EDISON

Town Centre Securities

FY19 results

Accelerating portfolio repositioning

Real estate

Against a challenging retail sector environment and ongoing economic uncertainty, Town Centre Securities (TCS) delivered a robust underlying performance in FY19 while continuing to re-position its portfolio for the long term. Earnings and NAV were lower than in FY18 but the fully covered DPS was maintained, now held or improved in each of the last 59 years. Already below 50%, TCS plans to reduce retail and leisure exposure further and continue to recycle capital into more attractive opportunities, including the group's significant pipeline of development opportunities.

Year end	Net revenue (£m)	EPRA earnings* (£m)	EPRA EPS* (p)	EPRA NAV/ share* (p)	DPS (p)	P/NAV (x)	Yield (%)
06/18	19.3	6.9	13.0	384	11.8	0.48	6.3
06/19	19.6	6.4	12.0	354	11.8	0.53	6.3
06/20e	19.4	6.0	11.4	342	11.8	0.54	6.3
06/21e	20.6	7.0	13.2	352	11.8	0.53	6.3

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Robust underlying performance in FY19

With its increasingly diversified portfolio and lack of exposure to the big high street names in its retail portfolio, TCS delivered a robust underlying property performance including a 2.6% increase in like-for-like passing rents and occupancy at 96% (FY18: 95%). CitiPark increased recurring profits by c 10% to c 30% of the group total. EPRA earnings and EPS were 7.9% lower y-o-y, due to investments, the short-term impact of CVAs and one-off expense movements. EPRA NAV per share was 7.8% lower at 354p and LTV increased to 49.4% despite a reduction in net debt. Retail and leisure assets are now less than 50% of the total (2016: 70%) and management signals it will accelerate divestment despite the potential short-term impact on income to de-risk the portfolio and free up capital for reinvestment. This is not reflected in our reduced forecasts (page 6) with lower net revenue in FY20e driven by refurbishment of The Cube, rebounding in FY21e on completion.

Weighing divestment and re-investment options

TCS is a family-run business with a strong focus on dividends, increasing or maintaining DPS in each of the last 59 years while recycling capital and actively managing assets for long-term growth. An extensive pipeline of potential development projects with an estimated gross value – once funded and developed – of more than £600m, represents both a significant long-term growth opportunity not captured by stated NAV and a differentiating factor for the group. Borrowing headroom of £26m and proceeds from further retail divestment is likely to be targeted at development investment and/or acquisitions. Management signals it is also open to potential accretive share repurchases.

Valuation: Strong dividend commitment

TCS has a strong dividend commitment while continuing to invest for growth. The fully covered FY19 DPS represents a yield of 6.3%, while the share price discount to NAV per share is c 47%.

14 October 2019

Price	**186p**
Market cap	**£99m**
Net financial liabilities (£m) at 30 June 2019	181.9
Net LTV at 30 June 2019	49.4%
Shares in issue	53.1m
Free float	48%
Code	TOWN
Primary exchange	LSE
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	0.5	(9.3)	(26.2)
Rel (local)	1.6	(7.0)	(28.9)
52-week high/low		264p	171p

Business description

Town Centre Securities is a UK real estate investment trust operating across the UK, but with a regional focus, primarily in Leeds, Manchester, Scotland and (mainly suburban) London. It also has a car parking operation (CitiPark). The investment portfolio is intensively managed for income and capital growth

Next events

AGM	24 November 2019

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Edison profile page

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Active asset management with a regional focus

TCS is a UK real estate investment trust (REIT) operating across the UK with a regional focus, primarily in Leeds and Manchester, which are both strong local economies where management has the opportunity to exploit its strong and detailed knowledge of the local markets, Scotland and (mainly suburban) London. The company is family run with strong income focus and a 59-year record of increased or maintained DPS. It owns a mixed-use portfolio, valued at c £394.2m at 30 June 2019 (end-FY19), including key development sites in Leeds and Manchester. It also has a car park operation (CitiPark), which provides a growing and complementary revenue and earnings stream while monetising what would in some cases be empty, non-income producing development assets. Intensive asset management and active capital recycling are used to acquire new investment assets and invest in a substantial pipeline of development opportunities, repositioning and optimising the portfolio to drive long-term income growth and capital returns. TCS estimates the gross development value (GDV) of the development pipeline at more than £600m, which represents a valuable opportunity not captured by stated NAV and is a differentiating factor for the group. This note updates on the FY19 results, recent strategic developments and revisions to our financial forecasts. For an in-depth overview of TCS, please see our March 2019 outlook note.

FY19 results summary

Against a challenging retail sector environment and ongoing economic and political uncertainty, TCS delivered a robust underlying performance in FY19, broadly in line with our forecasts, while continuing to re-position its portfolio for the long term. The property investment portfolio saw a 2.6% like-for-like increase in passing rents and overall occupancy improved to 96% (FY18: 95%), although divisional earnings were lower, primarily as a result of the short-term impact of retail company voluntary arrangements (CVAs) and administrations and one-off expenses. The car parking operation (CitiPark) increased operating profits before valuation movements by c 10% to represent c 30% of the total. TCS benefits from a secure mix of debt funding, which was strengthened in FY19 by the complete renewal or extension of the bank debt facilities. Additionally, the £26.4m net inflow from the Merrion House refinancing had a significant positive impact on the funding position. Net financial liabilities reduced to a three-year low while portfolio investment continued, although unrealised valuation losses on investment properties saw the loan to value ratio (LTV) increase.

Noting the current sector challenges and the increased gap between the share price and management's estimation of the underlying value of the business, TCS says it continues to examine strategic options. These are likely to include an accelerated disposal of ex-growth retail properties, which despite the potential short-term impact on income will de-risk the portfolio and free up capital for reinvestment. Consequently, the group is reviewing its priorities within the development pipeline and indicates that it is giving consideration to a share buy-back. Given the significant share price discount to NAV, the latter would be earnings NAV enhancing but would limit investment options.

Exhibit 1: Summary of results

£m unless state otherwise	FY19	FY18	% change	FY19e	Actual vs forecast
Gross revenue	31.2	30.2	3.4	31.5	-0.9%
Property expenses	(11.6)	(10.9)	6.5	(11.4)	1.7%
Net revenue	**19.6**	**19.3**	**1.6**	**20.1**	**-2.4%**
Other income	0.6	0.9	-35.4	0.6	-8.2%
JV operating profit	1.1	1.2	-10.1	1.0	4.9%
Administrative expenses	(6.9)	(6.6)	4.3	(7.3)	-6.1%
EPRA operating earnings	**14.4**	**14.8**	**-2.8**	**14.4**	**-0.3%**
Finance costs	(8.0)	(7.9)	1.7	(8.0)	0.5%
EPRA earnings	**6.4**	**6.9**	**-7.9**	**6.4**	**-1.3%**
Net result from property portfolio	(18.8)	11.5			
IFRS PBT	(12.5)	18.4			
Basic IFRS EPS (p)	(23.4)	34.6			
EPRA EPS (p)	**12.0**	**13.0**	**-7.9**	**12.1**	**-1.3%**
IFRS and EPRA NAV per share (p)	**354**	**384**	**-7.8**	**353**	**0.2%**
DPS declared (p)	**11.75**	**11.75**	**0.0**	**11.75**	**0.0%**
LTV	49.4%	47.5%		48.2%	

Source: Town Centre Securities data, Edison Investment Research forecast for FY19e

The key financial highlights of FY19 were:

- Gross revenue increased by £1.0m or 3.4%. The main drivers were:
  - A net positive impact from acquisitions/disposals of £1.1m, including a beneficial timing impact of acquisitions ahead of divestments. Significant transactions affecting FY19 revenues were the acquisitions of The Cube in Leeds (acquired in October 2018) and Ducie House in Manchester (acquired in July 2018) and the disposal of Rochdale Retail Park (in January 2019).
  - Continued organic growth at CitiPark (5.5%), which added £0.6m to gross revenues.
  - A negative impact from CVAs and bad debts of £0.4m.
  - The void at Milngavie for much of the year, reducing income by £0.2m.
  - A £0.2m reduction in ibis Styles Hotel revenues where the hotel room performance was robust but the previous restaurant operation proved disappointing and was repositioned.
- Group property expenses increased by 6.5% or £0.7m, including:
  - Higher than average property expenses at Ducie House, reflecting the historical lease structures at acquisition, which are predominantly inclusive of costs with no service charge. This had an impact of £0.3m.
  - The growth in CitiPark added £0.3m to group property expenses, although the rate of property expense growth within CitiPark (3.5%) was below the (5.5%) rate of growth of gross revenue.
  - The changes in the restaurant operations at ibis Styles Hotel, which included a one-off payment to terminate the agreement with the previous operator, contributed to a £0.1m increase in hotel property expenses despite slightly weaker revenues.

Exhibit 2: Segmental summary of operating profit before property gains/(losses)

	FY19				FY18				FY19/FY18
£m	Property	CitiPark	Hotel	Total	Property	CitiPark	Hotel	Total	Change
Gross revenue	**16.4**	**12.2**	**2.6**	**31.2**	**15.9**	**11.5**	**2.8**	**30.2**	3.4%
Property expenses	(2.4)	(6.8)	(2.4)	(11.6)	(2.0)	(6.5)	(2.3)	(10.9)	6.5%
Net revenue	**14.0**	**5.4**	**0.2**	**19.6**	**13.9**	**5.0**	**0.5**	**19.3**	**1.6%**
Administrative expenses	(5.9)	(0.9)	0.0	(6.8)	(5.6)	(0.9)	0.0	(6.6)	
Admin. expenses as % net revenue	42.2%	17.6%	N/A	34.9%	40.6%	19.0%	N/A	34.1%	
Other income	0.6	0.0	0.0	0.6	0.9	0.0	0.0	0.9	
Share of post-tax profits from JV before property gains	1.1	0.0	0.0	1.1	1.2	0.0	0.0	1.2	
Operating profit before property gains	**9.7**	**4.4**	**0.2**	**14.4**	**10.3**	**4.0**	**0.5**	**14.8**	**-2.6%**

Source: Town Centre Securities

- Underlying administrative expenses were well controlled but were negatively affected by some one-off costs in FY19 relating to refinancing and the renewing of old certificates of title for the group's development land, and the non-repeat of a £0.5m provision release in FY18. Reported administrative expenses thus increased by £0.3m or 4.3%, ahead of inflation and the 1.6% increase in net revenue.
- Operating earnings from JVs was £0.1m lower reflecting the effective interest costs in respect of the Merrion House financing agreement in July 2018, which accelerated the release of £26.4m in cash to the group. Other income was lower as a result of FY18 dilapidation receipts in respect of the Milngavie property not recurring.
- Interest costs were slightly higher, mainly due to the impact on the floating rate portion of borrowings from higher average Libor during the year, despite a reduction in average borrowings.
- EPRA earnings were £6.4m (FY18: £6.9m) and on an unchanged share count, EPRA EPS was 12.0p (FY18: 13.0p).
- A final dividend per share of 8.5p has been proposed, for payment on 7 January 2020 to shareholders on the register on 6 December 2019. This will comprise an ordinary dividend of 4.0p and a property income distribution (PID) from tax exempt income of 4.5p.
- The statutory results showed an IFRS loss of £12.5m compared with £18.4m profit in FY18, primarily reflecting an £18.3m unrealised negative revaluation movement. Additionally, the £13.2m sale of Rochdale Retail Park generated a loss on disposal of c £0.7m and there was a small £0.2m reversal of impairment on car parking assets. The like-for-like revaluation movement on assets held throughout the year was -3.8%. Although it is continuing to reduce, the share of retail assets in the TCS portfolio is above that of the MSCI Quarterly Index and, as a result, the TCS total property return of 1.3% (FY18: 9.4%) was below the index despite the TCS retail assets outperforming Index returns (see Exhibit 5 on page 7).
- IFRS and EPRA net assets fell by 7.8% and EPRA EPS by a similar amount to 354p (FY18: 384p).
- Net financial liabilities reduced to £182.0m compared with £192.6m at end-FY18, the lowest level in the past three years, but the loan to value ratio increased to 49.4% (FY18: 47.5%) as a result of the negative unrealised movement in property values which added 3.7%. During FY19 TCS refinanced all of its bank debt facilities, extending maturities with no material impact on margins and improving borrowing flexibility. The £26.4m net inflow from the Merrion House refinancing had a significant positive impact on the funding position and management indicates c £26m borrowing headroom at end-FY19.

Portfolio and strategic update

Increasingly diversified, mixed use portfolio

TCS has an increasingly diverse, mixed-use portfolio with an end-FY19 value, including investment properties, developments, joint ventures and car parks, of £394.2m (FY17: £403.5m). The investment properties were valued at £331.0m, reflecting a net initial yield of 6.0%, with a passing rent of £20.9m, and 96% occupancy. The full occupancy estimated rental value (ERV) was £23.8m. Including the car parking assets and car parking income on development assets, the end-year passing rent increases to £24.5m.

Exhibit 3: Portfolio summary

	Passing rent (£m)	ERV (£m)	ERV (%)	Value (£m)	Value (%)	Initial yield (%)	Reversionary yield (%)
Retail & Leisure	3.7	4.2	15	62.7	16	5.6%	6.3%
Merrion Centre (exc office)	7.1	7.8	28	92.5	23	7.3%	7.9%
Offices	5.5	6.0	22	80.4	20	6.5%	7.1%
Hotel	1.2	1.6	6	25.8	7	4.3%	6.0%
Out-of-town retail	1.8	2.5	9	41.8	11	4.0%	5.6%
Distribution	0.4	0.4	1	6.1	2	6.3%	6.6%
Residential	1.2	1.3	5	21.8	6	5.1%	5.7%
Total investment properties	**20.9**	**23.8**	**87**	**331.0**	**84**	**6.0%**	**6.8%**
Development property (car park income)	2.1	2.1	8	36.5	9		
Car parks	1.5	1.5	5	26.7	7		
Total portfolio	**24.5**	**27.4**	**100**	**394.2**	**100**		

Source: Town Centre Securities, 30 June 2019

Retail and leisure remains the single largest sector weight in the portfolio but has been actively reduced to 50% from 55% at end-FY18 and 70% at end-FY16. Pure retail exposure is now down to 36%. As retail has been reduced, offices, hotels and private rented sector (PRS) residential assets have increased share are likely to do so. Geographically, the emphasis remains on Leeds and Manchester which together represent 77% of the portfolio by value.

Active management in FY19

Active management of the portfolio and capital recycling (ie disposing of ex-growth assets to reinvest in new opportunities for long-term growth) are key elements of management's strategy. Since FY14 TCS has sold over £101m of assets and in FY19 £14m of retail property was disposed of, including the Rochdale Retail Park for £13.2m. Reinvestment included the acquisition of The Cube in Leeds (mixed office/leisure) and completion of the development of TCS's first private rented sector asset, Burlington House in Manchester.

The Cube is a high-yielding mixed use property situated opposite the Merrion Centre in Leeds. The £12m purchase price represented an immediate yield of 12.5% on the passing income and is expected to remain above 9.0% after lease expiries in 2019 and 2020. Since acquisition, TCS has re-let 20% of the office space and is in the process of redeveloping the remaining space at an expected cost of £4m for improved longer-term returns.

The Rochdale sale, at £1.0m below the end-FY19 valuation, was consistent with the company's strategy of recycling mature assets, especially given the mounting pressures on out-of-town retail assets, and reduces retail income and valuation risk further.

Burlington House, comprising 91 apartments with a projected net rental value of £1.1m (yield on cost of 5%) was completed in June 2019 and was 99% let by September.

The out-of-town retail site at Milngavie, a former Homebase, was split in two during the year at a cost of £1.5m and re-let to Aldi and Home Bargains. Compared with previously, the contracted rent increased by 8% to more than £600k pa and the valuation increased by 23% to £11.1m.

The July 2018 acquisition of Ducie House extended TCS's presence in the Manchester's Piccadilly Basin and mitigated a right of claim (estimated at £1.5m) by the previous owners in relation to TCS's adjacent Eider House development. TCS has now commenced a significant £2m refurbishment aimed at improving common parts and creating some larger offices to drive demand and rents.

TCS's very significant pipeline of development opportunities from within its current portfolio, much of it with detailed planning consent or forming part of the local strategic framework, now has an estimated gross development value of more than £600m. Most of the projects by value are situated within two strategic development sites in Manchester (Piccadilly Basin) and Leeds (Whitehall

Road), two strong regional markets. Other projects include further developments at the Merrion Centre. The pipeline represents a significant opportunity for future value creation, subject to market conditions and financing, and management continues to explore how best to achieve this and unlock the value. As discussed in the financial section, our forecasts allow for the development of a second PRS scheme at Eider House and the George St aparthotel JV with Leeds City Council.

CVAs actively managed

Although not immune to the pressures of the high street and the strong increase in company voluntary arrangements, TCS was able to significantly mitigate the impact through active asset management. Eight tenants either went into administration or launched CVAs during the year, and of the eight properties affected four have been re-let to new tenants and in three the incumbent tenant has chosen to remain at the same rent. On average, rents on the re-let properties have at least been maintained and the remaining void unit, representing c 0.4% of rent roll, is in the process of being re-let.

TCS's success in limiting its exposure to and mitigating their effects in part stems from the nature of its assets and a lack of exposure to department stores or high street fashion retailers. Half of the value of the retail portfolio relates to the Merrion Centre, a mixed-use site in Leeds, TCS's largest asset, and in its 55th year of operation. With £70m invested in the past 10 years, it continues to achieve strong occupancy (96% in FY19) and income generation. Around 50% of Merrion Centre rents are retail and leisure, of which half is derived from the supermarket let to Morrisons. Most of the other Merrion Centre retail tenants operate in the more resilient discount and convenience segments.

Retail drove FY19 revaluation losses

The portfolio value reduced by 4.6% in FY19. On a like-for-like basis (properties held throughout the period) the decrease was c £13.8m or 3.8%, with H219 showing a smaller decline than H119 (H119: £8.1m or 2.2%). The negative revaluation was driven by retail and leisure assets while positive valuation was recorded in offices, distribution and car parks. With good levels of portfolio occupancy maintained, and like-for-like rental growth being achieved, the revaluation changes were predominantly driven by yield shifts. The £7.5m reduction in Merrion Centre retail valuations was driven by a 100bp yield shift in the shopping mall element of the centre. Vicar Lane in Leeds also experienced a 130bp yield shift and £2.5m valuation reduction and Wood Green in London a 150bo yield shift and £1.8m valuation reduction. More related to the underperformance of the restaurant, the ibis Styles Hotel in Leeds saw a £1.6m in reduction valuation. As noted above, the successful redevelopment and re-letting at Milngavie, resulting in a 23% value increase was a notable bright spot.

Exhibit 4: FY19 like-for-like valuation movement

	Valuation (£m)*	Like-for-like movement (£m)	Like-for-like movement (%)
Merrion Centre (ex-offices & hotel)	92.6	(7.5)	(7.6%)
Other retail	96.4	(6.4)	(6.3%)
Hotels	25.8	(1.4)	(5.0%)
Offices	65	0.7	1.0%
residential	10.5	(0.4)	(3.4%)
Distribution	6.1	0.4	6.8%
Development sites	36.5	(0.0)	(0.1%)
Car Parks	26.7	0.7	2.7%
Total investment portfolio like-for-like valuation movement	**359.5**	**(13.8)**	**(3.8%)**
Ducie House		(2.1)	
The Cube & other new assets		(1.2)	
Other		(1.3)	
Income statement total		**(18.3)**	

Source: Town Centre Securities. Note: *Like-for-like assets only, held throughout the period.

In addition to the like-for-like movement in values, the income statement revaluation movement on investment properties of negative £18.3m includes c £2m of post-acquisition valuation adjustments at Ducie House, primarily driven by the right of light adjustment, and c £1.2m at The Cube, both including a small amount of acquisition costs. The post-acquisition adjustment at The Cube reflected the approach of the anticipated lease expiry, and the valuation does not capture any potential benefit from TCS's asset management plans. Similarly, the valuation of Ducie House reflects its investment property value without reflecting the future potential upon which its acquisition has been based.

Compared with the MSCI Quarterly Index, the total return generated by the TCS retail assets during FY19 was stronger than for the MSCI Quarterly Index, with retail warehouse performance benefitting from the Milngavie revaluation and shopping centre performance benefitting from the defensive nature of the Merrion Centre retail assets. The post-acquisition adjustments at The Cube and Ducie House had a negative effect on TCS's office performance.

Exhibit 5: Total property return (FY19)

	TCS	MSCI Quarterly Index
Retail	(1.7)	(4.0)
Retail warehouse	5.6	(5.5)
Shopping centres	(3.4)	(8.8)
Offices	3.1	4.6
All property	**1.3**	**3.1**

Source: TCS

Financials

In this section we provide an update on the multi-year financial analysis that we last set out in detail in our outlook note published in March. A summary of the FY19 performance compared with our forecasts and our forecast revisions, including a first-time FY22 estimate, is shown in Exhibit 6. Other than our inclusion of specific development projects, our forecasts are based on an unchanged portfolio. Although management indicates that it is likely to accelerate the sale of ex-growth retail assets we have not assumed this, nor the likely reinvestment of proceeds. Although disposals would be likely to have a negative short-term impact until the proceeds can be reinvested, we expect management to pay close attention to mitigating the effects.

Exhibit 6: Performance versus forecast and forecast revisions

	Net revenue (£m)			EPRA EPS (p)			DPS declared (p)			EPRA NAV/share (p)			LTV (%)		
	Act.	F'cast.	% diff.	Act.	F'cast.	% diff.	Act.	F'cast.	% diff.	Act.	F'cast.	% diff.	Act.	F'cast.	% diff.
06/19	19.6	20.1	(2.4)	12.0	12.1	(1.3)	11.8	11.8	0.0	354	353	0.2	49.4	48.2	1.2pp
	New	Old	% change	New	Old	% change	New	Old	% change	New	Old	% change	New	Old	% change
06/20e	19.4	20.4	(4.8)	11.4	12.4	(8.1)	11.8	12.1	(2.9)	342	354	(3.5)	51.6	50.4	1.5pp
06/21e	20.6	21.3	(3.1)	13.2	13.8	(4.1)	11.8	12.5	(5.6)	352	359	(2.1)	52.1	51.8	1.1pp
06/22e	20.4	N/A	N/A	14.2	N/A	N/A	11.8	N/A	N/A	355	N/A	N/A	52.1	N/A	N/A

Source: Town Centre Securities data, Edison Investment Research forecasts

The FY19 variances versus our expectations were relatively modest and our forecast revisions predominantly reflect our revised assumptions about TCS's asset management and development plans. FY20e revenues and EPRA (recurring) earnings are reduced although we expect a rebound in FY21 and further growth in FY22. Our FY20 NAV forecast is negatively affected by our slightly more cautious near-term view on retail capital values, but FY21 benefits from the development profits that we anticipate at completion from the Eider House PRS residential development. Given the more uncertain market environment, as well as the opportunities for investment in the extensive development pipeline, we now assume that DPS is held at the current level during the forecast period. Our forecasts indicate a slight shortfall in cover in FY20, and further retail disposals (not included in our forecasts) have the potential to reduce income further before reinvestment can take place, but note both management's commitment to maintaining its long-term dividend track record as well as the availability of liquidity to support dividend payments. As our forecast EPRA earnings rebound in FY21 and FY22 there appears to be scope for an increase in DPS.

Asset management at The Cube a temporary drag in FY20

The property rental division operating profit before valuation movements of £9.7m was ahead of our £9.4m forecast due to a better cost performance. Negative revaluation movements were slightly higher than we had allowed for. Although FY19 gross revenue was slightly ahead of our forecast, the underlying end-FY19 annualised contracted rent was slightly lower than we were looking for and this has an impact on our FY20 gross revenue forecast in addition to the temporary loss of income that will result from the expected lease expiry at The Cube and planned void period during refurbishment. We expect gross revenue to rebound in FY21 as refurbished space is re-let.

Exhibit 7: Summary of property rental segment forecast

	Current forecast				Previous forecast			
£m	**2019**	**2020e**	**2021e**	**2022e**	**2019e**	**2020e**	**2021e**	**2022e**
Gross revenue	16.4	15.7	16.6	16.6	16.3	16.1	17.1	N/A
Total property expenses	(2.4)	(2.2)	(2.2)	(2.2)	(2.3)	(2.1)	(2.1)	N/A
Net revenue	14.0	13.5	14.4	14.4	14.1	14.1	15.0	N/A
Administrative expenses	(5.9)	(5.8)	(5.9)	(6.1)	(6.3)	(6.2)	(6.4)	N/A
Other income	0.6	0.4	0.4	0.4	0.6	0.4	0.4	N/A
Share of post-tax profits from joint venture	1.1	1.0	1.3	2.4	1.0	1.0	1.3	N/A
Operating profit before valuation movements	**9.7**	**9.2**	**10.2**	**11.1**	**9.4**	**9.3**	**10.4**	**N/A**
Valuation movement on investment properties	(18.3)	(6.4)	0.0	0.0	(16.2)	0.0	0.0	N/A
Profit on disposal of investment property	**(0.7)**	**0.0**	**0.0**	**0.0**	**(0.9)**	**0.0**	**0.0**	**N/A**
Valuation movement on properties held in joint venture	(0.0)	0.0	4.8	0.0	0.0	0.0	2.1	N/A
Operating profit	**(9.3)**	**2.7**	**14.9**	**11.1**	**(7.7)**	**9.3**	**12.5**	N/A

Source: Town Centre Securities data, Edison Investment Research forecasts

Specifically, our divisional forecasts include:

- For the rental income base, we take the disclosed portfolio annualised contracted rent on standing assets of £20.9m at end-FY19 and adjust for the Merrion House car park (reported within CitiPark), the ibis Styles Hotel (reported separately) and Merrion House (reported within JVs). The adjusted annualised rental base for the segment is £16.8m. This is an increase from £16.1m at end FY18, which primarily reflects the balance of acquisitions and disposals and the re-letting at Milngavie.

- We expect the annualised contracted rental base to be lower at end FY20 (c £15.9m) as a result of the planned temporary reduction in occupancy and rents from The Cube during refurbishment. We expect this to have a similar impact on revenue in the year, significantly offset by a full year impact of the Milngavie re-let. We look for occupancy and rental income to rebuild at The Cube from H220 through FY21, reaching an annualised contribution of c £1.4m in H221.
- During FY21 and FY22 and reflecting current market conditions, we no longer assume any rental growth but do assume modest growth (c £0.2m pa) in annualised contracted rental income during FY20 from a general occupancy improvement as we would expect the remaining void space relating to retail CVAs/administrations to be reduced over this period.
- Our end-FY21 annualised contracted rent is now £16.9m compared with £17.4m previously and our FY21e gross revenue is c 4% lower than previously. Half of this impact is offset by a reduction in forecast expenses. Our FY22 forecast includes an increased contribution from JV's, assuming a first-time contribution from Eider House. The JV contribution is discussed in detail below.
- Total operating profit, including property revaluation movements, now assumes an FY20 blended average negative like-for-like revaluation movement in respect of the wholly owned assets of £6.4m, equivalent to c 2.4% of the opening value. This reflects our expectation of the impact of market-wide capital value movements on the TCS portfolio. The 2.4% adjustment we assume in FY20 is a weighted average of an assumed 5% negative movement on retail and leisure assets, 1% growth in office assets, and flat valuations on all other assets. For FY21 we have assumed flat valuations across all assets. The positive FY21e JV revaluation movement reflects our expectation of development gains on the completion of Eider House, discussed below.

Modest changes to development JV assumptions

Our estimates for the JV contribution included within the property segment forecast include the completed assets, Merrion House and Burlington House, and planned developments at George Street and Eider House. There is very little change to our JV recurring income forecasts, although as noted above TCS is in the process of reviewing priorities in the development pipeline. Our FY21e capital earnings benefit from our estimated development gain on Eider House. We had previously allowed for this to fall in FY22. Our assumptions are in line with management expectations and although TCS has indicated that it expects to proceed with Eider House as a JV, this has not yet been formally agreed. We have assumed a 50:50 joint venture, similar to Burlington House. TCS anticipated £2.5m of annual income (100%), representing a 6.5% yield on implied costs of £38.5m. We assume that half the build cost is financed with external debt at 5% pa and after interest charges the post-completion earnings contribution to TCS is £0.8m pa. The GDV of £46m estimated by TCS would imply a development gain of £7.5m, of which the TCS share would be £3.75m.

The development gain that we expect at completion of the George Street development in early H221 is slightly reduced from our last forecast primarily as a result of a slight reduction in the GDV anticipated by TCS (from c £23m to c £22m). The 50:50 JV development is expected to generate c £1.2m of annual income (100%) and as we have assumed no debt within the JV, we expect a similar level of earnings (TCS's share £0.6m pa).

Exhibit 8 summarises our updated forecasts for the JV capital, income and valuation movements in respect of the developments contained in our forecasts.

Exhibit 8: Summary of JV forecasts

	Current forecast				Previous forecast			
£m	2019	2020e	2021e	2022e	2019e	2020e	2021e	2022e
TCS investment in JV in period								
Merrion House		0.0	0.0	0.0		0.0	0.0	N/A
Burlington House		0.0	0.0	0.0		0.0	0.0	N/A
Eider House		3.2	6.4	0.0		3.0	6.0	N/A
George St		7.0	3.0	0.0		7.5	1.9	N/A
Total TCS investment in JV in period	**0.7**	**10.2**	**9.4**	**0.0**	**0.2**	**10.5**	**7.9**	**N/A**
TCS share of recurring earnings before property gains								
Merrion House		0.8	0.8	0.8		0.8	0.8	N/A
Burlington House		0.3	0.3	0.3		0.3	0.3	N/A
Eider House		0.0	0.0	0.8		0.0	0.0	N/A
George St		0.0	0.3	0.6		0.0	0.3	N/A
Total TCS share of recurring earnings before property gains	**1.1**	**1.0**	**1.3**	**2.4**	**1.0**	**1.1**	**1.4**	**N/A**
TCS share of JV property gains								
Merrion House		**0.0**	**0.0**	**0.0**		0.0	0.0	**N/A**
Burlington House		0.0	0.0	0.0		0.0	0.0	N/A
Eider House		0.0	3.8	0.0		0.0	0.0	N/A
George St		0.0	1.0	0.0		0.0	2.1	N/A
Total TCS share of JV property gains	**0.0**	**0.0**	**4.8**	**0.0**	**0.0**	**0.0**	**2.1**	**N/A**

Source: Town Centre Securities data, Edison Investment Research forecasts

Restaurant repositioning should lift hotel

The ibis Styles hotel is situated within the Merrion Centre and incorporates a restaurant, also operated under external contract. Since opening in April 2017, management says that the hotel operations have traded well but the original restaurant format struggled and has been repositioned, negatively affecting the FY19 performance by c £0.3m. The success of competing local independent restaurants indicates there is demand for the right offering, and the new format restaurant has received favourable early reviews. Our forecasts for FY20 and FY21 are slightly reduced but we expect performance to continue to build up to FY22.

Exhibit 9: Summary of hotel segment forecasts

	Current forecast				Previous forecast			
£m	2019	2020e	2021e	2022e	2019e	2020e	2021e	2022e
Gross revenue	2.6	2.7	3.0	3.3	2.8	3.1	3.3	N/A
Total property expenses	(2.4)	(2.3)	(2.4)	(2.6)	(2.4)	(2.5)	(2.6)	N/A
Net revenue	**0.2**	**0.4**	**0.6**	**0.7**	**0.4**	**0.6**	**0.7**	**N/A**
Valuation movement on investment properties	0.0	0.0	0.0	0.0	0	0	0	N/A
Operating profit	**0.2**	**0.4**	**0.6**	**0.7**	**0.4**	**0.6**	**0.7**	**N/A**

Source: Town Centre Securities data, Edison Investment Research forecasts

Continued car parking (CitiPark) growth

Although slightly below our forecast, CitiPark continued to perform well in FY19, growing revenues and profits and increasing its share of overall group recurring earnings. We have slightly reduced our forecast revenue growth in FY20 and have deferred the decommissioning of the Whitehall Road, Leeds car park site for redevelopment to mid-H221 from the beginning of H221. The decommissioning has a negative impact of c £0.14m on FY21e gross revenue (previously c £0.28m) and the annualised drag on FY22e gross revenue is c £0.6m. The planning consent for the site requires that work commences in mid-2021 and this determines the likely timing of decommissioning. However, given the review of priorities within the development pipeline, it is unclear to what extent TCS will progress the project at this stage and we have made no redevelopment assumptions in our forecasts.

Exhibit 10: Summary of forecasts for CitiPark segment

	Current forecast				Previous forecast			
£m	**2019**	**2020e**	**2021e**	**2022e**	**2019e**	**2020e**	**2021e**	**2022e**
Gross revenue	12.2	12.5	12.8	12.8	12.4	12.7	12.8	N/A
Total property expenses	(6.8)	(7.0)	(7.2)	(7.4)	(6.7)	(6.9)	(7.1)	N/A
Net revenue	**5.4**	**5.5**	**5.7**	**5.4**	**5.7**	**5.8**	**5.7**	**0.0**
Administrative expenses	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	N/A
Operating profit before valuation movements	**4.4**	**4.6**	**4.7**	**4.4**	**4.6**	**4.8**	**4.6**	**N/A**
Reversal of impairment of car parking assets	0.2	0.0	0.0	0.0	(0.3)	0.0	0.0	N/A
Operating profit	**4.6**	**4.6**	**4.7**	**4.4**	**4.3**	**4.8**	**4.6**	**0.0**

Source: Town Centre Securities data, Edison Investment Research forecasts

Borrowing headroom for investment

TCS benefits from a secure mix of debt funding, which was strengthened in FY19 by the complete renewal or extension of the bank debt facilities. Additionally, the £26.4m net inflow from the Merrion House refinancing had a significant positive impact on the funding position. Our analysis indicates that TCS has sufficient financial resources to fund the investment and dividend assumptions in our model over the forecast period. We assume borrowings of £25m over the period compared with the £26.0m headroom that TCS has indicated. In the following section we discuss the sensitivity of this to weaker capital values than we have assumed.

During FY19 TCS further reduced its net borrowings, to the lowest level in the past three years. Total drawn financial liabilities at end-FY19 were c £182.2m, comprising a blend of £105.9m of long-term fixed-rate borrowing (5.375% First Mortgage Debenture Stock 2031), £71.8m of revolving bank credit facilities and finance leases amounting to £4.5m. Including the net cash balance of c £0.2m, net debt was £181.9m. Accounting principles require individual debit and credit balances within each bank facility to be stated gross such that the balance carries a higher balance of £23.7m with aggregate debit balances ('cash balance netting adjustment') of £23.7m matched by a corresponding entry in payables.

Leaving aside the finance lease liability, borrowing facilities comprised three revolving bank debt facilities, all extended or renewed during the year with no material impact on the cost of borrowing: a three-year £33m facility with RBS expiring in 2021; a £35m three-year facility with Lloyds, with the opportunity for two one-year extensions, with the three-year element expiring in 2021; and a five-year £35m facility with Handelsbanken expiring in June 2023 plus a £5m overdraft facility. The aggregate of the bank facilities is £103m, and including the debenture the total existing debt facility is c £214m, or c £209m excluding the overdraft facility.

The weighted average maturity of the debt at 30 June 2019 was 7.6 years with a weighted average cost of debt of 4.2%. The end-FY19 LTV was 49.4% and underlying interest cover was c 1.8x.

Management indicates £26m of borrowing headroom as at end-FY19, which is lower than the undrawn bank debt facilities (excluding overdraft) of c £31m. The difference is dictated by the LTV covenants of the respective debt facilities.

Exhibit 11 shows a summary of our forecasts for TCS's cash flow and borrowing requirements during the forecast period. Over the three-year period to end-FY22, we expect operational cash flow to more than cover dividends paid. Gross (and net) direct (wholly owned) portfolio investment is forecast at £10.0m (including the £4.0m investment in The Cube and £2m pa recurring capex) and gross investment in JVs is forecast at an aggregate £19.6m. The JV gross investment is partly offset by £4.8m of aggregate distributions of recurring income from the JVs. This leaves a net funding requirement of £24.5m over the three years which in our forecasts is met by £25.0m of new borrowing from the existing debt facilities (£20m in FY20 and £5m in FY21), resulting in a small increase in the cash balance. The additional borrowing takes forecast financial liabilities to £207.2m by end-FY22 and LTV to 52.1%. Excluding finance lease liabilities, our forecasts imply that

£202.7m of the group's current c £209m of debt facilities (excluding overdraft) are drawn at end-FY22.

Exhibit 11: Summary of cash flow and borrowing requirements

£m	2020e	2021e	2022e	2020–22e total
Operating cash flow	8.9	6.9	6.1	21.8
Gross direct portfolio investment	(6.0)	(2.0)	(2.0)	(10.0)
Gross investment in JV	(10.2)	(9.4)	0.0	(19.6)
Distributions from JV	1.0	1.3	2.4	4.8
Proceeds from disposal of investment property	0.0	0.0	0.0	0.0
Other cash flow from investing activity	(0.9)	(0.9)	(0.9)	(2.7)
Dividends	(6.2)	(6.2)	(6.2)	(18.7)
Change in cash before borrowing movement	**(13.4)**	**(10.4)**	**(0.7)**	**(24.5)**
Additional net borrowing	20.0	5.0	0.0	25.0
Change in cash	**6.6**	**(5.4)**	**(0.7)**	**0.5**
Opening cash	0.2	6.8	1.4	
Closing cash	6.8	1.4	0.7	
Closing financial liabilities	(202.2)	(207.2)	(207.2)	
Closing net debt	**(195.3)**	**(205.7)**	**(206.4)**	
LTV	**51.6%**	**52.1%**	**52.1%**	

Source: Edison Investment Research

Gearing and NAV sensitivity to asset price changes

Our forecasts assume a blended 2.4% negative like-for-like unrealised capital value adjustment in FY20 with flat capital values thereafter. Additionally, we include forecast development profits in respect of the development projects.

In Exhibit 12 we show a range of potential outcomes for EPRA NAV per share and for LTV should valuations decline further. For illustrative purposes we show the rather extreme example of a 10% decline. It is important to note that this is a static sensitivity that allows nothing for management actions.

Exhibit 12: LTV and NAV per share sensitivity to property valuation

	LTV (%)			EPRA NAV per share (p)		
Cumulative change in valuation versus forecast	**FY19**	**FY20**	**FY21**	**FY19**	**FY20**	**FY21**
No change (versus forecast)	51.6%	52.1%	52.1%	342	352	355
-1%	52.2%	52.7%	52.6%	335	345	347
-2%	52.7%	53.2%	53.1%	327	337	340
-3%	53.2%	53.8%	53.7%	320	330	332
-4%	53.8%	54.3%	54.2%	313	322	325
-5%	54.3%	54.9%	54.8%	306	315	317
-10%	57.4%	57.9%	57.8%	271	278	280

Source: Edison Investment Research

In terms of borrowing covenants, the debenture had an initial collateral requirement of 1.67x with a floor of 1.5x to allow for valuation movements. This suggests a collateral requirement of between £159m and £185m. If asset cover falls below 1.5x then additional assets are required to take cover back to 1.67x. Although wholly owned balance sheet investment properties were valued at £349m at end-FY19, we estimate that chargeable assets are lower, perhaps c £340m. After allowing for the debenture collateral requirement, that leaves c £155–181m of chargeable collateral to support the bank debt. Based on the end-FY19 drawn bank debt of £72m, the LTV on this implied by our analysis is a comfortable c 40% (at 1.5x debenture cover) to 47% (at 1.67x debenture cover) compared to what we believe would be a bank covenant requirement of 60–65%.

Looking forward to FY22, our forecast investments will both increase debt and should also increase asset values. Before making any assumption about market-wide valuation levels, we would expect refurbishment at The Cube to be reflected in an increased property valuation. The increase in the JV asset values that we forecast as the developments reach completion do not directly increase chargeable assets, but we would expect TCS to seek to unlock its capital investment in the George

St development JV as it did with Merrion House. The Eider House development assumptions already include c 50% gearing in the JV, similar to Burlington House.

Taken together, capex at The Cube may increase our forecast chargeable assets to around £344m and the gearing of George St has the potential to reduce our forecast FY22 gross bank debt by £5m to £92m. This allows only for the £4m capex at The Cube and no wider valuation uplift from re-letting. It also assumes 50% gearing of George St at completion, which we estimate would allow the return of c £5m in cash to the group (50% of our forecast TCS share of NAV at completion), reducing group debt by a similar amount.

Assuming a 65% bank debt LTV requirement suggests a need for £142m of chargeable assets to support £92m of bank debt. At 1.5x debenture cover this would leave headroom of c £44m over and above the £344m of potential chargeable assets. This suggests that our FY22e borrowing assumptions are supported by available chargeable assets so long as asset values fall by no more than 13%. A fall in values of more than 13% may require management action, including potential asset sales, reduced investment spending, or negotiating more flexible bank LTV terms.

Exhibit 13: Collateral headroom flexibility based on 65% estimated bank debt LTV requirement and 1.5x debenture asset cover

£m unless stated otherwise	1.5x debenture cover
Debenture	105.9
Debenture collateral requirement	159
Edison estimated chargeable assets FY19e	**340**
Add The Cube development capex	4
FY22e pro forma chargeable assets	**344**
FY22e pro forma chargeable assets available to support bank debt	185
FY22e bank debt	97
Adjust for potential George St capital release	(5)
Pro forma FY22e bank debt	**92**
Edison estimated bank debt LTV requirement	65%
Bank debt collateral requirement	142
Surplus available chargeable assets	44
Surplus as % of available chargeable assets	**13%**

Source: Edison Investment Research

Valuation

TCS has a strong long-term record of creating shareholder value through income and capital growth. Income and dividends are given a particular focus and the company has an unbroken record of maintained or increased dividend per share over the past 59 years. £1,000 invested in TCS shares 50 years ago would today be worth c £580,700 on a total return basis (with dividends reinvested), equivalent to a compound annual growth rate (CAGR) of 13.6% (source: TCS, Datastream, data as at 8 August 2019). For the UK commercial property sector as a whole, income returns have historically been much more stable over time compared with the observed significant swings in capital values and capital returns across cycles.

Notwithstanding weaker capital returns in FY19, over the past five years TCS has delivered an NAV total return of 32.8% or an average annual compound increase of 5.8%, with dividends paid accounting for more than half the aggregate return. Despite a more challenging market environment, our forecasts for the next three years imply an aggregate total return of 10.4%, or an average annual compound growth of 3.4%, all derived from income. The return is relatively modest by historical standards but contrasts with current 10-year UK gilt yields of 0.5% and takes little or no account of the longer-term opportunity for value creation provided by TCS's significant pipeline of development opportunities.

Exhibit 14: NAV total return

	2015	2016	2017	2018	2019	2015–2019	2020e	2021e	2022e	2020–22e
Opening NAV per share (p)	308	344	357	359	384	**308**	354	342	352	**354**
Closing NAV per share (p)	344	357	359	384	354	**354**	342	352	356	**356**
Dividend per share (p)	10.4	10.4	11.2	11.5	11.8	**55.3**	11.8	11.8	11.8	**35.3**
NAV total return	15.0%	6.9%	3.8%	10.0%	-4.7%	**32.8%**	-0.2%	6.5%	4.3%	**10.4%**

Source: Company data, Edison Investment Research

Given the significant (c 47%) discount to NAV that TCS shares are trading at our forecast DPS represents a much more significant return on the share price, or a yield of 6.3%.

In Exhibit 15 we show a summary valuation comparison of TCS with what we consider to be a group of peers from within the broad property sector, including companies focused on regional property and those with retail exposure. During the past 12-months the share price performances of the companies with a retail focus, especially with significant shopping centre exposure (eg Capital & Regional, Hammerson and Intu) have been noticeably weaker than for companies with a more diversified sector exposure, particularly when this diversified exposure is combined with an income focus (eg Custodian, Picton and Regional REIT). In the past month, Capital & Regional shares have responded positively to the news that Growthpoint SA, the largest REIT in South Africa, is considering taking a majority stake.

TCS shares have performed more strongly than the purer retail plays over the past 12 months and have responded positively to the solid underlying performance reported for FY19. In the context of the broader sector, among the factors that should continue to support the shares and represent potential catalysts for a relative re-rating are the attractive yield, with a strong management commitment to dividends and an alignment of interest between management and shareholders. Additionally, we note TCS's focus on better performing regional markets (Leeds and Manchester) and its increasingly diversified portfolio. Longer-term growth is supported by the company's significant pipeline of development opportunities.

Exhibit 15: Peer group comparison

	Price (p)	Market cap (£m)	P/NAV (x)	Yield (%)	Share price performance			
					1 month	3 months	12 months	From 12M high
Capital & Regional	19	139	0.32	12.7	-4%	14%	-50%	-55%
Custodian	116	477	1.08	5.6	0%	-3%	1%	-4%
Hammerson	294	2253	0.40	8.8	8%	5%	-32%	-35%
Helical	389	466	0.81	2.6	10%	3%	24%	-4%
Intu	42	571	0.14	10.9	-6%	-44%	-77%	-79%
McKay Securities	221	208	0.68	4.5	-1%	-4%	-12%	-21%
NewRiver	204	623	0.72	10.5	5%	19%	-22%	-23%
Palace Capital	278	128	0.66	6.8	-2%	-2%	-8%	-16%
Picton Property Income	89	485	0.96	4.0	2%	-6%	6%	-11%
Real Estate Investors	53	99	0.76	6.8	4%	-6%	-3%	-9%
Regional REIT	103	446	0.90	7.8	1%	-3%	5%	-6%
St Modwen	450	1000	0.93	1.6	7%	6%	22%	-4%
Schroder REIT	55	287	0.80	4.6	-2%	-3%	-6%	-9%
Average			**0.70**	**6.7**	**2%**	**-2%**	**-12%**	**-21%**
Town Centre Securities	**186**	**99**	**0.52**	**6.3**	**1%**	**-9%**	**-28%**	**-30%**
UK property index	1,773			3.9	4%	5%	7%	-2%
FTSE All-Share Index	3,975			4.8	-2%	-3%	3%	-5%

Source: Company data, Edison Investment Research. Note: Based on last reported EPRA NAV and trailing 12-month DPS declared. Prices as at 11 October 2019

Exhibit 16: Financial summary

Year ending 30 June (£000's)	2015	2016	2017	2018	2019	2020e	2021e	2022e
INCOME STATEMENT								
Gross revenue	22,714	26,265	27,540	30,178	31,189	30,885	32,382	32,610
Total property expenses	(5,248)	(7,661)	(8,148)	(10,896)	(11,600)	(11,441)	(11,762)	(12,188)
Net revenue	17,466	18,604	19,392	19,282	19,589	19,443	20,620	20,423
Administrative expenses	(5,321)	(5,493)	(6,295)	(6,574)	(6,857)	(6,766)	(6,940)	(7,148)
Other income	1,468	599	707	888	574	400	400	400
Valuation movement on investment properties	14,791	3,018	(2,085)	5,932	(18,308)	(6,402)	0	0
Reversal of impairment of car parking assets	0	500	1,000	1,300	200	0	0	0
Profit on disposal of investment property	236	1,140	303	1,677	(709)	0	0	0
Share of post-tax profits from joint ventures	2,621	1,400	1,342	3,757	1,067	1,034	6,084	2,403
Operating profit	31,261	19,768	14,364	26,262	(4,444)	7,709	20,164	16,077
Net finance costs	(7,258)	(7,847)	(7,639)	(7,887)	(8,025)	(8,063)	(8,400)	(8,527)
PBT	24,003	11,921	6,725	18,375	(12,469)	(354)	11,764	7,550
Tax	0	0	0	0	0	0	0	0
Net profit	24,003	11,921	6,725	18,375	(12,469)	(354)	11,764	7,550
Adjustments to EPRA:								
Valuation movement on investment properties	(14,791)	(3,018)	2,085	(5,932)	18,308	6,402	0	0
Reversal of impairment of car parking assets	(5,013)	(500)	(1,000)	(1,300)	(200)	0	0	0
Valuation movement on properties held in joint ventures	0	(668)	(471)	(2,561)	8	0	(4,750)	0
Profit on disposal of investment/development properties	(236)	(1,140)	(303)	(1,677)	709	0	0	0
(Profit)/Loss on disposal of investment properties held in JVs	2,488	0	0	0	0	0	0	0
EPRA earnings	6,451	6,595	7,036	6,905	6,356	6,048	7,014	7,550
Average number of shares (m)	53.2	53.2	53.2	53.2	53.2	53.2	53.2	53.2
Basic & fully diluted IFRS EPS (p)	45.2	22.4	12.7	34.6	(23.4)	(.7)	22.1	14.2
Basic & fully diluted EPRA EPS (p)	12.1	12.4	13.2	13.0	12.0	11.4	13.2	14.2
DPS declared (p)	10.44	11.00	11.50	11.75	11.75	11.75	11.75	11.75
BALANCE SHEET								
Investment properties	336,982	346,388	349,266	359,734	348,694	348,292	350,292	352,292
Investment in joint ventures	19,344	25,093	27,852	39,742	13,387	23,575	37,762	37,762
Goodwill	4,024	4,024	4,024	4,024	4,024	4,024	4,024	4,024
Other non-current assets	1,214	2,151	3,922	3,669	4,119	4,119	4,119	4,119
Total non-current assets	361,564	377,656	385,064	407,169	370,224	380,009	396,197	398,197
Investments (listed equities)	1,962	2,070	2,394	3,530	5,871	5,871	5,871	5,871
Non-current assets held for sale	3,450	0	0	0	0	0	0	0
Trade & other receivables	6,871	7,388	3,311	6,288	5,354	3,795	3,911	3,925
Cash & equivalents	1,515	0	3,124	23,149	23,692	30,259	24,859	24,197
Total current assets	13,798	9,458	8,829	32,967	34,917	39,924	34,641	33,993
Total assets	375,362	387,114	393,893	440,136	405,141	419,934	430,837	432,189
Trade & other payables	(11,857)	(11,496)	(10,846)	(37,954)	(34,739)	(36,132)	(36,518)	(36,567)
Financial liabilities	(38,668)	(887)	0	0	0	0	0	0
Total current liabilities	(50,525)	(12,383)	(10,846)	(37,954)	(34,739)	(36,132)	(36,518)	(36,567)
Non-current financial liabilities	(141,959)	(184,874)	(191,969)	(198,057)	(182,152)	(202,152)	(207,152)	(207,152)
Total liabilities	(192,484)	(197,257)	(202,815)	(236,011)	(216,891)	(238,284)	(243,670)	(243,719)
Net assets	182,878	189,857	191,078	204,125	188,250	181,649	187,167	188,470
Period end shares in issue (m)	53.2	53.2	53.2	53.2	53.2	53.2	53.2	53.2
NAV per share (p)	344	357	359	384	354	342	352	355
CASH FLOW								
Net cash flow from operating activity	2,191	5,656	10,108	6,348	3,412	8,867	6,850	6,081
Investment in investment properties	(37,045)	(17,014)	(23,246)	(2,859)	(29,512)	(6,000)	(2,000)	(2,000)
Proceeds from disposal of investment property	26,821	16,050	21,574	7,534	17,089	0	0	0
Purchase of fixtures, equipment and motor vehicles	(532)	(1,496)	(586)	(340)	(814)	(900)	(900)	(900)
Proceeds from sale of fixed assets	0	54	61	0	23	0	0	0
Investments and loans to JV	0	(4,916)	(4,250)	(8,809)	(723)	(10,188)	(9,438)	0
Distributions received from joint ventures	0	567	1,031	676	28,145	1,034	1,334	2,403
Proceeds from sale of joint ventures	0	0	0	0	0	0	0	0
Payment for the acquisition of non-listed investments	0	0	(1,950)	(175)	(385)	0	0	0
Cash flow from investing activity	(10,756)	(6,755)	(7,366)	(3,973)	13,823	(16,053)	(11,003)	(497)
Proceeds from borrowing	17,475	4,247	7,197	6,088	(16,252)	20,000	5,000	0
Dividends paid	(5,550)	(5,550)	(5,928)	(6,114)	(6,247)	(6,247)	(6,247)	(6,247)
Cash flow from financing activity	11,925	(1,303)	1,269	(26)	(22,499)	13,753	(1,247)	(6,247)
Change in cash	3,360	(2,402)	4,011	2,349	(5,264)	6,567	(5,400)	(662)
Opening cash	(1,845)	1,515	(887)	3,124	5,473	209	6,776	1,376
Closing cash	1,515	(887)	3,124	5,473	209	6,776	1,376	714
Balance cash netting adjustment*	0	887	0	17,676	23,483	23,483	23,483	23,483
Cash as per balance sheet	1,515	0	3,124	23,149	23,692	30,259	24,859	24,197
Financial liabilities (including finance leases)	(180,627)	(185,761)	(191,969)	(198,057)	(182,152)	(202,152)	(207,152)	(207,152)
Net debt	(179,112)	(185,761)	(188,845)	(192,584)	(181,943)	(195,376)	(205,776)	(206,438)
Net LTV	49.7%	49.5%	49.3%	47.5%	49.4%	51.6%	52.1%	52.1%

Source: Town centre Securities data, Edison Investment Research forecasts. Note: *Adjustment to gross cash balances shown in balance sheet for offsetting negative balances reported within payables.

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