)
Profit/(loss) on ordinary activities multiplied by rate of corporation tax in the United Kingdom of 23.75% (2012: 25.5%)	**846**	(1,053)
Effects of:		
– Adjustments in respect of previous years	**5**	40
– United Kingdom REIT tax exemption on net income before revaluations	**(1,757)**	(1,871)
– United Kingdom REIT tax exemption on revaluations	**904**	2,904
– Profit on joint ventures already taxed/losses not utilised	**7**	20
Total taxation	**5**	40

Factors affecting current and future tax charges

Legislation to reduce the main rate of UK Corporation tax from 26% to 24% from 1 April 2012 and 23% from 1 April 2013 was included in the Finance Act 2012. In addition, further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

As the changes included in Finance Bill 2013 had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. These changes are not expected to have a significant impact on the group going forward.

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. 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 Group makes acquisitions of companies owning qualifying properties.

Notes to the consolidated accounts continued

12. Dividends

	2013 £000	2012 £000
2011 final paid: 7.34p per 25p share	—	3,902
2012 interim paid: 3.10p per 25p share	—	1,648
2012 final paid: 7.34p per 25p share	**3,902**	—
2013 interim paid: 3.10p per 25p share	**1,648**	—
	5,550	5,550

The Directors are proposing a final dividend in respect of the financial year ended 30 June 2013 of 7.34p per share, which will absorb an estimated £3,902,000 of shareholders' funds. This dividend will comprise an ordinary dividend of 0.82p per share and a Property Income distribution (PID) of 6.52p per share and will be paid on 6 January 2014 to shareholders who are on the Register of Members on 6 December 2013.

13. Underlying profit

To assist shareholders in understanding the underlying results and compare to those results in previous accounting periods, adjustments made to profit/(loss) before taxation are:

	2013 £000	2012 £000
Profit/(loss) before taxation	**3,563**	(4,129)
Adjusted for:		
– Valuation deficit on investment properties	**3,810**	11,332
– (Gain)/loss on impairment review of development property	**(4)**	55
– Tax on joint ventures	**7**	20
– Loss/(profit) on disposal of investment properties	**4**	(25)
– Profit on disposal of listed investments	**(85)**	—
– Exceptional write down of loan to joint ventures	**125**	—
– Other exceptional credit	**(92)**	—
– Exceptional gain on acquisition of Apperley Bridge Limited	**(41)**	—
– Profit on disposal of other fixed assets	**(3)**	(2)
Underlying profit	**7,284**	7,251

14. Earnings per share (EPS)

	2013			2012		
	Earnings £000	Weighted average number of shares 000	Earnings per share p	(Loss)/ earnings £000	Weighted average number of shares 000	(Loss)/ earnings per share p
Basic EPS						
Earnings/(loss) and earnings/(loss) per share	**3,558**	**52,967**	**6.7**	(4,169)	52,948	(7.9)
Effect of dilutive securities						
Options	**—**	**—**	**—**	—	3	—
Diluted EPS	**3,558**	**52,967**	**6.7**	(4,169)	52,951	(7.9)
Basic EPS	**3,558**	**52,967**	**6.7**	(4,169)	52,948	(7.9)
Valuation deficit on investment and development properties	**3,806**	**—**	**7.2**	11,387	—	21.5
Exceptional write down of loan to joint ventures	**125**	**—**	**0.2**	—	—	—
Exceptional gain on acquisition of Apperley Bridge Limited	**(41)**	**—**	**(0.1)**	—	—	—
Profit on disposal of listed investments	**(85)**	**—**	**(0.2)**	—	—	—
Other exceptional credit	**(92)**	**—**	**(0.2)**	—	—	—
Loss/(profit) on disposal of investment and development properties	**4**	**—**	**0.0**	(25)	—	(0.0)
Underlying EPS	**7,275**	**52,967**	**13.7**	7,193	52,948	13.6
Diluted EPS	**3,558**	**52,967**	**6.7**	(4,169)	52,951	(7.9)
Valuation deficit on investment and development properties	**3,806**	**—**	**7.2**	11,387	—	21.5
Exceptional write down of loan to joint ventures	**125**	**—**	**0.2**	—	—	—
Exceptional gain on acquisition of Apperley Bridge Limited	**(41)**	**—**	**(0.1)**	—	—	—
Profit on disposal of listed investments	**(85)**	**—**	**(0.2)**	—	—	—
Other exceptional credit	**(92)**	**—**	**(0.2)**	—	—	—
Loss/(profit) on disposal of investment and development properties	**4**	**—**	**0.0**	(25)	—	(0.0)
Diluted underlying EPS	**7,275**	**52,967**	**13.7**	7,193	52,951	13.6

14. Earnings per share (EPS) continued

Underlying earnings and earnings per share have been disclosed in order that the effects of disposal gains and losses, revaluation movements and non-recurring items can be fully appreciated.

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has three classes of dilutive potential ordinary shares: those under the Executive Share Option Plan, the Share Incentive Plan and the Save As You Earn Scheme.

15. Non-current assets

(a) Investment properties

	Freehold £000	Long leasehold £000	Total £000
Valuation at 1 July 2011	267,785	15,352	283,137
Investment property refurbishment	4,286	528	4,814
Reclassification	292	(292)	—
Disposals	(2,471)	—	(2,471)
Valuation movement	(10,694)	(638)	(11,332)
Valuation at 30 June 2012	259,198	14,950	274,148
Valuation at 1 July 2012	259,198	14,950	274,148
Investment property refurbishment	19,350	289	19,639
Disposals	(2,500)	—	(2,500)
Valuation movement	(1,931)	(1,879)	(3,810)
Valuation at 30 June 2013	**274,117**	**13,360**	**287,477**

Certain investment properties including operational car parks have been revalued as at 30 June 2013 on the basis of open market value in accordance with the Royal Institution of Chartered Surveyors Appraisal and Investment Manual at £279,305,000 (2012: £268,995,000). Of these properties, £276,505,000 (2012): £268,995,000) were valued by Jones Lang LaSalle and CB Richard Ellis. Certain other freehold properties have been valued at £8,142,000 by the Directors (2012: £5,153,000).

The Directors' valuation of residential property acquired for potential development and industrial property is supported by market evidence available as at 30 June 2013.

The valuation of investment properties includes £0.1m (2012: £0.03m) in respect of borrowing costs capitalised during the year (Note 10).

Investment properties are analysed as follows:

	2013 £000	2012 £000
Investment property (externally valued)	**279,305**	268,995
Residential property acquired for potential development	**3,804**	3,804
Other	**4,368**	1,349
	287,477	274,148

(b) Development properties

	£000
Cost at 1 July 2011	13,348
Additions	123
Impairment	(55)
Cost at 30 June 2012	13,416
Cost at 1 July 2012	13,416
Additions	141
Gain on impairment review	4
Cost at 30 June 2013	**13,561**

The Directors have considered the valuation of development properties in light of current market conditions and have taken an impairment where market value is considered lower than cost.

Notes to the consolidated accounts continued

15. Non-current assets continued

(c) Fixtures, equipment and motor vehicles

	Cost £000	Accumulated depreciation £000
At 1 July 2011	2,758	1,998
Additions	212	—
Disposals	(34)	(18)
Depreciation	—	204
At 30 June 2012	2,936	2,184
Net book value at 30 June 2012		752
At 1 July 2012	2,936	2,184
Additions	389	—
Disposals	(44)	(30)
Depreciation	—	223
At 30 June 2013	**3,281**	**2,377**
Net book value at 30 June 2013		**904**

16. Investments in joint ventures

	2013 £000	2012 £000
Interest in joint ventures		
Opening balance		
Net assets	**102**	149
Loans	**2,514**	2,480
	2,616	2,629
Share of profits after tax	**71**	53
Exceptional loan write down	**(125)**	—
Transfer to investment in subsidiaries	**1,688**	—
Dividend paid in year	**(75)**	(100)
Loan movement in year	**(2,514)**	34
At 30 June	**1,661**	2,616

The Group's share of the joint ventures' net assets are as stated below:

	2013 £000	2012 £000
Non-current assets	**1,650**	8,364
Current assets	**58**	647
Current liabilities	**(45)**	(3,236)
Non-current liabilities	**(2)**	(3,159)
Group's share of joint ventures' net assets	**1,661**	2,616

The Group's share of the joint ventures' post tax profits are as stated below:

	2013 £000	2012 £000
Income	**264**	419
Expenses	**(186)**	(346)
Tax	**(7)**	(20)
	71	53
Increase in revaluation of investment properties	**—**	—
Share of post tax profits from joint ventures	**71**	53

The results of the joint ventures have been included in the Group accounts based on the financial statements drawn up for the year ended 30 June 2013.

16. Investments in joint ventures continued

During the year, the Group acquired the remaining share capital of the Dundonald joint venture. Dundonald Property Investments Limited and Dundonald (Cumbernauld) Limited are wholly owned subsidiaries as at 30 June 2013 and their post-acquisition results and closing balance sheet positions have been fully consolidated in the Group's financial statements for the year.

The Group's remaining joint venture, which is registered in England and operates in the United Kingdom, has no significant contingent liabilities to which the Group is exposed and nor has the Group any significant contingent liabilities in relation to its interest in the joint venture.

Details of the joint venture are as follows:

	Proportion of ordinary shares held %	Activity
Buckley Properties (Leeds) Limited	50	Property investment

17. Current asset investments

	2013 £000	2012 £000
At 1 July	**1,887**	1,212
Disposals	**(141)**	—
Increase in value of investments	**20**	675
At 30 June	**1,766**	1,887

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 £990,189 (2012: £1,058,536).

The maximum exposure to credit risk at the reporting date is the fair value of the current asset investments.

18. Trade and other receivables

	2013 £000	2012 £000
Trade receivables	**3,022**	2,836
Less: provision for impairment of receivables	**(326)**	(500)
Trade receivables – net	**2,696**	2,336
Other receivables and prepayments	**1,494**	1,517
	4,190	3,853

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.

As at 30 June 2013, net trade receivables can be analysed as follows:

			Outside credit terms but not impaired		
	Total £000	Within credit terms £000	Less than one month £000	One to two months £000	Older than two months £000
2013	**2,696**	**2,559**	**248**	**42**	**(153)**
2012	2,336	2,006	316	44	(30)

Movements in the Group provision for impairment of trade receivables are as follows:

	2013 £000	2012 £000
At 1 July	**500**	603
Provision for receivables impairment	**170**	189
Receivables written off as uncollectible	**(277)**	(226)
Unused amounts reversed	**(67)**	(66)
At 30 June	**326**	500

The creation and release of the provision for impaired receivables have been included in gross revenue and in property expenses in the income statement.

Notes to the consolidated accounts continued

18. Trade and other receivables continued

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
2013	**326**	**5**	**24**	**297**
2012	500	12	22	466

Trade receivables represent rent receivable, service charges and tenant recharges. 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 consideration of appropriate economic market indicators.

19. Trade and other payables – current

	2013 £000	2012 £000
Trade payables	**665**	1,195
Social security and other taxes	**999**	796
Other payables and accruals	**11,027**	9,604
	12,691	11,595

20. 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.

	2013 £000	2012 £000
Non-current		
Bank borrowings	**48,884**	39,765
5.375% First mortgage debenture stock	**105,800**	105,789
	154,684	145,554
Current		
Bank borrowings	**3,300**	—
Overdraft	**388**	—
Total borrowings	**158,372**	145,554

The debenture, bank loans and overdrafts are secured by fixed charges on properties, valued at £288,727,000 (2012: £283,577,000), owned by the Company and its subsidiary undertakings.

The maturity profile of the Group's financial liabilities is set out below:

	2013			2012		
	Bank borrowings £000	**Debenture stock £000**	**Total £000**	Bank borrowings £000	Debenture stock £000	Total £000
In one year or less or on demand	**3,695**	**—**	**3,695**	—	—	—
In more than one year but not more than five years	**52,749**	**—**	**52,749**	44,709	—	44,709
In more than five years	**—**	**210,852**	**210,852**	—	216,549	216,549
	56,444	**210,852**	**267,296**	44,709	216,549	261,258
Term loan arrangement fee allocated to future periods	**(516)**	**—**	**(516)**	(735)	—	(735)
Debenture issue premium allocated to future periods	**—**	**(201)**	**(201)**	—	(212)	(212)
Gross financial liabilities	**55,928**	**210,651**	**266,579**	43,974	216,337	260,311

The debenture issue premium is net of issue costs and is amortised over the life of the debt agreement. During the year £11,000 was debited to the income statement (2012: £11,000). As at 30 June 2013, the unamortised element of the debenture issue discount amounted to £201,000 (2012: £212,000). The term loan arrangement fee is amortised over the term of the agreement. During the year £219,000 was debited to the income statement (2012: £158,000).

20. Financial liabilities – borrowings continued

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 has undrawn committed floating rate bank borrowing facilities as set out below:

	2013 £000	2012 £000
Expiring in one year or less	**5,000**	5,000
Expiring in more than one year	**40,600**	49,500
	45,600	54,500

21. Financial instruments

The Group 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 below. Additional disclosures are set out in the accounting policies relating to financial risk management, with the exception of those financial instruments being short-term receivables and payables whose carrying values 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 2013			As at 30 June 2012		
	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**	**18.40**	106,001	5.375	19.40
Bank floating rate liabilities	**52,700**			40,500		
	158,701			146,501		

Floating rate financial liabilities bear interest at rates for term loans based on LIBOR plus an average margin of 1.90% and for the overdraft of 2.50% above base rate.

Facilities provided by banks and other investors are a mixture of fixed rates and floating rate funding. Floating rate borrowings are exposed to the risk of rising interest rates which the Group manages by the use of appropriate financial hedging instruments, primarily interest rate swaps. The Group has interest rate swaps on £18.9m of its floating rate borrowings and caps on a further £15m of borrowings. £3.9m of the swaps expire in October 2013. The remaining swaps and caps are for a period of three years and commenced on 31 March 2011, and have an all-in rate of 2.67%.

An increase in LIBOR by one percentage point would have reduced profit for the year by approximately £317,000 (2012: £221,000).

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.

Effective interest rates

The effective interest rates at the balance sheet date were as follows:

	2013 %	2012 %
Bank overdraft facility	**3.00**	3.00
Bank borrowings	**2.49**	2.73
Debenture loan	**5.375**	5.375

Fair values of current borrowings

The fair value of bank borrowings and overdraft approximates to book value.

Notes to the consolidated accounts continued

21. Financial instruments continued

Fair value of non-current borrowings

	2013		2012	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
Debenture stock	**105,800**	**96,120**	105,789	93,373
Long-term bank borrowings	**52,184**	**52,184**	39,765	39,765

The above debenture stock has been valued as at 30 June 2013 by J C Rathbone Associates on the basis of open market value. The fair value of the interest rate swaps (£3,900,000 expiring in 2013 and £15,000,000 expiring in 2014) has been calculated at £298,000 deficit (2012: £535,000 deficit).

22. "Triple" net asset value per share

To assist shareholders in understanding the results, the table below shows how the "triple" net asset value was arrived at:

	2013 £000	2012 £000
Closing net assets	**141,903**	143,658
Less: debenture issue premium	**(201)**	(212)
Add: debenture mark to market (after tax at nil%; 2012: nil%)	**9,881**	12,628
	151,583	156,074
Shares in issue (000)	**53,162**	53,162
"Triple" net asset value per share	**285p**	294p

23. Contingencies

The Group has contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

24. Commitments

The Group has capital commitments of £341,000 (2012: £700,000) in respect of capital expenditure contracted for at the balance sheet date but not yet incurred, for investment and development property.

25. Share capital

Authorised

164,879,000 (2012: 164,879,000) ordinary shares of 25p each. Nominal value of authorised share capital is £41,219,750 (2012: £41,219,750).

Issued and fully paid

Ordinary shares of 25p each	Number of shares 000	Nominal value £000
At 1 July 2011	53,161	13,290
Issued on take-up of share options	1	—
At 1 July 2012	53,162	13,290
At 30 June 2013	**53,162**	**13,290**

The Company operates two share option schemes in respect of ordinary shares. Details are disclosed in the Directors' Remuneration Report on page 39.

There are no unexercised options outstanding at 30 June 2013:

	Options outstanding at 30 June 2013 Number	Options outstanding at 30 June 2012 Number	Expiry dates	Exercise price p
1997 Executive Share Option Scheme	**—**	3,267	November 2012–April 2012	66.5–545.5

26. Cash flow from operating activities

	2013 £000	2012 Restated £000
Profit/(loss) for the financial year	**3,558**	(4,169)
Adjustments for:		
– Tax charge	**5**	40
– Depreciation	**223**	204
– Loss/(profit) on disposal of investment properties	**4**	(25)
– Profit on disposal of listed investments	**(85)**	—
– Gain on acquisition of subsidiary	**(41)**	—
– Profit on disposal of other fixed assets	**(3)**	(2)
– Finance income	**(57)**	(95)
– Finance expense	**7,733**	7,383
– Share of joint venture losses/(profits) after tax	**54**	(53)
– Movement in valuation of investment and development properties	**3,806**	11,387
– Increase in receivables	**(266)**	(1,468)
– Increase in payables	**46**	640
Cash generated from operations	**14,977**	13,842

27. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

On 14 January 2012, M A Ziff became an executive director and E M Ziff became a non-executive director of Redbreak Limited. E M Ziff resigned as a director of Redbreak Limited on 7 February 2013. E M Ziff provided consultancy services to Redbreak Limited between 1 March 2013 and 30 June 2013. During the year the Group received rentals of £183,621 (2012: £112,089) for property in the Merrion Centre and at Apperley Bridge. At 30 June 2013 Town Centre Securities PLC was owed £nil (2012: £nil).

During the year the Group acquired the entire issued share capital of Apperley Bridge Limited (Apperley). Apperley owns a 6.8 acre site and associated buildings at Apperley Bridge, Bradford that is currently occupied as the head office of Barratts Trading Limited, which operates the Barratts and Priceless shoe chains. As the vendors were E M Ziff and M A Ziff, directors of and shareholders in the Company, the transaction was a substantial property transaction under the terms of Section 190 of the Companies Act 2006 and required the prior approval (by passing of an ordinary resolution) of shareholders. Approval for the transaction was given by shareholders on 9 August 2012 and the transaction completed on 10 August 2012. The Company paid £1,314,319 in cash to purchase the entire share capital of Apperley and in addition, on completion, advanced a loan to Apperley to enable it to repay £1,000,000 of outstanding liabilities on its balance sheet. This generated negative goodwill of £41,000 which has subsequently been written off to the income statement in the year. The property was independently valued by Sanderson Weatherall LLP as at 20 February 2012 at a value of £2,350,000 and the net assets of Apperley at acquisition were £1,444,319.

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 39.

	2013 £000	2012 £000
Short-term employee benefits	**1,112**	1,239
Post-employment benefits	**67**	65
	1,179	1,304

Company accounts

prepared in accordance with UK GAAP

Independent auditor's report

To the members of Town Centre Securities PLC

We have audited the Parent Company financial statements of Town Centre Securities PLC for the year ended 30 June 2013 which comprise the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the Directors are responsible for the preparation of the Parent Company Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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; and
- the information given in the Directors' Report for the financial year for which the Parent Company Financial Statements are prepared is consistent with the Parent Company Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Other matter

We have reported separately on the consolidated Group financial statements of Town Centre Securities PLC for the year ended 30 June 2013.

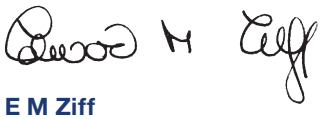
Randal Casson

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
18 September 2013

Company balance sheet
as at 30 June 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	4	**52,969**	51,174
Investments	5, 6	**248,519**	240,555
		301,488	291,729
Current assets			
Debtors	7	**74,254**	72,422
		74,254	72,422
Creditors: amounts falling due within one year			
Financial liabilities – borrowings	9	**(19,140)**	(19,845)
Other creditors	8	**(57,683)**	(52,473)
		(76,823)	(72,318)
Net current (liabilities)/assets		**(2,569)**	104
Total assets less current liabilities		**298,919**	291,833
Creditors: amounts falling due after more than one year			
Financial liabilities – borrowings	9	**(154,684)**	(145,554)
Net assets		**144,235**	146,279
Capital and reserves			
Called up share capital	10	**13,290**	13,290
Share premium account	11	**200**	200
Capital redemption reserve	11	**559**	559
Property revaluation reserve	11	**(17,325)**	(17,093)
Other reserves	11	**80,158**	75,841
Profit and loss account	11	**67,353**	73,482
Total shareholders' funds	12	**144,235**	146,279

Company number 623364
The financial statements on pages 67 to 74 were approved by the Board of Directors on 18 September 2013 and signed on its behalf by:



E M Ziff
Chairman and Chief Executive

C J Kelly
Finance Director

Notes to the Company accounts

1. Accounting policies

Basis of preparation

The accounts have been prepared on the going concern basis under United Kingdom Generally Accepted Accounting Policies (United Kingdom GAAP), the historical cost convention as modified by the revaluation of investment properties and fixed asset investments and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The principal accounting policies, which have been applied consistently, are as set out below:

Profit available for dividend

Surpluses arising on revaluations of properties are not regarded as being available for dividend and are therefore transferred to non-distributable reserves.

Deferred taxation

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 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 profit and loss account as the relevant temporary differences are no longer taxable on reversal. From 17 July 2012 there is no REIT entry charge payable where the Group 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.

Investments

Quoted investments included in the accounts are valued at market bid price at the balance sheet date.

Depreciation

In accordance with SSAP 19, 'Accounting for Investment Properties', no depreciation or amortisation is provided in respect of freehold and long leasehold investment properties, including fixed plant, which is included in properties. The requirement of the Companies Act 2006 (the Act) is to depreciate all properties but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that this accounting policy is necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in the accounts' valuation and the amount attributable to this factor cannot be separately identified or quantified. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation.

Investment income

Income from quoted 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 valuation. All subsidiaries are valued by the Directors on an annual basis, such that investments are included at the Company's share of net tangible assets. This method of valuation is used by the Directors to give a better indication of the value to the Company of its subsidiary undertakings.

Cash flow statement

The results and cash flows of the Company are included in the Consolidated Financial Statements. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement as permitted by FRS 1 (revised 1996).

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.

2. Profit and loss account

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 loss shown in the financial statements of the Parent Company was £652,000 (2012: £14,750,000 profit).

3. Operating profit

	2013 £000	2012 £000
Wages and salaries (including Directors' emoluments)	**2,246**	2,284
Social security costs	**269**	274
Other pension costs	**116**	27
	2,631	2,585

Employee benefits are charged to the profit and loss account through administrative expenses.

The aggregate remuneration of the Directors of the Company was £1,320,000 (2012: £1,442,000).

The average monthly number of administration staff employed during the year was 65 (2012: 65). Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement, are included on page 39 in the Directors' Remuneration Report and form part of the Consolidated Financial Statements. The employee benefits detailed above include equity-based remuneration as disclosed in Note 6 to the Consolidated Accounts.

The remuneration paid to the Parent Company auditor in respect of the audit of the Parent Company financial statements for the year ended 30 June 2013 is set out in Note 7 to the Consolidated Accounts.

4. Tangible fixed assets

Investment properties

	Freehold £000	Long leasehold £000	Total £000
Valuation at 1 July 2012	35,696	1,490	37,186
Additions	1,697	286	1,983
Valuation movement	(700)	464	(236)
Valuation at 30 June 2013	**36,693**	**2,240**	**38,933**

The above freehold and long leasehold investment properties have been revalued as at 30 June 2013 on the basis of open market value by Jones Lang LaSalle and CB Richard Ellis at £38,816,000 (2012: £37,186,000) in accordance with the Royal Institution of Chartered Surveyors Appraisal and Investment Manual.

Development properties

	£000
Cost at 1 July 2012	13,335
Additions	116
Impairment	4
Cost at 30 June 2013	**13,455**

Fixtures, equipment and motor vehicles

	Cost £000	Accumulated depreciation £000
Balance at 1 July 2012	2,310	1,657
Additions	97	—
Disposals	(42)	(29)
Depreciation	—	156
Balance at 30 June 2013	**2,365**	**1,784**
Net book value at 30 June 2013		**581**
Net book value at 30 June 2012		653

Total tangible assets	
At 30 June 2013	**52,969**
At 30 June 2012	51,174

Notes to the company accounts continued

5. Fixed asset investments

	2013 £000	2012 £000
Shares in Group undertakings		
At 1 July	**238,566**	255,255
Additions	**2,157**	—
Increase/(decrease) on revaluation	**4,369**	(16,689)
At 30 June	**245,092**	238,566
Interest in joint ventures		
At 1 July		
Net assets	**102**	149
Movement in year	**1,559**	(47)
At 30 June	**1,661**	102
Total fixed asset investments	**246,753**	238,668

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 any other consideration given to acquire the share capital of the subsidiary undertakings.

6. Listed investments

	2013 £000	2012 £000
At 1 July	**1,887**	1,212
Disposals	**(141)**	—
Increase in value of investments	**20**	675
At 30 June	**1,766**	1,887

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 £990,189 (2012: £1,058,536).

7. Debtors

	2013 £000	2012 £000
Trade debtors – gross	**382**	478
Less: provision for impairment of debtors	**(115)**	(150)
Trade debtors – net	**267**	328
Amounts owed by subsidiary undertakings	**71,777**	67,280
Amounts owed by joint ventures	**—**	2,515
Other debtors and prepayments	**2,210**	2,299
	74,254	72,422

Amounts owed by subsidiary undertakings and joint ventures are unsecured, interest free and repayable on demand.

8. Other creditors

	2013 £000	2012 £000
Trade creditors and accruals	**2,155**	2,843
Other taxation and social security	**103**	108
Amounts owed to subsidiary undertakings	**55,425**	49,522
	57,683	52,473

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.

	2013 £000	2012 £000
Non-current		
Bank borrowings	**48,884**	39,765
5.375% First mortgage debenture stock	**105,800**	105,789
	154,684	145,554
Current		
Bank borrowings	**19,140**	19,845
	19,140	19,845
Total borrowings	**173,824**	165,399

The debenture, bank loans and overdrafts are secured by fixed charges on properties, valued at £288,727,000 (2012: £283,577,000) owned by the Company and its subsidiary undertakings.

The maturity profile of the Company's financial liabilities is set out below:

	2013			2012		
	Bank borrowings £000	**Debenture stock £000**	**Total £000**	Bank borrowings £000	Debenture stock £000	Total £000
In one year or less or on demand	**19,140**	**—**	**19,140**	19,845	—	19,845
In more than one year but not more than five years	**52,749**	**—**	**52,749**	44,709	—	44,709
In more than five years	**—**	**210,852**	**210,852**	—	216,549	216,549
	71,889	**210,852**	**282,741**	64,554	216,549	281,103
Term loan arrangement fee allocated to future periods	**(516)**	**—**	**(516)**	(735)	—	(735)
Debenture issue premium allocated to future periods	**—**	**(201)**	**(201)**	—	(212)	(212)
Gross financial liabilities	**71,373**	**210,651**	**282,024**	63,819	216,337	280,156

The debenture issue premium is net of issue costs and is amortised over the life of the debt agreement. During the year £11,000 was debited to the profit and loss account (2012: £11,000). As at 30 June 2013, the unamortised element of the debenture issue discount amounted to £201,000 (2012: £212,000). The term loan arrangement fee is amortised over the term of the agreement. During the year £219,000 was debited to the profit and loss account (2012: £158,000).

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 Company has undrawn committed floating rate bank borrowing facilities as set out below:

	2013 £000	2012 £000
Expiring in one year or less	**5,000**	5,000
Expiring in more than one year	**40,600**	49,500
	45,600	54,500

The facilities expiring in one year or less are overdraft facilities subject to annual review. There are net cash balances of £19,973,000 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 below. Additional disclosures are set out in the accounting policies relating to financial risk management.

All financial liabilities are denominated in Sterling.

Notes to the company accounts continued

9. Financial instruments continued

Interest rate risk

The interest rate risk of the Company's financial liabilities is as follows:

	2013			2012		
	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**	**18.40**	106,001	5.375	19.40
Bank floating rate liabilities	**49,400**			40,500		
	155,401			146,501		

Floating rate financial liabilities bear interest at rates for term loans based on LIBOR plus an average margin of 1.89% and for the overdraft at 2.5% over base rate.

The Company has interest rate swaps on £16.2m of its floating rate borrowings and caps on a further £15m of borrowings. The swaps and caps are for a period of three years and commenced on 31 March 2012. The all-in rate for the swaps and caps is 2.67%.

Financial instruments held for trading purposes

It is, and has been throughout the period under review, the Company's policy not to trade in financial instruments.

Foreign currency exposure

The Company 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 dates were as follows:

	2013 %	2012 %
Bank overdraft and money market facility	**3.00**	3.00
Bank borrowings	**2.49**	2.73
Debenture loan	**5.375**	5.375

Fair values of financial liabilities

Where market values are not available, fair values of financial assets and financial 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

	2013		2012	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
Debenture stock	**105,800**	**96,120**	105,789	93,373
Long-term bank borrowings	**48,884**	**48,884**	39,765	39,765

10. Called up share capital

Authorised

164,879,000 (2012: 164,879,000) ordinary shares of 25p each.

Issued and fully paid

Ordinary shares of 25p each	Number of shares 000	Nominal value £000
At 1 July 2012	53,162	13,290
At 30 June 2013	**53,162**	**13,290**

11. Reserves

	Capital redemption reserve £000	Share premium account £000	Property revaluation reserve £000	Other reserve[1] £000	Profit and loss account £000
At 1 July 2012	559	200	(17,093)	75,841	73,482
Retained loss for the year	—	—	—	—	(6,202)
Revaluation of fixed asset investments	—	—	—	20	—
Revaluation of investments in subsidiary undertakings	—	—	—	4,369	—
Deficit on revaluation of properties	—	—	(232)	—	—
Disposal of fixed asset investments	—	—	—	(73)	73
Other adjustments	—	—	—	1	—
At 30 June 2013	**559**	**200**	**(17,325)**	**80,158**	**67,353**

1 Other reserve relates to the revaluation of the Company's investments.

12. Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
(Loss)/profit for year	**(652)**	14,750
Dividends paid	**(5,550)**	(5,550)
	(6,202)	9,200
New share capital subscribed	**—**	2
Deficit on property revaluation	**(232)**	(2,232)
Revaluation of investments in subsidiary undertakings	**4,369**	(16,689)
Surplus on revaluation of fixed asset investments	**20**	675
Other adjustments	**1**	—
Net (decrease)/increase in shareholders' funds	**(2,044)**	(9,044)
Opening shareholders' funds	**146,279**	155,323
Closing shareholders' funds	**144,235**	146,279

Details of dividends paid are set out in Note 12 to the Consolidated Accounts.

13. Capital and other commitments

The Company has capital commitments of £nil (2012: £443,000) in respect of capital expenditure contracted for at the balance sheet date but not yet incurred, for investment and development properties.

14. Guarantees

The Company, together with its fellow subsidiary companies, has entered into an unlimited joint and several guarantee, securing the indebtedness of Town Centre Securities PLC and subsidiary companies to two of the Group's bankers. Town Centre Securities PLC Group had indebtedness at 30 June 2013 amounting to £53,088,000 (2012: £40,500,000) in relation to this arrangement.

15. Related party transactions

The Company has taken advantage of the exception available under FRS 8 from disclosing related party transactions with other entities included in the Consolidated Accounts of Town Centre Securities PLC.

On 14 January 2012, M A Ziff became an executive director and E M Ziff became a non-executive director of Redbreak Limited. E M Ziff resigned as a director of Redbreak Limited on 7 February 2013. E M Ziff provided consultancy services to Redbreak Limited between 1 March 2013 and 30 June 2013. During the year the Company received rentals of £nil (2012: £78,386). At 30 June 2013 Town Centre Securities PLC was owed £nil (2012: £nil).

During the year the Company acquired the entire issued share capital of Apperley Bridge Limited (Apperley). Apperley owns a 6.8 acre site and associated buildings at Apperley Bridge, Bradford that is currently occupied as the head office of Barratts Trading Limited, which operates the Barratts and Priceless shoe chains. As the vendors were E M Ziff and M A Ziff, directors of and shareholders in the Company, the transaction was a substantial property transaction under the terms of Section 190 of the Companies Act 2006 and required the prior approval (by passing of an ordinary resolution) of shareholders. Approval for the transaction was given by shareholders on 9 August 2012 and the transaction completed on 10 August 2012. The Company paid £1,314,319 in cash to purchase the entire share capital of Apperley and in addition, on completion, advanced a loan to Apperley to enable it to repay £1,000,000 of outstanding liabilities on its balance sheet. This generated negative goodwill of £41,000 which has subsequently been written off to the income statement in the year. The property was independently valued by Sanderson Weatherall LLP as at 20 February 2012 at a value of £2,350,000 and the net assets of Apperley at acquisition were £1,444,319.

Notes to the company accounts continued

16. Additional information – subsidiaries

The Company's wholly owned active subsidiary undertakings at 30 June 2013, registered in England and operating in the United Kingdom, are as follows:

Name	Activity
TCS (Bothwell Street) Limited	Property investment
TCS Freehold Investments Limited	Property investment
TCS Holdings Limited	Property investment
TCS Leasehold Investments Limited	Property investment
TCS Properties Limited	Property investment
Tassgander Limited	Property investment
TCS (Milngavie) Limited	Property investment
TCS Park Row Limited	Property investment
Apperley Bridge Limited	Property investment
Dundonald Property Investments Limited	Property investment
Dundonald (Cumbernauld) Limited	Property investment
TCS Trustees Limited	Trustee for employee benefit plans
TCS Residential Conversions Limited	Management company
Caledonia Management Limited	Management company
TCS (Property Management) Limited	Management company
Town Centre Car Parks Limited	Car park operations
TCCP (Clarence Dock) Limited	Car park operations

The Company also wholly owns a number of dormant companies, registered in England, which are not listed here as they were not active at 30 June 2013.

The Company's joint venture, which is registered in England and operate in the United Kingdom, is as follows:

	Proportion of ordinary shares held %	Activity
Buckley Properties (Leeds) Limited	50	Property investment

Notice of annual general meeting

Notice is given that the fifty-third Annual General Meeting of Town Centre Securities PLC (the Company) will be held at Town Centre House, The Merrion Centre, Leeds LS2 8LY on Tuesday 19 November 2013 at 10.30am for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive the Company's Annual Accounts and Directors' and Auditors' Reports for the year ended 30 June 2013.
2. To approve the Directors' Remuneration Report for the year ended 30 June 2013.
3. To declare a final dividend for the year ended 30 June 2013 of 7.34p per ordinary share in the capital of the Company, to be paid on 6 January 2014 to shareholders whose names appear on the register at the close of business on 6 December 2013.
4. To re-appoint C J Kelly, who retires by rotation, as a Director of the Company.
5. To re-appoint J A Nettleton, who retires by rotation, as a Director of the Company.
6. To re-appoint M A Ziff, who retires by rotation, as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as auditor of the Company.
8. To authorise the Directors to determine the remuneration of the auditor.
9. That, pursuant to Section 551 of the Companies Act 2006 (the Act) the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company up to an aggregate nominal amount of £4,430,162, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 19 February 2015 (whichever is the earlier), save that the Company may make an offer or agreement before the expiry of this authority which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired.

This authority is in substitution for all existing authorities under Section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

To consider and, if thought fit, to pass the following resolutions as special resolutions:

10. That, subject to the passing of resolution 9 and pursuant to Section 570 of the Act, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 9 as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

    10.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

        10.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and

        10.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    10.2 otherwise than pursuant to paragraph 10.1 of this resolution, up to an aggregate nominal amount of £664,524,

    and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 19 February 2015 (whichever is earlier), save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

This power is in substitution for all existing powers under Section 570 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Notice of annual general meeting continued

To consider and, if thought fit, to pass the following resolutions as special resolutions: continued

11. That, pursuant to Section 701 of the Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares of 25p each in the capital of the Company (Shares), provided that:

    11.1 the maximum aggregate number of Shares which may be purchased is 7,968,976;

    11.2 the minimum price (excluding expenses) which may be paid for a Share is 25p; and

    11.3 the maximum price (excluding expenses) which may be paid for a Share is the higher of:

        11.3.1 an amount equal to 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made; and

        11.3.2 an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out,

    and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 19 February 2015 (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after such expiry and may make a purchase of Shares pursuant to any such contract as if the authority conferred by this resolution had not expired.

12. That a general meeting of the Company (other than the Annual General Meeting) may be called on not less than 14 clear days' notice.

By order of the Board

C J Kelly

C J Kelly
Company Secretary
18 September 2013

Registered office
Town Centre House
The Merrion Centre
Leeds LS2 8LY

Registered in England and Wales No. 00623364

Notes

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 6.00pm on Friday 15 November 2013 (or, in the event that the meeting is adjourned, in the register of members at 6.00pm 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 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, Capita Asset Services, PXS, PO Box 25, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive no later than 10.30am on Friday 15 November 2013 (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.capitashareportal.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 10.30am on Friday 15 November 2013 (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 meeting the qualification criteria set out in Note 9 below may require the Company to give shareholders notice of a resolution which may properly be proposed and is intended to be proposed at the meeting in accordance with Section 338 of the Act.

   A resolution may properly be proposed unless (i) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (ii) it is defamatory of any person or (iii) it is frivolous or vexatious.

   The business which may be dealt with at the meeting includes a resolution circulated pursuant to this right.

   Any such request must:

   6.1 identify the resolution of which notice is to be given, by either setting out the resolution in full or, if supporting a resolution requested by another shareholder, clearly identifying the resolution which is being supported;

   6.2 comply with the requirements set out in Note 10 below; and

   6.3 be received by the Company no later than six weeks before the meeting.

Notice of annual general meeting continued

Notes continued

7. A shareholder or shareholders meeting the qualification criteria set out in Note 9 below may require the Company to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may properly be included in the business in accordance with Section 338A of the Act.

   A matter may properly be included unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious.

   Any such request must:

   7.1 identify the matter to be included in the business, by either setting out the matter in full or, if supporting a matter requested by another shareholder, clearly identifying the matter which is being supported;

   7.2 set out the grounds for the request;

   7.3 comply with the requirements set out in Note 10 below; and

   7.4 be received by the Company no later than six weeks before the meeting.

8. A shareholder or shareholders who meet the qualification criteria set out in Note 9 below 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:

   8.1 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;

   8.2 comply with the requirements set out in Note 10 below; and

   8.3 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:

   8.4 it may not require the shareholder(s) making the request to pay any expenses incurred by the Company in complying with the request;

   8.5 it must forward the statement to the Company's auditor no later than the time when it makes the statement available on the website; and

   8.6 the statement may be dealt with as part of the business of the meeting.

9. In order to require the Company (i) to circulate a resolution to be proposed at the meeting as set out in Note 6, (ii) to include a matter in the business to be dealt with at the meeting as set out in Note 7 or (iii) to publish audit concerns as set out in Note 8, the relevant request must be made by:

   9.1 a shareholder or shareholders having a right to vote at the meeting and holding at least 5% of the total voting rights of the Company; or

   9.2 at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital.

For information on voting rights, including the total voting rights of the Company, see Note 11 on the following page and the website referred to in Note 17 on the following page.

Notes continued

10. Any request by a shareholder or shareholders to require the Company (i) to circulate a resolution to be proposed at the meeting as set out in Note 6, (ii) to include a matter in the business to be dealt with at the meeting as set out in Note 7, or (iii) to publish audit concerns as set out in Note 8:

    10.1 may be made either:

        10.1.1 in hard copy, by sending it to the Company Secretary, Town Centre House, The Merrion Centre, Leeds LS2 8LY; or

        10.1.2 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 (please state "TCS: AGM" in the subject line of the email);

    10.2 must state the full name(s) and address(es) of the shareholder(s); and

    10.3 (where the request is made in hard copy form or by fax) must be signed by the shareholder(s).

11. As at 17 September 2013 (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 17 September 2013 are 53,161,950.

12. 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:

    12.1 to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information;

    12.2 the answer has already been given on a website in the form of an answer to a question; or

    12.3 it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

13. 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):

    13.1 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

    13.2 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.

14. Biographical details of all those Directors who are offering themselves for re-appointment at the meeting are set out on page 30 of the Annual Report and Accounts.

15. 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.

16. 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:

    16.1 copies of the service contracts of the Executive Directors; and

    16.2 copies of the letters of appointment of the Non-executive Directors.

17. 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.

Investor information

Registrar
All general enquiries concerning shareholdings in Town Centre Securities PLC should be addressed to:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone:	0871 664 0300 (Calls cost 10p per minute plus network extras. Lines are open from 8.30am–5.30pm, Monday to Friday.)
Telephone outside United Kingdom:	+44 (0) 208 639 3399
Facsimile:	+44 (0) 208 639 2220
Email:	shareholder.services@capitaregistrars.com
Website:	www.capitaregistrars.com

Dividends

Interim dividend:	3.10p per share paid on 30 June 2013 to shareholders on the register on 31 May 2013
Final dividend:	7.34p per share to be paid on 6 January 2014 to shareholders on the register on 6 December 2013

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
PricewaterhouseCoopers LLP

Brokers
Oriel Securities

Bankers
Lloyds Banking Group plc
The Royal Bank of Scotland plc
Svenska Handelsbanken AB (Publ)

Solicitors
DLA Piper UK LLP
Leslie Wolfson

Principal Valuers
Jones Lang LaSalle
CB Richard Ellis

Corporate public relations
MHP Communications

Contact information

Registered office
Town Centre House
The Merrion Centre
Leeds LS2 8LY

Registered number
623364 England

Email
info@tcs-plc.co.uk

Website
www.tcs-plc.co.uk

Registrar and transfer office
Capita Asset Services
The Registry
34 Beckenham Road
Kent BR3 4TU

Trustees to mortgage debenture holders
Capita IRG Trustees
7th Floor
Phoenix House
18 King William Street
London EC47 HEE

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP

web
www.tcs-plc.co.uk

linkedin
www.linkedin.com/company/town-centre-securities-plc

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web
www.towncentrecarparks.com

annual accounts
www.tcs-plc.co.uk

Town Centre Securities PLC

Town Centre House
The Merrion Centre
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Telephone: 0113 222 1234
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