At the heart of our communities

Annual Report and Accounts 2019

Town Centre Securities PLC

Contents

Town Centre House, office interior
Cover: Burlington House, Manchester

Town Centre Securities (TCS) is a property investment and development company with assets of over £394 million.

Operating principally in Leeds, Manchester, Glasgow and suburban London, our portfolio comprises office, retail and leisure, residential and car parking assets.

Our purpose

Through the acquisition and active management of property in sustainable locations, we create quality spaces for our tenants, help communities to thrive and generate value for shareholders over the long-term.

At a glance

Founded in 1959, TCS is a UK real estate investment trust operating a diversified, mixed use portfolio focused on regional centres, primarily in Leeds and Manchester.

Highlights

Total dividends per share

11.75p

Year	Value
2019	11.75p
2018	11.75p
2017	11.50p

Statutory profit before tax

(£12.5m)

Year	Value
2019	(£12.5m)
2018	£18.4m
2017	£6.7m

EPRA net assets per share

354p

Year	Value
2019	354p
2018	384p
2017	359p

EPRA earnings before tax

£6.4m

Year	Value
2019	£6.4m
2018	£6.9m
2017	£7.0m

Total property return

1.3%

Year	Value
2019	1.3%
2018	9.4%
2017	6.0%

Statutory earnings per share

(23.4p)

Year	Value
2019	(23.5p)
2018	34.6p
2017	12.7p

Total shareholder return

(25.0%)

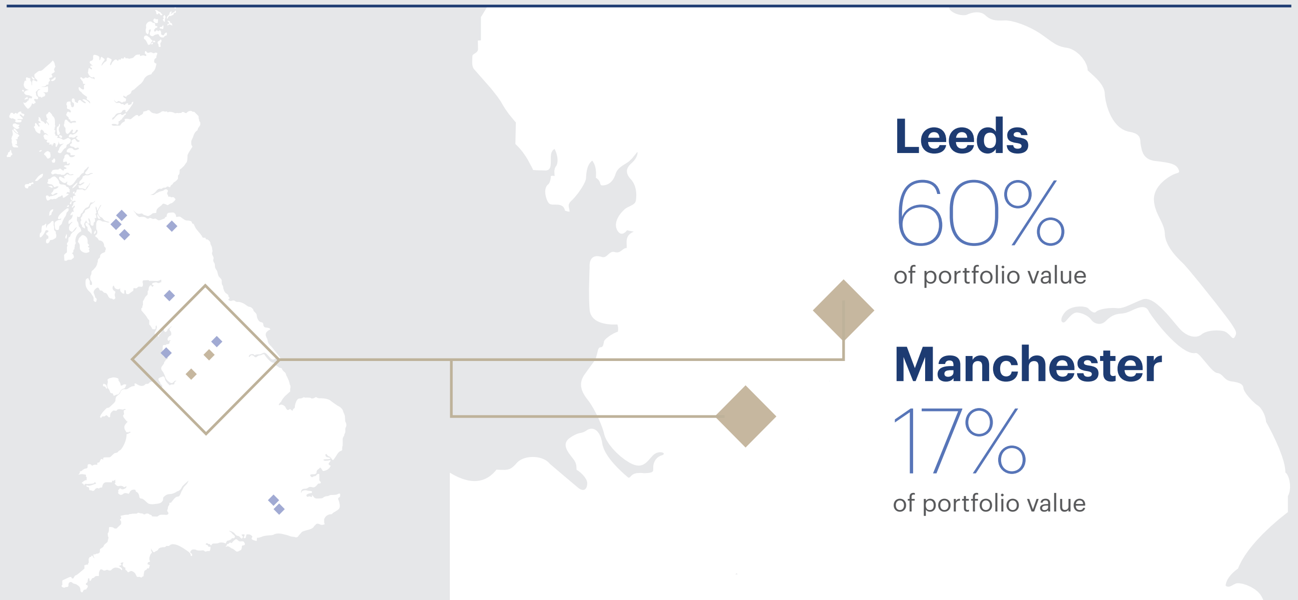
Year	Value
2019	(25.0%)
2018	3.2%
2017	9.6%

EPRA earnings per share

12.0p

Year	Value
2019	12.0p
2018	13.0p
2017	13.2p

Our Locations



Leeds

60%

of portfolio value

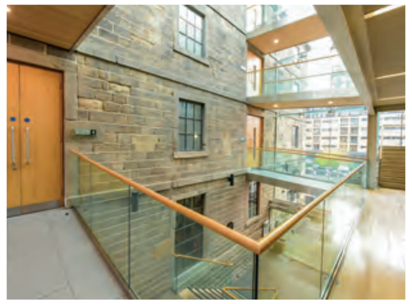
Manchester

17%

of portfolio value

What we do

We actively manage our portfolio for income and capital growth. We invest in locations likely to demonstrate sustainable growth, work closely with tenants to improve our properties to meet their needs, and dispose of properties that no longer meet our stringent criteria for future performance.



Offices

We own over 360,000 sq ft of prime office space, let to longstanding tenants including Leeds City Council.

20% of portfolio value

Retail & Leisure

Our retail and leisure assets are let to high quality tenants operating in resilient segments of the retail sector with a focus on supermarkets, discount and convenience. We have a growing leisure portfolio which includes restaurants, coffee shops, gyms and a tenpin bowling facility.

50% of portfolio value

Hotels

Following the completion of developments in 2017, we now own two hotels in Leeds, one let to and operated by Premier Inn, and one managed by TCS under the ibis brand.

7% of portfolio value

Residential

Having long owned residential units, primarily above retail property, we recently completed our first purpose-built private rental sector project and have plans to develop more residential properties, both standalone and/or as part of mixed use developments.

6% of portfolio value

Car Parks

Our CitiPark division delivers and manages first class car parks in key locations in Leeds, London, Manchester and Watford.

7% of portfolio value

Read more on pages 43–45

Developments

Our development portfolio of over £600m GDV principally comprises large city centre sites at Piccadilly Basin in Manchester and Whitehall Road in Leeds, both of which centre on office and residential assets.

9% of portfolio value

Read more on 42

Why invest in Town Centre Securities?

We have created value for stakeholders for almost 60 years through active asset management and conservative financing of our diversified regional portfolio.

Diversified regional portfolio

Multi-sector approach, with 77% of assets in Leeds and Manchester

Read more on pages 29 and 35

Active asset management

We have a strong record of creating value through income and capital growth

Read more on pages 17 and 19

Strong tenant base

Diverse, high quality tenants including Leeds City Council, Morrisons and Waitrose

Read more on page 24

Attractive growth opportunities

Development pipeline with potential GDV of over £600m

Read more on page 42

Reliable returns

Unbroken record of maintained or increased dividend over almost 60 years

Read more on page 10

Long-term stewardship

Close alignment between management and shareholders given 52% Ziff family ownership

Read more on page 94

Whitehall Riverside, Leeds (CGI)

Chairman and Chief Executive's statement

We remain committed to pursuing our strategy for long-term value creation, despite market fluctuations.

Delivering in an uncertain market

Against a challenging retail sector context and ongoing economic uncertainty, we have delivered a robust underlying performance, whilst importantly continuing to re-position the portfolio for the long-term, and maintaining our long-standing dividend record.

Overall occupancy reached 96% (2018: 95%), and like-for-like passing rent increased by 2.6% relative to a year ago. The value of our portfolio stands at £394m, with less than 50% of the portfolio comprising Retail and Leisure assets, which compares to 55% a year ago, and 70% three years ago. To have generated these results against such a backdrop is testament to the hard work of the TCS team.

The like-for-like valuation of our portfolio reduced by 3.8% in the year (FY18: up 3.2%). This reduction has been driven by the continued pressure on retail valuations. However, in comparison to some of our peers, we believe the combination of the quality of our assets alongside the reducing proportion of retail assets in our portfolio has played an important role in limiting the level of devaluation. (See page 22 for more detail on the valuation of the portfolio.)

EPRA earnings in the year were £6.4m (FY18: £6.9m) resulting in EPRA EPS of 12.0p (FY18: 13.0p). As discussed in more detail in the Finance section (page 54) the year on year reduction was driven by a number of factors including the effect of Retail CVAs and administrations, legal and professional fees, and a one-off dilapidation credit in the prior year.

We report a statutory loss for the year of £12.5m (FY18: Profit of £18.4m), which is as a result of the unrealised devaluation of our investment properties of £18.3m.

Proportion of retail and leisure

2019	50%
2018	55%
2016	70%

on pages 9 and 21

"Against a challenging retail context and ongoing economic uncertainty, we have delivered robust underlying performance, whilst importantly continuing to improve the portfolio for the long-term, and maintaining our long-standing dividend record."

Dr. Edward Ziff OBE DL
Chairman & Chief Executive

£394m

Portfolio value

Dividend maintained

2019	11.75p
2018	11.75p
2017	11.50p

Read more on page 10

Burlington House, Manchester

Strategic Report
Corporate Governance
Financial Statements
Shareholder Information

Chairman and Chief Executive's statement continued

We continue to benefit from a secure mix of debt funding, which was strengthened last year following the renewal or extension of our bank facilities, and further improved at the beginning of this financial year by the completion of the innovative Merrion House financing arrangement with Leeds City Council. Following a number of years of reporting reducing levels of leverage, we have this year seen our Loan to Value level increase to 49.3% (FY18: 47.5%). However, this is completely driven by the reduction in value of our like-for-like investment portfolio, and we have seen absolute borrowing levels drop to £182m (FY18: £193m).

In tough times such as these it is important that we stick to our strategy and ethos of focusing on long-term income and capital gain, even if this means riding out short-term challenges:

- **Actively managing our assets** to optimise income and capital growth;
- **Maximising available capital** by selling sites that no longer meet our growth criteria and maintaining conservative financing, with the aim of reducing gearing over the longer term;
- **Investing in our development pipeline,** continuing to unlock existing opportunities and create new ones;
- **Acquiring investment assets to diversify our portfolio** across sectors, with a focus on Leeds and Manchester.

Actively managing our assets

The travails of the retail sector are well documented, with long established household names struggling for survival and Company Voluntary Arrangements (CVAs) increasingly common as a means of reducing retailers' rental liabilities. Although we have not been immune to the surge of retail CVAs, our agile approach to intensive asset management has mitigated their ongoing impact. During the financial year, eight of our tenants entered into administration or CVAs. By June four units had been re-let to new tenants and a further three have seen the incumbent retailer remain, such that, on average, we have generated rents of at least the previous level. The remaining unit represents only 0.4% of the total rent roll.

An example of this is the former Mothercare site on the Holloway Road in north London, where the terms of the CVA resulted in a rent reduction to 30% of the contracted amount. We gave notice to Mothercare, re-let the outlet to The Works and are converting the upper storey to residential use, such that the total rent for the property will be 24% greater than it was with our former tenant. Similarly, when Poundworld, one of our Merrion Centre tenants, went into administration we re-let the site to Iceland, at the same rent as part of a new, 10-year lease. These cases underline our strongly held belief that retail assets acquired in the right locations at the right price have a valuable role in our portfolio, although we monitor tenant performance and outlook to ensure we act swiftly to manage risk.

New schemes to generate growth have been identified at The Cube and Vicar Lane in Leeds and Ducie House in Manchester. Again, further detail of our active asset management approach, including lease restructures and rent reviews, is provided in our Portfolio Review on page 20.

Burlington House, Manchester

We completed our first purpose built PRS development – Burlington House, Manchester, in June 2019

Maximising available capital

A conservative capital structure, with a mix of short- and long-term secure financing, has always underpinned our approach. During the year we completed the innovative financing of the Merrion House office complex, following the most recent part of the last decade's redevelopment and letting to Leeds City Council. Under the agreement, the Council paid all of the base rent due for the term of the 25-year lease. The resulting net cash injection of £26.4 million allowed us to complete the acquisition of The Cube, an office, leisure and residential property in Leeds, ahead of selling our Rochdale Retail Park asset, thereby protecting income. In addition to the financial flexibility Merrion House has given us, it is gratifying to have turned a tired, 1970s office block into a vibrant, successful building occupied by a long-term tenant with more than 2,200 employees.

We continue to proactively dispose of ex-growth assets in order to provide capital to invest in future growth. Since FY14 we have sold over £101m of assets representing almost a third of our current investment property portfolio, including most recently Rochdale Retail Park for £13.2m.

Investing in our development pipeline

Over the years we have established a high quality pipeline of development opportunities, reflected in ongoing increases in valuation. Centred on Piccadilly Basin in Manchester and Whitehall Road and Merrion in Leeds, our pipeline has an estimated Gross Development Value of over £600m and comprises predominantly office and residential assets (see page 42).

Most of the developments are part of local authority approved Strategic Planning Frameworks or have detailed planning permission. We have an abundance of opportunity within our development pipeline, but with the economic environment as challenging and unsettled as it currently is, it is important that we take our time and ensure we take the most appropriate next steps. Following the appointment of Lynda Shillaw as Group Property Director in November, we have been reviewing our development assets to evaluate the scope to create even more value than the current plans deliver. As a result, we are in the process of reviewing the prioritisation of the development pipeline.

We recognise that further capital is required to unlock the latent value in the development pipeline and we continue to look at all options, but this is not a time to hurry and we will proceed when the time is right to create long-term value for shareholders.

Acquiring investment assets to diversify our portfolio

Although it is important to differentiate between segments of the retail sector, the overall market context validates our strategy to diversify our portfolio to maximise returns. Retail and Leisure now accounts for 50% of our portfolio value, down from 70% in 2016. Capital recycling has been key to this strategic repositioning, with divestment of ex-growth assets, targeted acquisitions and the ongoing unlocking of our development pipeline all playing a part.

Half of the value of our retail portfolio relates to the Merrion Centre, our longest held and largest single asset that continues to generate attractive income following a £70m investment programme over the last decade. This year we celebrated the Merrion Centre's 55th year (see page 26), its longevity and success a testament of the long-term focus and vision of the Company. In the last year occupancy was 96% and we collected record levels of rent. Around 50% of rental income from this one million square foot mixed use site relates to retail and leisure. Of this, Morrisons accounts for half, and the majority of our other retail tenants operate in discount and convenience, the more resilient segments of the market.

Other assets acquired and developed during the year enhanced our position in non-retail sectors, with our network of contacts and entrepreneurial mindset allowing us to capitalise on attractive opportunities as they have arisen. The completion of Burlington House in May signals our first material participation in the purpose built, private rented sector, and this is now fully let. We are advancing other residential projects, with Eider House being the likely next phase of our Piccadilly Basin development to commence, and our development pipeline is skewed towards office and residential uses. More detail is available in the Portfolio Review from page 20. Our car parking activities are also a core part of our diversification strategy. They are discussed in a dedicated section below and in more detail from page 43.

Chairman and Chief Executive's statement continued

We operate in geographical areas that have been less exposed to the more extreme swings of the property cycle seen in the South East. 77% of our portfolio is in Leeds and Manchester, both of which are thriving. In Leeds, the plans for Channel 4 to open offices and the consolidation of HMRC's satellite tax offices into a building opposite one of our sites serve to drive up values in the city centre, as does the heightened interest from institutional investors looking beyond London. In the longer term, if both Northern Powerhouse Rail (HS3) and HS2 go ahead, the economies of both Leeds and Manchester will benefit significantly.

Growing CitiPark

This area of our business has continued to grow, with revenue up by 8.2% and profitability by 9.7%. Accounting for 28% of Group revenues and 31% of operating profits, CitiPark is an important source of value creation for TCS. Well invested branches with technological innovations to enhance the customer experience and our operational efficiency have been central to our growth strategy. Customers of our strategic branches benefit from online booking, and barrier and cash-less systems enabled by automatic number plate recognition. We recently launched a mobile app to further facilitate customer interaction, with strong early take-up. Electric vehicle charging is available in all branches, and we recently installed a 50kW rapid charger in the Merrion Centre, the first of its type in Leeds City Centre.

We also continue to work closely with Yourparkingspace.co.uk, which matches drivers with available spaces across the country via its website and mobile app. We own a 15% stake in the business, which is in the process of undertaking a new round of fundraising to further its ambitions.

Aside from our strategic car parking facilities, CitiPark has provided a valuable means of generating income from areas of our property development portfolio that otherwise would be unutilised as they await investment.

Investing in 'PropTech'

Sparked by our work with Yourparkingspace.co.uk, in recent years we have evaluated opportunities to invest in property-related technology companies. During the year we made a US$0.5m equity investment in WiredScore, a US based company that provides a commercial real estate rating system that empowers landlords to understand, improve, and promote their buildings' digital infrastructure. We also have a £25,000 investment in GetRntr, a start-up company that provides data-driven technology solutions to simplify property licensing in the PRS space.

Creating long-term value for shareholders

Our objective has always been to generate value for our shareholders, with a particular emphasis on income and dividend, and we are very proud of our unbroken, 59-year history of maintaining or increasing dividends. A source of frustration in recent times has been the disconnect between our share price and net asset value per share. We firmly believe that our long history of value creation combined with our material development pipeline should present an excellent investment opportunity for investors.

£1,000 invested in TCS shares 50 years ago would today be worth circa £580,700, on a total return basis, equivalent to a CAGR of 13.6% per annum (source: Datastream). Furthermore, again over the last 50 years, the TCS share price has increased in value by an average annual rate of 9.1%, compared to the FTSE All Share at 7.0% (as at 9 August 2019).

Despite a tough year, the Board is pleased to recommend a final dividend of 8.50p per share. With the interim dividend of 3.25p per share, this gives a total of 11.75p per share (2018: 11.75p). Of the final dividend of 8.50p, 4.50p will be made up of a Property Income Distribution, and will be paid on 7 January 2020 to shareholders on the register on 6 December 2019.

Operating responsibly

Contributing to our local areas through fundraising activities, volunteering and events has always been an important part of our ethos. We support a wide range of not-for-profit organisations, and helped raise a total of over £150,000 for charities in the past year. We are also proud of the role we play in developing attractive spaces for our tenants and creating thriving communities.

We strive to minimise our impact on the environment. Our newly developed and refurbished properties are fitted to achieve efficient energy performance, we operate solar farms on three of our sites, and use electric hybrid vehicles in our fleet. Read more about our initiatives on page 46.

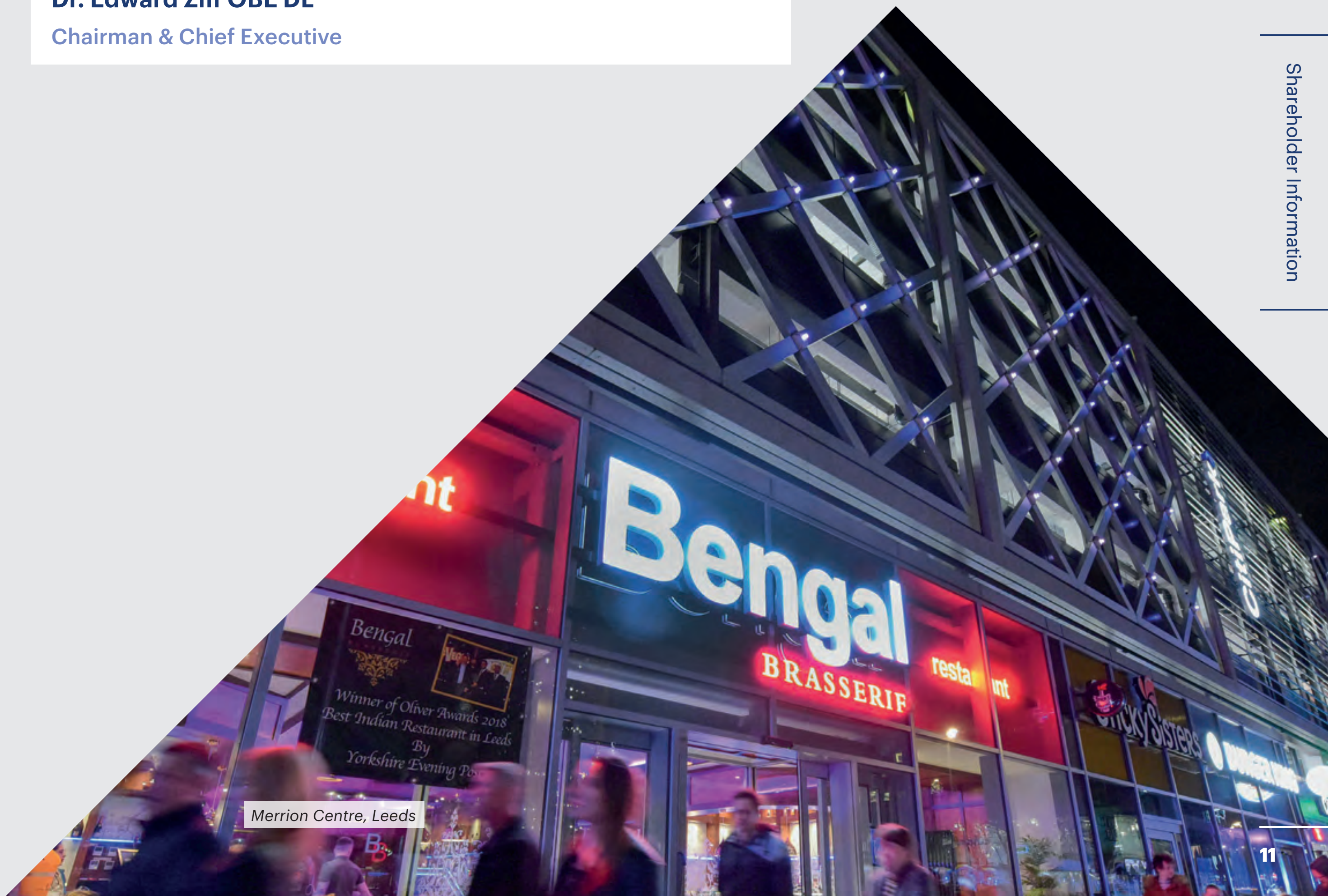
Looking ahead

We have delivered a robust underlying performance, whilst continuing to re-position the portfolio for the long-term and maintaining our 59-year dividend record despite a challenging retail sector context and ongoing economic uncertainty.

Short-term fluctuations in valuations do not shake our confidence in our business model and conservative management approach. The strength of our portfolio and the quality of our development pipeline substantiate the potential for long-term growth. Although we see an ongoing role for the type of retail assets that we own in the areas we know intimately, we continue to increase our exposure to non-retail sectors.

Given the current sector challenges and the growing gap between our share price and the underlying value of the business, we continue to look at our potential strategic options. We believe it is appropriate to accelerate the disposal of ex-growth retail properties, which despite the potential short-term impact to income, will de-risk the portfolio and free up capital to re-invest. We are in the process of reviewing priorities within our development pipeline where we see latent value, whilst the opportunity for an earnings and NAV enhancing share buy-back given our deeply discounted share price is also under consideration.

Dr. Edward Ziff OBE DL
Chairman & Chief Executive



Merrion Centre, Leeds

Business model

Our diversified regional portfolio, active asset management and conservative financing create value for stakeholders.

We create value through applying our key strengths to our active approach to portfolio management, creating reliable income streams that form the backbone of our activities

We share value with all of our stakeholders

We maximise value through...

Our key strengths

- Experienced team with detailed knowledge of the communities in which we operate
- Long-term view, underpinned by family ownership
- Conservative financing, with a mix of short- and long-term secure financing
- Entrepreneurial approach to identifying investment and development opportunities, and to monetising development land through car parking
- Operating responsibly and contributing to our communities are at the heart of our culture

What we do

Actively manage assets to optimise income and capital growth

- Refurbish and upgrade
- Renew leases
- Reduce voids

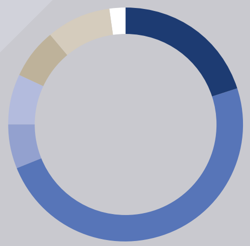
Maximise available capital by divesting ex-growth assets and refinancing to lower LTV

Invest in our development pipeline, continuing to unlock existing opportunities and create new ones

Acquire investment assets to diversify portfolio across sectors, with a focus on Leeds and Manchester

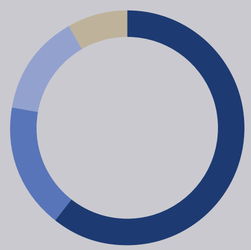
Create a long-term quality portfolio, primarily in Leeds and Manchester

Portfolio value by sector



Office	20%
Retail & Leisure	50%
Residential	6%
Hotel	7%
Car Parking	7%
Development	9%
Other	2%

Portfolio value by location



Leeds	60%
Manchester	17%
Scotland	14%
London	8%

Our stakeholders

Investors

- Stable dividend for the long-term
- Long-term capital growth

10% Total Shareholder Return compound growth over 10 years

75% growth in NAV per share over 10 years

Tenants

- Attractive spaces that are fit for purpose

96% occupancy

Employees

- Rewarding careers

82% employee retention

Communities

- Thriving areas with high footfall

11 million annual footfall in Merrion Centre

- Active citizenship through volunteering and charitable work

£150k raised for charitable causes

Clear strategy

Read more on pages 14–19

Robust risk management

Read more on pages 60–65

Sound governance

Read more on pages 68–95

Strategy and KPIs

We have clear plans to continue to diversify our portfolio to generate income and capital growth for the long-term.

Read more on about risk management on pages 60–65

What we do	Progress	KPIs	Priorities
Actively manage assets to optimise income and capital growth Refurbish and upgrade Renew leases Reduce voids	Refurbishment activity included the conversion of the former Homebase store at Milngavie in Scotland, and continued investment in the Merrion Centre supports rental income. We signed new leases for The Cube in Leeds following its acquisition in October 2018, and increased the rent for Carvers Warehouse following new lease agreements. In London, we let the former Mothercare outlet to The Works and are converting the upper floors to residential, increasing the total rent.	**£3.7m** CAPEX **2.6%** LFL rent increase **96%** occupancy rate	Future growth opportunities have been created, with new schemes identified at The Cube and Vicar Lane in Leeds and Ducie House in Manchester. In our CitiPark division, we will continue to pursue management agreements and roll out EV charging points.
Maximise available capital by divesting ex-growth assets and refinancing to lower LTV	We sold two properties for a total of £14.0m during the year, including the £13.2m sale of Rochdale Retail Park. We completed the innovative refinancing of Merrion House, which generated upfront cash of £26.4m, net of costs, as a result of Leeds City Council advancing 25 years of rent on Merrion House.	**£14.0m** generated from asset sales **49.4%** loan to value (FY18: 47.5%) **£26.1m** headroom	We will continue to review our portfolio to replace maturing assets, disposing of properties that no longer meet our criteria for future performance. Optimising our capital structure to reduce gearing is an on-going focus.
Invest in our development pipeline, continuing to unlock existing opportunities and create new ones	We completed our first dedicated Private Rented Sector investment, the 91 unit Burlington House in Manchester. Planning permission was granted for a 17-storey office tower, 100MC, to be built above an existing section of the Merrion Centre. Planning consent for No2 Whitehall Riverside and the associated multi-storey car park implemented.	**£2.1m** invested in development projects building on the significant investment of the last few years	We continue to add to the development pipeline. Most recently the Ducie House purchase in Manchester offers the opportunity of a development on its car park for which plans are being developed. We are in the process of reviewing the sequence of the next phases of our development pipeline with options including Eider House, the next Piccadilly Basin PRS scheme, our Whitehall Road, Leeds office and car park scheme, and the 100MC Merrion Tower amongst others. We continue to consider alternative sources of capital to enable this.
Acquire investment assets to diversify portfolio across sectors, with a focus on Leeds and Manchester	The proportion of our portfolio accounted for by retail and leisure has fallen to 50% of value (of which the Merrion Centre accounts for 23%), from 70% in 2016. We acquired three properties for £16.0m during 2019, the majority being office space at The Cube in Leeds. Our CitiPark division continues to grow and to stay at the forefront of technology. In 2019, we were pleased to enter into a car park management contract for the new John Lewis store in Cheltenham.	**50%** retail and leisure (FY18: 55%) Reversionary Yield **6.8%** (FY18: 6.4%)	We continually review opportunities to acquire new investment asset across all sectors, and in particular in Leeds and Manchester. Sites with asset management and/or development opportunities being a particular focus.

Strategy in action

Acquiring investment assets: The Cube

In October 2018 we acquired The Cube from Aviva for £12m, at a net initial yield of over 12.5%. Originally a 1960s office building, The Cube has been refurbished and extended, and now comprises 22,000 sq ft of ground floor leisure units together with 50,000 sq ft of offices over three floors.

This acquisition is a great example of our strategic approach to improving the portfolio by acquiring stock for growth in locations where we already have a strong presence.

- **Location:** Leeds City Centre, in close proximity to the Merrion Centre
- **Yield:** extremely attractive yield, primarily due to the office leases coming to an end by the end of 2019
- **Diversification:** Largely office space, the acquisition helps reduce the Company's exposure to Retail
- **Growth potential:** With intensive asset management and possible capital investment, there is significant opportunity for long-term capital growth and maintenance of strong levels of income.

The Cube is typical of the assets that TCS looks to invest in, where the lot size and the building's need for intensive asset management puts off larger buyers, giving TCS the opportunity to acquire attractive assets at a competitive price. At the purchase date, £1.25m (77% of the income) was generated through two leases to the Government and to Capita, with both leases due to expire in 2019. It was clear that Capita, the largest tenant, would seek to leave by September 2019.

Consistent with our strategy of delivering for the long term, we expect income levels and value to dip whilst the tenant change and capital investment are delivered, with the aim of securing long term income and creating capital growth.

Actions so far:

We have now:

- Replaced £180k of at-risk income with a renewed five-year lease with the Secretary of State for 10,000 sq ft
- The second floor, third floor and half the first floor are currently being marketed, with strong interest.

To secure the final lettings and to optimise value from the asset, we are investing capital to:

- Reconfigure and improve the remaining office space
- Improve communal and reception space.

We are also looking at opportunities to:

- Repurpose some of the ground floor leisure space
- Create flexible co-working space.

We believe that once the building is fully let, we will be ahead of our initial investment case. As we progress with the expected tenant changes and invest in the space, we do expect FY20 income to drop year on year.

£4.0m

improvement scheme commenced

Actively managing assets: Milngavie

One of our properties in Milngavie, an upmarket commuter town outside of Glasgow, was previously let to Homebase, who exited having settled our dilapidations claim in December 2017.

Having sub-divided and improved this 36,500 sq ft unit, it was let to Aldi and Home Bargains. This change created a significant opportunity for TCS. Through actions aligned to our strategic drivers, we unlocked value through:

- **Intensive asset management:** The change allowed for investment in the building and dividing it into two, improving rental levels and valuation
- **Diversification:** Whilst the new tenants are also retailers, we have been able to significantly improve the covenants. In addition, the development will include two EV chargers in the car park as part of our CitiCharge initiative (see page 43)
- **Growth potential:** The development work has also future-proofed the site infrastructure, enabling c. 9k sq ft of additional usable land which will be able to deliver further new rental income in the future.

Whilst impacting on income as a result of the building being vacant for c. 18 months, we have created significant value:

Before:

Expired poor covenant Homebase lease delivering c. £560k rent pa, valued at £7.8m.

After:

Two new high-quality leases to Aldi and Home Bargains, delivering 8% more rent and valued at £11.1m, following a £1.5m net capital investment.

Looking forward:

We have an option to purchase and develop a sizable site which sides adjacent to this unit giving future development opportunities for TCS.

23%

net increase in value

Strong covenants

Let to Aldi and Home Bargains.

Strategy in action continued

Investing in our development pipeline and maximising available capital: Burlington House

Burlington House is our first dedicated Private Rented Sector (PRS) property. Located in our Piccadilly Basin development site in Manchester, the 91-unit property has now achieved practical completion, is being actively marketed and is expected to reach mature occupancy within a few months of completion.

Completion of Burlington House highlights the potential of TCS's development pipeline and underlines how we continue to strategically unlock value from the pipeline:

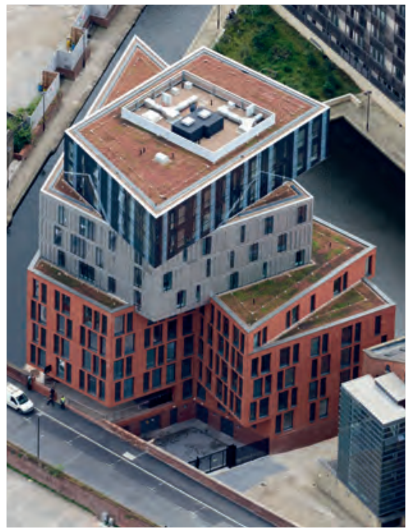
- **Invest in development pipeline:** The latest development under the Strategic Planning Framework at Piccadilly Basin, Burlington House is an iconic building that will form the centre of our PRS investment in Manchester
- **Maximise available capital:** The investment was undertaken in 50/50 joint venture with Highgrove Group, with c. 60% development finance being provided by the Greater Manchester Housing Fund, thereby minimising the capital required by TCS to unlock the scheme
- **Diversification:** This investment in PRS seeks to benefit from the strong demand for residential property in Manchester, whilst helping to effectively reduce the proportion of retail within the portfolio.

In detail:

- 91-unit luxury waterfront scheme designed by acclaimed architects SimpsonHaugh incorporates 29 one-bed, 56 two-bed, and six three-bed apartments in the heart of Manchester
- £22.7m asset created (100% of the asset), valued on a PRS basis (value for vacant sale estimated at over £26m, for the joint venture, for which TCS invested £5.3m including the value attributed to the land
- Estimated mature net income of £1.1m yielding circa 5% return on cost, albeit TCS's return on cash spent is significantly higher
- Development finance in the process of being replaced with longer term secured financing
- Belgravia Living branding established for further PRS rollout in Piccadilly Basin – the next planned PRS unit being Eider House, with the potential for 148 units.

PRS in Piccadilly Basin

The first 91 units of 730 in our strategic framework.



100%
fully let by September 2019

Actively managing assets: Merrion Car Park

Over the past 10 years we have strategically invested in our CitiPark car parking business, now owning or managing over 6,800 spaces across 15 branches, generating in excess of £12m of income a year. The Merrion Centre and First Direct Arena car park is our longest standing asset, and our investment and reinvention of this site over the past six years highlight our strategic intentions in this space:

- **Intensive asset management:** We have invested £16m in the Merrion Car Park and Arena Quarter over the past six years, ensuring long term stability of parking income as well as new sources of income
- **Diversification:** Ensures continued diversification of income from Car Parking representing over £2.5m of income
- **Growth potential:** The investment enabled the creation of the 'New Front' leisure space directly opposite the Leeds Arena venue, creating eight completely new leisure units
- **Investing in technology:** The branch has 13 standard EV charging points, and in May 2019 we launched Leeds city centre's first rapid charger under the CitiCharge brand.

The Merrion CitiPark branch is now a state-of-the-art car park with 950 spaces generating over £2.5m of revenue annually. It is a destination for Leeds city centre car parking, in particular being the closest facility to the Leeds Arena. It plays an important role in creating footfall for the Merrion retail offer, and is an important service for Merrion Office tenants.

Having a large and profitable car parking offer has been fundamental to facilitating the transition of the Merrion Centre to a diverse mixed-use property.

1st
rapid charger in Leeds City Centre

950
spaces opposite the Leeds Arena

Over
£2.5m
of income annually

Portfolio review

We continually strive to enhance our high quality portfolio through active asset management and capital recycling.

"With good quality assets and development land at the heart of two key regional cities, TCS's portfolio is both resilient and adaptable to meet market conditions. The strategy to reposition the portfolio away from retail over the last few years has enabled us to diversify our income streams by adding more office, hotel and PRS assets.

The Merrion Estate has been a key asset in our portfolio for 55 years and one that we continue to evolve, most recently securing planning permission for a new 180,000 sq ft office tower."

Lynda Shillaw
Group Property Director

We believe that our focus on the cities of Leeds and Manchester 77% of our portfolio) creates a point of strategic difference. The economies of both cities go from strength to strength, and, from a property perspective, while northern regional cities don't achieve the same highs, there is less volatility through the cycle than seen in London and the South East. Our existing portfolio, combined with the scale of opportunity within our development pipeline, gives TCS a significant strategic advantage.

TCS prides itself on the active management of our property portfolio, and we have a long history of active property selling and buying in order to maintain returns. Whilst the Merrion Estate has long played a key role and material role in our portfolio, beyond Merrion we have made significant changes to the portfolio in recent years.

Since FY14 we have sold over £101m of the property portfolio, representing over 30% of the property portfolio.

This has resulted in a material diversification of assets in recent years, with the proportion of Retail & Leisure within the overall portfolio reducing to 50% from over 80% ten years ago.

In addition, whilst we are long-term owners of the Merrion Centre, our continued investment in the asset has ensured it has moved with the times and remains as relevant today as it was when it opened 55 years ago. Page 26 captures our celebration of the Merrion Centre's 55th birthday this year and highlights its transition to a mixed-use investment asset.

Sales and Purchases

It has been an important year in terms of sales and purchases. The most significant transactions were the acquisition of The Cube in Leeds for £12.0m in October 2018 and the sale of Rochdale Retail Park for £13.2m in January 2019. In addition, we disposed of a retail property on Shandwick Place in Edinburgh for £0.8m, and acquired two retail properties in London and Glasgow for £1.6m and £2.4m respectively.

As the table indicates, the combined acquisitions and sales of over £75m have substantially altered the mix of properties in our portfolio.

Rochdale Retail Park was sold to Rochdale Council for £13.2m. The park totalled 70,000 sq ft with current tenants Argos, Halfords, Matalan and Poundstretcher, all with relatively short leases. Through its prior ownership of the Rochdale Canal Company, TCS actively managed a number of developments around Central Retail Park. As a result, the park was strongly let at an average of £16.50 per sq ft, which was ahead of current market rents. At the time of sale, the property was valued on our balance sheet at £14.0m, but for TCS the asset was ex growth and the decision to sell was to avoid further declines in value.

Details on the acquisition of The Cube can be found in the Strategy in Action section on page 16.

	Sales		Purchases	
	£m	% Retail & Leisure	£m	% Retail & Leisure
FY17	22.3	88%	4.0	46%
FY18	10.1	95%	9.0	0%
FY19	14.0	100%	16.0	25%
	46.4	91%	29.0	20%

Portfolio review continued
Valuation

These are uncertain times for property investors, with valuations, particularly in the retail sphere, coming under significant pressure. As of the June 2019 year end our overall portfolio valuation decreased by 4.6%. The key drivers of this movement are:

- A like-for-like decrease in the portfolio of 3.8% – this is all driven by devaluations of retail assets
- A reduction in value of non like-for-like assets, mainly Ducie House in Manchester which had dropped by £2.0m at the half year, as the purchase price included the value of a right of light claim the building had over our Piccadilly Basin development site (see page 39).

TCS has a strategy of investing in core Leeds and Manchester, providing diversification into the portfolio through investments in Scotland and London and creating value through intensive asset management and development of assets. In a difficult market our performance has been steady. The fall in value across our portfolio has largely been driven by the stresses in the market on high street retail which, while part of our core asset base, accounts for 36% of our assets by value (our portfolio is 50% retail and leisure by value). The resilience of our portfolio in the current market comes from the mixed-use nature of the majority of our investments and our lack of exposure to brands such as Arcadia Group, BHS, Debenhams and House of Fraser and other high street fashion retailers.

Retail

The retail sector has had a turbulent 12 months. Major high street brands have experienced trading difficulties attributable largely to structural change in consumer trends, oversized portfolios and the impact of wider economic uncertainties such as the devalued pound and increased costs.

Pressure has been felt by landlords as tenants have gone into administration and entered into CVAs or opened up a dialogue on rent affordability in the current trading climate. Where rents have been rebased through CVAs for some tenants, others who have stronger balance sheets and have typically managed their real estate growth more effectively are beginning to seek some level of equilibrium in rents with their CVA competitors. This will stall rental growth/recovery over the short to medium term for all but the super prime retail stock.

Due to stresses in the trading environment the valuation of the retail elements of our portfolio deteriorated by 2.7% during the second half of the year and 5.6% overall year on year. This relatively robust performance is largely down to the active asset management and targeted investment across the estate and the mixed-use nature of much of our portfolio where our strategy has been to invest in and develop assets which have diversity of uses. That said within our overall portfolio we have also seen some significant shifts in value on an asset by asset basis (see Challenges in the Retail sector page 27).

Merrion Estate

At the northern edge of Leeds city centre Merrion is the original mixed-use development and consists of retail and leisure, office and car parking assets. Adjacent to Leeds Arena and very much at the centre of a growing student community from both existing student developments and c. 3500 new student beds under construction around the centre.

The Merrion valuation (including the hotel) is down by £8.6m year on year, with the equivalent yield moving out from 7.79% to 7.91%. While the fall in valuation continues to reflect the softening of retail yields much of the second half drop (£3.6m) is attributable to a reduction in the value of the hotel, reflecting the performance of the restaurant where it has taken us some time to find the correct format.

The underlying performance of Merrion minus the hotel was reasonably stable compared to the market with a 5.9% (£7.0m) fall in value over the year reflecting yield shift rather than a decline in income. As with other landlords we experienced a number of CVAs and administrations over the year from tenants such as Poundworld, Crawshaws and Smoke BBQ, but we do not have any exposure to tenants such as Debenhams, Arcadia Group and House of Fraser where their CVA actions have had a major impact on shopping centres. The void rate in Merrion is currently 3.5% and where we have experienced vacancies we have re-let much of what has come back to us at the same (or improved) rent levels to tenants such as Iceland and Ramshaws.

The diversity of our offer has also been maintained as we continue to curate a good mix of independent and national food and beverage operators at the centre concluding lettings to PizzaExpress, Starbucks, Chatime and Blue Sakura – which has proved to be highly popular in particular with the surrounding student population. We have also continued to invest in Merrion with a redevelopment of the Wade Lane Mall, securing new leases from existing tenants and by securing a planning consent for 100 MC, a 17 storey, 180,000 square foot office tower.

TCS Retail Overview

Scotland – The cornerstones of our Scottish portfolio are the prime Glasgow retail assets and our investment in Milngavie. Yield shift and the Berkertex CVA at our Bath Street asset were the primary factors in declines in value. Where Bath Street is concerned the location of the asset is fundamentally strong and following the tenant CVA we moved quickly to refresh and market the asset and now have lettings in solicitors' hands in line with previous rent levels. Any declines in value in our Scottish portfolio have been more than offset by the redevelopment of the former Homebase in Milngavie and the conclusion of the lettings to Aldi and Home Bargains, adding £3.7m of value year on year.

In **London,** our investments (c £8.7m) are in good quality secondary high street locations and consist of primarily retail and residential mixed-use assets, providing geographical diversity into our portfolio through the cycle. However, yield shift particularly in the retail elements of these assets has driven some of the steepest declines in value year on year (-8% to -26%), coupled with lack of competition from retailers for sites at this point in the cycle we are seeing rents rebalancing to lower levels with a corresponding impact on valuation.

Leeds – The valuation of the Vicar Lane retail asset fell by c. 22% year on year (£2.45m) through a combination of yield shift and the remaining terms of the occupational leases / current voids. With an existing tenant wishing to expand their premises and three new lettings in solicitors' hands, we anticipate some recovery in value in 2020. Situated in the heart of the new retail area of Leeds between Hammerson's Victoria Gate development and Victoria Quarter investment this asset has strong development potential and we are working up a longer-term scheme to drive value.

In **Harrogate**, 8–10 West Park saw a 16.7% decline in value to £3m through a combination of yield shift and the timing of lease renewals to existing tenants. Once the current negotiations are concluded we expect the value to recover.

The value of our Urban Exchange asset in **Manchester**, fell by 2.6% year on year to £17.1m. All of this reduction was in the first half of the year and largely attributable to yield shift. No further outward yield movement was seen in the second half of the year due primarily to the opportunity for future rental growth driven by the significant amount of development activity in and around Piccadilly Basin, including the completion of our Burlington House scheme.

Offices

Our key office holdings are in Leeds and Manchester and are a mixture of new developments (Merrion House) and secondary assets, located close to our strategic sites with short-term asset management opportunities. Office values across our portfolio held steady year on year, largely underpinned by Merrion House at £34.7m. Carvers Warehouse in Manchester saw a 7% uplift in value reflecting that it is fully let and that we have successfully moved rents on.

The office markets in both Leeds and Manchester are strong and there is a shortage of Grade A and good quality secondary stock in both cities with much of the development pipeline over the next 18 months pre-let. During the year we acquired Ducie House, adjacent to our Piccadilly Basin development and The Cube, adjacent to Merrion in the first half of the year.

Our acquisitions are typical of where we see an opportunity to drive value. Both had known voids / voids pending and require investment to reposition them and drive rents on. We have seen dips in value against purchase price in both assets, reflecting tenant exits and have worked up investment schemes to reposition the asset. Both are delivering rents ahead of business plan and we are on site with the works to Ducie House and ready to go at The Cube once the exiting tenant hands the space back. Once our works and the new lettings complete, we expect to see the value of the assets increase in line with our investment case.

Portfolio review continued

Valuation continued

Development

The market for both residential and commercial development in Leeds and Manchester remains robust with relatively strong growth forecast for both cities over the next five years fuelled by tech sector growth and north-shoring.

Our two main development sites are in prime central Leeds and Manchester and both have licences to operate as car parks in advance of development which is brought forward in phases for residential, or as we secure a pre-let on a commercial element of the scheme.

Development site valuations were slightly up year on year at £36.45m, reflecting the execution of our masterplan in Piccadilly Basin and the increasingly prime nature of the Whitehall Riverside site as MEPC build out their adjacent scheme.

We completed the development of Burlington House, a 91 unit residential scheme in joint venture with GMI during the second half of the year and our share in the joint venture is now held as an investment asset.

Our top tenants

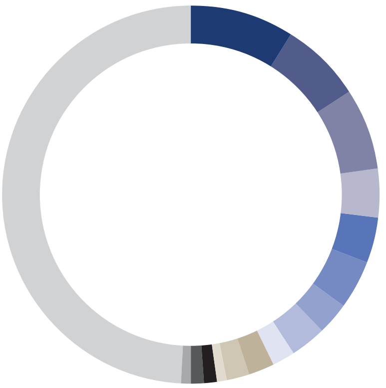
We believe we have a high quality tenant base, which has continued to play an important role in mitigating some of the current challenges, particularly in the Retail space.

Key statistics include:

Our top 15 tenants represent 51% of total rental income

Top 15 tenants:

Leeds City Council	9%
Waitrose	7%
Wm Morrison	7%
PureGym	4%
Premier Inn	4%
Aldi Stores	4%
StepChange	3%
Home Bargains	3%
Dune	2%
Go Outdoors	2%
The Deltic Group	2%
Flannels	1%
First Secretary of State	1%
Carphone Warehouse	1%
The Works	1%
Other	49%
	100%



Looking forward

Intensive asset management

We will continue to intensively manage our existing portfolio, looking to create additional value and income. In particular we are currently working through schemes for The Cube, the Merrion Centre and Vicar Lane in Leeds. We are already underway with improvements to Ducie House and Carvers Warehouse in Manchester.

We expect overall LFL income levels to reduce in FY20 as we invest in The Cube and Ducie House, ahead of reletting the improved space, driving future rental growth.

We work closely with our tenants to understand how we can help them get the most out of the space they rent from us, and how creating place and community in our key locations can add value for our tenants.

Asset sales

We constantly review our portfolio with the aim of disposing of properties that become ex-growth. In the current retail climate this exercise is more important than ever, and we dedicate significant management time to reviewing our options in this space.

Investment purchases

We are continually looking for opportunities to create value through the purchase of investment assets, both retail and non-retail. In particular we look to purchase assets at competitive prices due to the need for tenant and asset management, and / or that have development opportunities. Examples include the recently acquired assets Ducie House and The Cube (see pages 16 and 39).

Development

Our development pipeline has substantial potential, with an estimated Gross Development Value of over £600m (see page 42). There is a significant capital requirement to unlock this value, and we continue to evaluate funding options. With our focus on long-term value creation we are not under pressure to develop, and we manage our risk and exposure by ensuring that the timing is right to bring an asset forward.

Given the changing needs within the cities in which we operate, we are reviewing the planned timing for the next phase of developments including George Street, Eider House and 100MC and the scope for our Masterplans to be developed further and rephased to create more value for the business.

Portfolio Overview:

	Passing rent £m	ERV £m	Value £m	% of portfolio	Valuation incr/(decr)	Initial yield	Reversionary yield
Retail & Leisure	3.7	4.2	62.7	16%	(13.0%)	5.6%	6.3%
Merrion Centre (ex offices)	7.2	7.8	92.5	23%	(6.6%)	7.3%	7.9%
Offices	5.5	6.0	80.4	20%	(3.7%)	6.5%	7.1%
Hotels	1.2	1.6	25.8	7%	(5.0%)	4.3%	6.0%
Out of town retail	1.8	2.5	41.8	11%	3.6%	4.0%	5.6%
Distribution	0.4	0.4	6.1	2%	6.8%	6.3%	6.6%
Residential	1.2	1.3	21.8	6%	(4.0%)	5.1%	5.7%
	20.9	23.8	331.0	84%	(5.6%)	6.0%	6.8%
Development property	2.1	2.1	36.5	9%	(0.1%)		
Other car parks	1.5	1.5	26.7	7%	3.8%		
Let portfolio	24.5	27.4	394.2	100%	(4.6%)		

Note: The above table includes Merrion House within Offices and Burlington House within Residential and therefore differs to the table in note 12 of the accounts.

Location	Value	%
Leeds	236.9	60%
Manchester	68.2	17%
Scotland	56.4	14%
London	31.2	8%
Other	1.6	0%
	394.2	100%

Sector	Value	%
Retail/leisure	196.9	50%
Hotels	25.8	7%
Office	80.4	20%
Car parking	26.7	7%
Distribution	6.1	2%
Residential	21.8	6%
Development	36.5	9%
	394.2	100%

Lease Expiries	Value	%
0–5 years	11.2	54%
5–10 years	3.4	16%
Over 10 years	6.3	30%
	20.9	100%

Portfolio review continued

Case study: Merrion's 55th Birthday

On the 26th May 2019 we celebrated the Merrion Centre's 55th anniversary, unveiling an exhibition to showcase the legacy and history of the centre. The exhibition was opened by Dr Marjorie Ziff, who also originally opened the scheme in 1964.

The Merrion Centre was the first of its kind when it initially opened its doors in 1964, as it introduced Leeds to the powerful combination of a destination for shopping by day with entertainment and attractions at night. Merrion changed the face of retail in Leeds and with over 11m visitors per year it is still one of the city's most iconic and popular destinations to date.

Edward Ziff, Chairman and Chief Executive commented on the day; "I have no doubt that my late father would be extremely proud; the Merrion Centre has continually evolved to cater for a diverse range of consumers over the years, from our loyal customers who have shopped here for most of their lives, to the growing office population, students and commuters. As we continue to evolve as part of the city's thriving Arena Quarter, I have no doubt that the Merrion Centre will continue to remain a key destination in the heart of Leeds for many years to come."

Then: 1964

Now: 2019

Challenges in the Retail sector

Stories of retailers in distress have been rife and appear to be on-going, and TCS has not been immune from the effects of these challenges. CVAs seem now to be the retailers' tool of choice to reduce their cost base and attempt to re-invent their customer and economic models in the face of the continued growth in internet retailing.

Property owners of retail units are facing their own commercial challenge as a result. TCS has a clear strategy to do all it can to mitigate this effect, focusing on three key elements:

1. Continue to divest of weak retail assets and reinvest in more diversified assets
2. Where we are confident in the quality of our retail assets, continue to invest and develop multi-use destinations
3. Prioritise tenants that are largely convenience, discount, grocery, or high-volume leisure focused

TCS does not have any exposure to the large retail names such as Debenhams, House of Fraser or Arcadia, and as a result have managed to avoid significant impact. In the year ended 30 June 2019 TCS was impacted by tenant CVAs and Administrations by £228k. When the impact of the vacant ex-Homebase property in Milngavie, Scotland (see page 17) is included this impact rises to £800k.

In the year the Company experienced eight new tenants either going into administration or launching a CVA. Of those eight new impacts four have been re-let to new tenants and a further three have seen the incumbent retailer choose to remain, leaving one unit now void and in the process of being re-let.

Across those eight properties, once re-let or where occupancy has continued, we have actually seen a modest 1% increase in base rent. Clearly there is a cost to the Company in the form of void periods and new tenant incentives, however the continued speed with which we ensure that the units are occupied is a testament to the quality of our portfolio.

Key examples are:

- Despite Cotswold Outdoors (Harrogate) and Select (Merrion Centre) launching CVAs both retailers remain in occupation paying full rent and service charge
- Following the administration of Berkertex, the bridal retailer, and their departure from our unit in Glasgow, we split and re-let the unit to a successful local beautician and the Scotch Malt Whiskey Society, with total rent increasing 8%.

We have previously highlighted the success in the Merrion Centre where Poundworld went into administration and we successfully re-let the unit with only seven weeks' lost rent to Iceland on a new 10-year lease at the same level of rent as paid by Poundworld. This clearly reaffirms the strength of the footfall making the mixed-use Merrion Centre a destination for members of the public.

Examples of our successes in retail include

Divisional reviews

Creating places in Leeds

Leeds represents 60% of the property portfolio.

Offices:

1 Merrion House
2 Wade House
3 Town Centre House
4 Town Hall
5 The Cube

Retail & Leisure:

6 First Direct Arena
7 Merrion Centre
8 Trinity Shopping Centre
9 Victoria Gate
10 Central Road
11 Vicar Lane

Hotels:

12 Premier Inn
13 ibis Styles Leeds City Centre Arena Hotel

Car Parks:

14 CitiPark Whitehall Road Car Park
15 CitiPark Merrion Centre & Arena Car Park
16 Leeds Dock Carpark*

Developments:

17 George Street (Joint Venture)
18 Whitehall Riverside

TCS Ownership

Non-owned

* Not pictured

Divisional reviews continued
Creating places in Leeds

Leeds is part of the fourth largest conurbation in the UK, with the city itself having a population of almost 770,000 and a workforce of almost two million.

Leeds portfolio overview

	Value £m	%
Merrion Morrisons	18.1	8%
Merrion Offices	54.1	23%
Merrion Retail & Leisure	49.2	21%
Merrion Car Park	25.2	11%
ibis Styles Hotel	10.3	4%
Total Merrion	156.9	66%*
Other Leeds assets:		
Retail & Leisure	18.3	8%
Offices	12.4	5%
Hotels	15.5	7%
Residential	3.9	2%
Industrial	6.1	3%
Car Parks	10.3	4%
Development	13.5	6%
TOTAL LEEDS	236.9	100%

* Total % rounded

Leeds as % of total

60%

Passing Rent

£15.1m

Car Park Income

£5.8m

GDV of Development Opportunities

£287m

George Street, Leeds

Vicar Lane, Leeds

Key achievements in the year

- Despite increased CVA activity we continued to re-let properties on average at or above previous rent levels. In the Merrion Centre, particular successes include the arrival of Iceland and Ramshaws (see Challenges in the Retail Sector on page 27).
- The strong attraction of the Arena Quarter section of the Merrion Estate (facing the Leeds Arena) continued, with new lettings to a number of food and beverage tenants including PizzaExpress, Starbucks, Blue Sakura, and Union Square (see Case Study page 33).
- We completed a refurbishment of our TCS office in Town Centre House (part of the Merrion Centre), allowing us to move to a single floor and release a floor that has been let to PureGym.
- We acquired The Cube for £12m in October, and subsequently renewed the lease to the Secretary of State (as above).

Market context

Leeds is part of the fourth largest conurbation in the UK, with the city itself having a population of almost 770,000, and a work force of almost two million. With three universities, a millennial population of close to 200,000 and 24% of employees educated to degree level or higher, the city is attracting investment, with more than 9,000 professional jobs set to be added in the centre over the next decade and forecast economic growth of 8.3% over the next five years (5.7% over the last five). The relocation of the Channel 4 headquarters has increased the profile of the city. Leeds is also recognised as the fourth best shopping destination in the UK, with over 660,000 people claiming the city as their primary shopping destination.

Divisional reviews continued
Creating places in Leeds

Demand for space

Private sector office-based employment within the region has grown by 15% over the last five years and is forecast to grow by a further 7.9% over the next five. The 10-year average office take-up was exceeded in 2018 by 34%, with developments largely being pre-let or fully let prior to completion. Prime yields remain at 4.75%. Availability of office space in Leeds has been gradually falling since 2015, with 2018 seeing a reduction of 31% in total office supply and a 9% decrease in Grade A space. Overall vacancy stood at 6.96%. Rents are expected to continue to grow through to 2020, with Leeds still offering the lowest rents among the big six regional cities.

As a fast-growing city Leeds has a supply shortfall in housing, particularly in the city centre. Typically, residential values are lower in Leeds than York and Harrogate, which has generally meant that regardless of a number of sites capable of delivering a total of in excess of 10,000 units, other property asset classes where there are also supply constraints drive better returns. 2019 has seen a shift, against a backdrop of strong demand rents, and capital values are forecast to grow by in excess of 3% per annum. The city currently has a 1300-unit pipeline under construction for investors such as with MODA Living, CEG, Legal & General and Aberdeen Asset Management.

Opportunities for TCS

Our development site at Whitehall Riverside is one of the last prime sites for office development in the city, sitting opposite Hermes/MEPC's Wellington Place at the heart of the new West End business district and five minutes away from the city's train station and the rapidly developing South Bank. Whitehall Riverside will deliver a minimum of 340,000 sq ft of new grade A office space. The planning consent has already been implemented for the 180,000 sq ft No2 building and the 524 space multi storey car park, making the development one of the most immediately deliverable in the city.

Adjacent to the Merrion Estate significant development of student accommodation (3500+ beds) is underway, much of which is planned to be available for the September 2019 and 2020 academic years. This will bring a fresh influx of students into the estate and create opportunities to enhance our retail and food and beverage offers and unlock the next phase of development. The estate's immediate neighbours, the Universities and Leeds General Infirmary both have significant masterplans to bring forward a pipeline of c £750m GDV, including a new children's hospital, commercial and residential buildings and the landmark new Nexus Development, providing rentable offices, research and innovation space. All of this will increase footfall to the area, further strengthening our existing offer and improving our development opportunities.

Source: Savills – UK Market in Minutes – Leeds Offices February 2019

CBRE – Tech Cities Research 2019

The Merrion Estate

With a total combined value of £157m the Merrion Estate is our largest single asset and has significant further development potential.

Development of the Leeds Arena and the growth of the universities have already brought significant investment and regeneration to the Merrion Estate. We have invested significantly in recent years to develop the Arena Quarter, ibis Styles and Merrion House, and undertaken extensive refurbishment of the CitiPark car park and the retail mall.

The Merrion Estate has been pivotal in providing new offerings and amenity to the city centre, supporting both the vibrant nightlife of the city and the growing commercial community.

Our vision for the Merrion Estate is to continue to evolve what we offer, delivering greater choice and enhancing the mix of uses across the estate, and the recently approved planning proposal to develop a 17-storey office tower above the existing centre demonstrates this intention.

Our continuing investment in the Merrion Centre has materially reinvented the whole of the asset creating a unique mixed-use property in the heart of Leeds that now includes:

- 283,000 sq ft of offices including Merrion House, the main public facing office for Leeds City Council
- 950 spaces of car parking
- A strongly trading 60,000 sq ft Morrisons superstore with 20 years of their lease remaining, accounting for a third of the total retail rent in the Centre
- A 134 bedroom ibis Styles hotel with restaurant.

Since 2012 we have invested £42m in the Centre, and despite recent retail valuation pressures valuation is still up £55m over the same period, and income up over 20%. Our most recent investment was the extension and improvement to the Wade Lane section of the retail mall. This comprised:

- Capital spend of £0.7m
- Increasing chargeable space by 500 sq ft, and agreeing new leases with incumbent tenants
- The new leases with higher rents, the new space added for existing tenants, and the refurbishment of a void unit combined to increase income by over £75,000 pa
- With the investment ensuring the renewed commitment from quality tenants such as The Works and Max Spielman, the total amount of rent secured was £162,000 pa with a WAULT of 8.25 years.

Divisional reviews

Creating places in Manchester

Manchester represents 17% of the property portfolio and is the source of significant development opportunity.

Offices:
1 Carvers Warehouse
2 Ducie House

Retail & Leisure:
3 Urban Exchange

Hotel:
4 Dakota Deluxe

Residential:
5 AVRO (Urban Splash development)
6 Burlington House

Car Parks:
7 CitiPark Tariff Street. Multi-storey Car Park
8 CitiPark Port Street Car Park
9 CitiPark Dale Street Car Park

Developments:
10 Eider House
11 Residential opportunity
12 Commercial and Multi-storey Car Park opportunity
13 Commercial opportunity

TCS Ownership
Non-owned

Divisional reviews continued
Creating places in Manchester

Manchester is part of the second largest conurbation in the UK, with over 7m people within one hour's drive of the city.

Manchester portfolio overview

	Value	%
Manchester Retail & Leisure	17.1	25%
Manchester Offices	13.1	19%
Manchester Residential	11.3	17%
Manchester Car Parks	3.8	5%
Manchester Development	23.0	34%
TOTAL MANCHESTER	68.2	100%

Manchester as % of total

17%

Passing Rent

£2.5m

Car Park Income

£1.7m

GDV of Development Opportunities

£320m

Carvers Warehouse, Manchester

Burlington House, Manchester

Key achievements in the year

- Carvers Warehouse – Through active management of the tenant base and continued investment in the asset we have been able to improve rental levels, with the most recent lease at £19 per sq ft, up from £14. The ERV of this asset improved by 13% since commencing the improvement plan.
- Ducie House – following last year's acquisition of Ducie House, we commenced physical improvement of the asset, which will drive lettings and income. In addition, we are reviewing architect plans for the development of office space on the car park and are looking to progress to planning shortly – see case study on page 39.
- Burlington House – we have now completed and fully let our first dedicated Private Rented Sector (PRS) asset – see Strategy in Action on page 18.

Market context

Manchester is part of the second largest conurbation in the UK, with over 7m people within one hour's drive of the city and a primary retail catchment of 1.6m people. The centre has a population of over 550,000, and more than 105,000 students attend the city's five universities. As the leading professional and business service centre outside of London, the city has clusters of life sciences, manufacturing, creative, media and digital industries, with the BBC and ITV having a key presence. Around 50% of Manchester's graduates stay in the city for work, a rate second only to London in the UK. There are plans to develop a minimum of 25,000 new homes in Manchester over the next 10 years.

Greater Manchester's economy is forecast to grow at a rate of 14% over the next five years, well ahead of the UK average of 11%, with 110,000 jobs expected to be created in the next five years.

Divisional reviews continued
Creating places in Manchester

Demand for space

Vacancy rates for grade A office stock are relatively low, and rents have risen steadily over the last five years. With a lack of new build space, the city is also seeing significant growth in the Grade B refurbishment market, as these buildings offer an attractive alternative to new developments, evidenced by the narrowing gap between rents for top-class refurbishments and new build space.

Manchester's city centre residential market is set to expand significantly over the next couple of years to support the rapid growth of the city centre population. With more than 30 schemes underway, there are some 12,000 units currently under construction to be delivered into the market over the next few years. Manchester has seen the perfect storm of increases in the pricing of new build residential property and increasing rents/returns for investors as a relative lack of new development and an increase in city centre living have put pressure on available stock. It has become the go to city outside of London for investors in the Build To Rent sector, while also seeing a significant amount of stock built for sale. The wave of units coming onto the market during 2019/20 may see rental growth slow until the market has absorbed the supply. Beyond this the fundamentals look good for residential investment in the city.

Opportunities for TCS

Piccadilly Basin is well located to capitalise on the burgeoning demand for office space and city living residential homes. Our Carver's Warehouse and Ducie House sites offer 55,000 sq ft of office space, and our development masterplan includes a further 180,000 sq ft of Grade A space. It also includes over 600 residential units.

The area is positioned for investment and growth, with much of the land surrounding Piccadilly Railway Station the subject of Strategic Regeneration Frameworks (SRF), and the planned HS2 station integral to the Mayfield site. The schemes will bring in excess of 15,000 homes into Piccadilly, East Manchester and the Northern Gateway. Mayfield and North Campus are expected to jointly deliver in excess of 2.5m sq ft of new commercial space, and Manchester City Council's acquisition of Central Retail Park will bring forward a commercial led mixed use scheme and new car parking, immediately opposite TCS's Piccadilly Basin development.

Piccadilly Basin is unique among the SRFs with its mix of heritage, water frontage and proximity to Manchester's vibrant Northern Quarter and major transport hub. The Piccadilly Basin SRF gives TCS the opportunity to create a best in class city centre neighbourhood with a mix of office, residential, retail and leisure accommodation. With the early developments soon to be complemented by Burlington House and the Dakota Hotel, and the next building Eider House (residential) having planning consent, Piccadilly Basin will cement itself as a destination and an area where a new community is rapidly establishing itself. This momentum puts TCS in a position ahead of much of the proximate competition as we continue to deliver the remainder of the masterplan.

Strategic Report
Corporate Governance
Financial Statements
Shareholder Information

Ducie House

Ducie House is a 33,000 sq ft office converted from a former petticoat factory and is located on the boundary of TCS's Piccadilly Basin site. The property is a multi-tenanted office, occupied predominantly by technology and creative industry companies. The variety of product provides a wide choice for tenants, as well as the flexibility for businesses to expand within the building as they grow.

TCS bought the site in July 2018 for £9.0m as a strategic acquisition, in part to eliminate the potential rights of light claim (valued at £1.5–£2m) on our Eider House development and also to increase land holdings around Piccadilly Basin. The acquisition produces income and has the opportunity to be grown organically. In addition, there is capacity for a future office development in the rear car park.

The current valuation is £7.5m, revalued from the purchase price as there is no longer a right of light claim as TCS owns the asset. Current income levels are below ERV primarily as a result of us having vacated tenants out of the areas identified for improvement and reconfiguration in advance of extensive refurbishment in order to better position the asset in the local office market place. We expect completion of this work to increase both income and value.

The development strategy for the Ducie House building is split into two phases including essential repairs, refurbishment of common parts and creating some larger office spaces. We have undertaken an initial feasibility exercise on the redevelopment of the car park to provide an interlinking seven storey office premises of 60,000 sq ft. An indicative appraisal has been prepared yielding a profit on cost of nearing 25%, with an ERV of £1,340,000 and delivering an end value of £21,300,000. This further strengthens our development pipeline.

Divisional reviews

Creating places in Scotland & London

22% of our portfolio is located outside of Leeds and Manchester.

Scotland and London portfolio overview

We have had a long-standing presence in Scotland, however following disposals over the past couple of years we have sold the majority of our Edinburgh assets and now focus solely on Retail and Residential assets in Glasgow and its close commuter town of Milngavie.

In London our investments are in good quality secondary high street locations and primarily consist of retail and residential mixed-use assets.

Our assets in Scotland and London offer a level of geographical diversity in our portfolio away from our Leeds and Manchester focus and provide balance through the cycle. Similar to Leeds and Manchester, London and Glasgow have strong local economies and growing populations.

	Value	%
Scotland & London Retail & Leisure	67.5	77%
Scotland & London Offices	0.8	1%
Scotland & London Residential	6.6	8%
Scotland & London Car Parks	12.8	15%
TOTAL SCOTLAND & LONDON	87.6	100%

Scotland & London as % of total

22%

Passing Rent

£3.9m

Car Park Income

£4.6m

Buchanan Street, Glasgow

Duke Street, London

Key achievements in the year

- Bath Street, Glasgow – Following the CVA of bridal retailer Berkertex, we secured two lettings to replace them on both floors they occupied. The new tenants are the Scotch Malt Whiskey Society and a local beautician and income levels have been increased by 8% compared to previous levels.
- Milngavie – Since the exit of Homebase in December 2018 we have now completed the conversion of the unit into two, with both Aldi and Home Bargains now trading. As a result of this conversion we have seen valuation increase by a net 23% and income increase by 8% compared to the pre-Homebase exit levels. Read more about our Strategy in Action on page 17.
- Holloway Road, London – Following the CVA from Mothercare which reduced rent by around one third, we re-let the lower floors to The Works and converted the upper floors to residential, giving a total increase in rent of 24% compared to the pre-CVA Mothercare income.
- In August 2018 we acquired a retail unit on Gordon Street, Glasgow, adjoining units we already own on Buchanan Street / Gordon Street. The purchase price was £2.4m with a Net Initial Yield (NIY) of 5.3%.
- In July 2018 we acquired a retail and residential unit on Chiswick High Road, London for £1.6m with a Net Initial Yield of 4.7%.

Strategic Report
Corporate Governance
Financial Statements
Shareholder Information

Divisional reviews continued

Building a strong development pipeline

Our substantial development pipeline gives us a clear path to grow over time, subject to financing.

We own a significant development pipeline, totalling an estimated gross development value (GDV) of over £600m. The pipeline comprises multi-sector assets in Leeds and Manchester, much of which have either strategic or detailed planning approval. We are in the process of reviewing our plans to ensure that we direct our resources in the optimal manner, but the most sizeable components of our pipeline are:

- Piccadilly Basin, Manchester: Mixed residential, commercial, and car parking with a total estimated GDV of over £300m
- Whitehall Road, Leeds: Office, car parking, and potentially leisure provision with a total estimated GDV of over £150m
- Merrion, Leeds: Office and residential towers with a total estimated GDV of over £100m.

Maximising value from these opportunities will require capital, and we continue to explore how we might fund these future developments, including through joint ventures where appropriate.

Key achievements in the year

- Burlington House – 91-unit PRS building in Manchester completed (see Strategy in Action page 18).
- 100 MC – in April 2019 we achieved planning approval for a 17-storey office tower above the Merrion Centre, replacing a cinema which had been empty for decades.
- Whitehall Riverside, Leeds – we are in detailed discussions with a number of potential tenants for our main No2 WHR 167,000 sq ft office building with the aim of achieving a material pre-let commitment. In addition, we are in the process of reviewing the Strategic Planning Framework for this site to ensure we maximise value.
- Ducie House, Manchester – we are in the process of reviewing the first set of designs for a new office block on the car park of our relatively newly acquired Ducie House at Piccadilly Basin (see page 39).
- Brownsfield Mill, Manchester – this building has been sold for development to Urban Splash, with TCS set to receive 12.5% proceeds on all sales. The full year results for FY19 include £263k of income from the share of proceeds in the year.
- Eider House, Manchester – our likely next PRS scheme in Piccadilly Basin. We have planning consent for a 128-unit scheme and are reviewing options to increase expected value and returns. We are in the process of determining if a new planning approval will be required and with an eye on the volume of residential stock being delivered into the Manchester market and the success of our Burlington development, determining the right time to start on site.

	Development type	Status	Estimated GDV	Estimated Income	Yield on cost
Leeds – George Street (at 50%)	Leisure	Detailed planning JV	£11m	£0.6m	6.0%
Manchester – Eider House	Residential	Detailed planning	£46m	£2.5m	6.5%
Leeds – Car Park	Car Park	Detailed planning	£14m	£1.2m	8.6%
Leeds – Merrion Cinema Tower	Offices	Detailed planning	£62m	£4m	7.1%
Leeds – Whitehall Road No2	Offices	Detailed planning	£82m	£5m	7.5%
Leeds – Whitehall Road No3	Offices	Strategic Framework	£40m	£2.8m	8.6%
Leeds – Whitehall Road No7	Offices / Leisure	Strategic Framework	£28m	£2m	8.6%
Manchester – Residential Tower A	Residential	Strategic Framework	£82m	£3.5m	5.2%
Manchester – Residential Tower B	Residential	Strategic Framework	£55m	£2.4m	5.2%
Manchester – Residential D	Residential	Strategic Framework	£28m	£1.1m	4.9%
Manchester – Ducie House	Offices	Unscoped	£21m	£1.3m	7.8%
Manchester – Commercial	Mixed Use	Strategic Framework	£76m	£5m	7.9%
Manchester – Car Park	Car Park	Strategic Framework	£12m	£0.8m	7.2%
Leeds – Merrion Corner Tower	Residential/ Mixed Use	Unscoped	£50m	£3m	6.4%
			£607m	**£35.2m**	

CitiPark, CitiCharge, and PropTech

"CitiPark is delighted to have delivered another successful year of revenue and profit growth, whilst further accelerating our technological advancements and launching new sources of income generation."

Ben Ziff
Managing Director CitiPark & TCS Energy

CitiPark

CitiPark operates over 6,800 spaces across 15 branches.

Of those branches:

3 are freehold dedicated multi-storey car parks (MSCPs)

7 are leasehold dedicated MSCPs with lease lengths ranging from 21 years to over 100 years

4 are property development sites being operated as car parks in order to monetise vacant land

1 is operated by CitiPark under a management contract arrangement (John Lewis Cheltenham)

Divisional reviews continued
CitiPark, CitiCharge,and PropTech

CitiPark performance continues to go from strength to strength, with net revenue of £5.4m, up 8.2% year on year, and operating profit of £4.4m, up 9.7% year on year.

Three branches drove the vast majority of the improvement in both income and profit in the year. Those were:

- Merrion Centre, Leeds – increased occupancy following the completion and occupation of Merrion House, combined with improvements in tariffs
- Whitehall Road, Leeds – reduced competitor supply, in particular due to the development of the MEPC site directly opposite which had formally been run as a car park, drove occupancy and rate improvements
- Clipstone Street London – improved occupancy levels combined with a sublet of part of the space to a storage company drove income.

Furthermore, the strong growth in revenue, combined with on-going operational efficiency programmes, have allowed us to leverage our cost base, lowering costs as a proportion of income, and therefore driving profit growth ahead of revenue growth.

We continue to see technology as a point of difference for this part of the business, whether that be car parking, EV charging, energy production, or 'PropTech' investments. Key achievements in year include:

- We launched CitiCharge, a new initiative looking to provide electric vehicle charging across our locations and beyond. The first example of this is in the form of a 50kW rapid charger at the Merrion Centre, the first of its kind in central Leeds. We are developing plans to offer EV charging capability as a B2B and B2C service in the parking, retail and commercial sectors
- We have grown our internal EV network by 25% – new EV bay locations include 7 Whitehall Road, Leeds, Rickmansworth, and further increased our provision in Clipstone Street, London branch
- CitiPark launched its own mobile app available on both iOS and Android. Developed fully in house and directly integrated with our parking management systems throughout the portfolio, the app brings ease and convenience to our customers, allowing them to either pay for their parking or pre-book a space
- We continue to invest in our pre-booking system, creating a new customer account portal, allowing customers to amend, cancel and refund their bookings all online, in real time, without the need for our customer service team to action this on their behalf, improving service and generating cost saving to the business
- The commencement of the John Lewis car park management contract for the new Cheltenham store – read more on page 45
- We continue to uphold the highest standards expected for our brand and parking standards by achieving Park Mark status for both Rickmansworth and the John Lewis, Cheltenham branches, meaning that all of our branches now have this status.
- Increased investment in PropTech:
  - We made a $500k equity investment in WiredScore, a US based company that provides a commercial real estate rating system that empowers landlords to understand, improve and promote their buildings' digital infrastructure
  - We currently hold a 15% equity stake in YourParkingSpace.co.uk, an internet and app-based business that matches customers to available car parking spaces across the UK. The company is in the process of a further round of fundraising that could see TCS convert an element of its debt funding to the business to new equity, increasing our share to over 20% (read more in the Financial Review on page 58).
- We continue to look for innovative ways to be environmentally responsible and recently ran a programme in Leeds exchanging plastic bottles for recycling for parking discounts (see page 48).

John Lewis management contract

In October 2018, CitiPark partnered with leading UK retailer, John Lewis, to manage a fully renovated car park in Cheltenham serving their new flagship store.

The CitiPark-run car park has 345 spaces, spread across five-storeys. As part of the renovations, the car park was fully rebranded with the CitiPark branding, which includes updated wayfinding, internal and external signage. There are 12 'Click and Collect' parking bays which entitles John Lewis customers free parking to collect online orders. This is managed through our digital validation system, which is directly integrated with our parking management system.

The car park employs the latest smart solutions such as ANPR (Automatic Number Plate Recognition) technology to ensure the customer journey is as quick and hassle-free as possible. Shoppers are also able to pre-book and pay for their parking at the Cheltenham branch via the CitiPark app, further improving customer satisfaction for both CitiPark and the retailer.

The branch boasts round-the-clock customer support, either on-site or remotely via our 'Engine Room' in Leeds. Other products and services offered include season tickets, YourParkingSpace.co.uk integration, permits and discounted partnership parking for JL&P staff.

This is a significant new venture for CitiPark and represents an excellent way to expand the CitiPark presence, offering the best of our technology innovation and management capability to retailers and other parties.

Whilst we manage the car park and employ the staff, all costs plus our management fee are recharged back to John Lewis. In addition, we have a revenue sharing agreement in place once the operation reaches set revenue thresholds.

We see this as a significant opportunity for future growth and are currently pursuing other live opportunities.

Strategic Report
Corporate Governance
Financial Statements
Shareholder Information

Operating responsibly

Our Corporate and Social Responsibility Report

TCS is focused on the impact that our business has in the core communities that we operate and the impact that we have on the environment. We have an extensive CSR and sustainable energy programme and throughout the coming year we will develop a sustainability framework that is aligned to, and embedded in our corporate strategy.

Our approach to sustainability is built around four focus areas which address the major social, economic and environmental trends that we can influence.

Page 47

We strive to make a positive contribution locally and be considered an integral part of our local communities.

Communities

Page 49

We strive to create a positive, fulfilling, and safe environment for our colleagues to work in.

Colleagues

Customers

We strive to create and curate places that support the productivity and wellbeing of our customers and occupiers.

Page 49

Environment

We strive to operate responsibly and to minimise our environmental impact.

Page 50

Operating responsibly: **Communities**

We contribute to a broad range of local causes, with charities focused on children and young adults particularly close to our hearts. We complement our support for longstanding partners with standalone initiatives.

Tour de Yorkshire project

BusinessDesk Masters Awards

Coordinated by our Head of Corporate Social Responsibilities, Charlotte-Daisy Leeming, our work last year raised a total of over £150,000 in charitable donations (FY18 £145,000). In addition to our financial contributions, we gave the opportunity to our Head Office staff to support directly, by offering them time off to volunteer as part of our employee involvement programme. We also helped to raise awareness of specific causes throughout the year by lighting up CitiPark and Arnold's Restaurant in a particular charity's colours. Examples in the year included World Aids Day, Pancreatitis Awareness Day, Diabetes Awareness Day, Children's Cancer Month, Mental Health Awareness Week and Autism Awareness Month.

Engaging young people

We firmly believe that supporting children and young adults ensures a brighter future for our communities, hence our work with local schools and children's charities has always been at the heart of our philanthropic activity.

During the year we continued our well established relationship with the Ahead Partnership social enterprise by hosting a competition for local school children. The children were asked to create an event to increase footfall in the Merrion Centre. The entrants were assessed on a range of skills, including their ability to stick to a budget, their creative advertising and their market research, by a panel of judges including our own Chairman. The winners were awarded money for their school.

Aside from our ongoing support of our core charities, we are proud to have helped bring the First Give programme to Yorkshire in our role as the main sponsor. First Give works with Year nine children to encourage them to give their time and energy to deserving local causes, helping them develop valuable skills in the process.

We sponsored the Young Fundraiser Award for Candlelighters, the Yorkshire-based charity that supports the families of children suffering from cancer. Along with MIND (a mental health charity), Candlelighters was the beneficiary of the money raised from our Tour de Yorkshire project that saw PureGym provide static bikes in the Merrion Centre for our employees and passers-by to use. In total we cycled 582 miles in one day. We also sponsored The Yorkshire Children of Courage Awards and the PhyCap Yorkshire Three Peaks Challenge.

Our close connection to Leeds Cares continued with our agreement to provide sponsorship for the distribution of the children's book 'Cones' to children in Leeds General Infirmary. We are also sponsoring the charity's new owl mascot. Working with Child Friendly Leeds, we will be asking local school children to design and name the new mascot.

Supporting vulnerable adults

During the year we launched a community service day for all Head Office staff to take part in.

Operating responsibly continued

Operating responsibly: **Communities** continued

Winner Sasha Gill (17) of Sock n Roll and from Leeds Grammar School

Celebrating Leeds Pride

We trialled the initiative with a number of senior staff members, who volunteered at St. George's Crypt, a charity that supports the homeless and vulnerable of Leeds.

We also began a relationship with Tempus Novo, a charity that helps former offenders to find work, the most influential factor in reducing rates of reoffending. We hosted the charity's first annual dinner at Arnold's and recruited two of their candidates.

Family events at the Merrion Centre

Two of our team are actively involved in fundraising with the Yorkshire and North West Regional Boards of LandAid, a property charity which supports young homeless people.

Encouraging sustainability

To complement the work we do to minimise the Company's environmental impact (see pages 50 to 52), last October we held The Merrion Centre Goes Green event to mark National Recycling Week. With different themes over five days ('Reduce', 'Reuse', 'Recycle', 'Rejuvenate' and 'Renew'), we invited in specialist external companies to raise awareness among tenants and visitors of how to improve rates of recycling. During the same month, our CitiPark customers were able to pay for their parking at our Merrion Centre branch using plastic bottles, with each bottle equivalent to 20p of parking value. The campaign was a great success and generated broad media coverage.

Half of the bottles we collected were used by St. George's Crypt for their Poppy Appeal. The remainder were used by local school children, who were charged with designing a feature to discourage people from using single-use plastic. All of the entries were displayed in the Merrion Centre, and the winners won a voucher for their school, work experience at our head office and a personalised water bottle.

Recognised for contributing

Although not the reason for our community involvement and work with charities, it is gratifying to be recognised for our contributions. We were delighted to win the Yorkshire Business Master Awards for Contributing to the Community, and were thrilled that Charlotte-Daisy Leeming was highly commended in the British Property Federation's BPF Futures Community Engagement Award.

Operating responsibly: **Colleagues**

We have a relatively small team at our Head Office and pride ourselves on how we treat our employees.

Human rights

Although we do not have a separate Human Rights Policy, a respect for human rights is implicit in our employment practices and our engagement with third parties.

Health and safety

We are committed to providing a safe and secure working environment, in our own offices and in our properties, particularly those – such as the Merrion Centre – where we maintain an on-site management function. We have an established Group health and safety policy, which is approved by the Board annually, and we review health and safety issues and incidents at every Board meeting. Lynda Shillaw is the Board member with this responsibility, and she is supported by specialist external advisers.

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

Work environment

We continually look for opportunities to improve the work environment for our staff. In the past year we have renovated our Leeds head office to create of more modern and comfortable work environment, with live planting, living walls and break out areas.

In addition, we have improved benefits in the year for head office staff, improving Company pension contributions above statutory requirements, and introducing a health insurance policy.

We are committed to learning and development and are supporting colleagues through Chartered Surveyor and Chartered Accountant qualifications. We have also given work experience opportunities to local students.

Diversity is important in our business with a 70/30 male to female split across the whole business and a 52/48 split within the Property division.

Operating responsibly: **Customers**

We are focused on creating and maintaining great environments for our customers and occupiers across our office, retail and car parking assets.

From the curation of space in our shopping centres to continue to offer variety and special events, to the creation of vibrant new areas such as the Arena Quarter we strive to continually improve our offer. In an estate like ours there is inevitably some crossover between our Customer, Community and Environmental initiatives. Some examples of what we are delivering for our customers are:

- Investment in improving the look, feel, accessibility and security for users of our car parks
- Roll out of the CitiPark app to enable customers to conveniently pre-book and pre-pay for their parking
- Roll out of EV chargers across our car park estate
- Curating the mix of local and small food and beverage operators alongside national names in the Arena Quarter, bringing variety and vibrancy to a previously quiet corner of the estate and providing a mix which appeals to the surrounding international student community
- Working with tenants e.g. PureGym to bring wellbeing and fitness classes into Merrion
- Running a programme of events throughout the year in Merrion for our customers.

Operating responsibly continued

Operating responsibly: **Environment**

This section of the report outlines our approach to date on those aspects of the environment that we can influence and some of the key initiatives that we have delivered.

Electric car charging

This report does not include metrics for the whole of our estate, since the majority of it is let to third party tenants who are responsible for the generation of, and reporting on, their environmental footprint. We have chosen to highlight our environmental work on the Merrion Centre, our largest and most complicated asset.

Our Approach

Across our business our key environmental focus to date has been on sustainable energy usage in three key areas:

1) Buildings

- We aim to design and deliver buildings that:
  - Are capable of achieving the WELL Building Standard, reflecting our commitment to the health, wellbeing and productivity of the spaces that we create
  - Integrate high standards of environmental design so that the impact on the natural world is minimised and wherever possible delivers positive environmental benefits.
- We target the BREEAM Excellent in our new office developments and a minimum of BREEAM Good in office refurbishments.
- Sustainable materials, full lifecycle models and energy efficiency are part of our project evaluation process for development and refurbishment works in our estate.
- All of our buildings have had EPC assessments and we monitor and seek to improve EPC ratings through the lifecycle of the building.
- We aim to ensure that the construction process minimises disruption and nuisance to surrounding communities and occupiers by employing contractors who meet the standards of the Considerate Constructors Scheme.

2) Generation

- We have three of our own solar photovoltaic farms in Leeds and Manchester, which in FY19 avoided over 110 tonnes of carbon dioxide.

3) Vehicles

Through our CitiPark business we have a unique lens into the consumer's use of electric vehicles and are taking considerable steps forward in increasing the provision of EV charging for customers' electric vehicles. Projects include:

- Installation of EV charging across our car park estate and as part of new developments
- Introduction of our first rapid charger at Merrion in Leeds
- CitiPark plans to introduce an emission-based parking tariff. This is currently being trialled in one of our London branches.

And

- CitiPark were awarded 'Go Ultra Low' company status in December 2017 recognising CitiPark's commitment to EV vehicles within its own fleet.

The Merrion Centre produced 538 tonnes of waste in total last year, which is a reduction of 3% over the previous 12 months. 23% of the total waste produced this year was recycled and 77% was sent to an ERF.

The Merrion Centre

Sustainability plays an important role in both the running and decision-making process within the Merrion Centre, and we strive to reduce our impact on the environment and on our carbon footprint. Initiatives include:

Waste Initiative

The Merrion Centre's waste management strategy allows both tenants and customers the opportunity to reduce, reuse and recycle, as well as dispose of waste in a sustainable way. The great work with our stakeholders and service partners has continued this year, and for the first full year our bespoke service enabled 100% of the waste produced by the Merrion Centre to be diverted from landfill with the waste either being recycled or sent to a local Energy Recovery Facility (ERF). Using a local firm also cuts down on CO_2 emissions from vehicles.

Sustainability Projects

We have had a busy year in Merrion and delivered a number of initiatives to improve sustainability. These include:

- Roofing upgrade across the Centre – this continued over the past 12 months with the installation of 600sq metres of Europolymers insulation system, which has improved energy usage and helped us to meet our EPC targets.
- Power distribution – following last year's power scheme development initiative we established an action plan that will see our distribution system upgraded in key areas, in line with our energy initiative directive. The plan includes:
  - The installation of an additional ISU for the purpose of EV charging
  - Removal and replacement programme of an aged distribution system that can be more efficiently managed
  - Removal of three aged metering systems, reconnected onto a new BEMCO
  - Replacement of the remaining car park lighting with LED options.


Ariel view of the Merrion Centre

Strategic Report
Corporate Governance
Financial Statements
Shareholder Information

Operating responsibly continued

Operating responsibly: **Environment** continued

The Merrion Centre goes green initiative

- This year saw the further refurbishment of areas of the Wade Lane and Merrion Street malls, including replacement of shop fronts and ceilings, and lighting being upgraded to LED. The plan for the coming year is to continue this upgrade further along the malls.
- We continue to upgrade lighting to LED in the offices and common areas.
- Working in conjunction with CityConnect, we secured a grant towards the creation of additional secure bicycle facilities. Hydraulic cycle racks along with lockers and changing facilities are currently being installed.
- The toilet refurbishment programme continues, and we have introduced sustainable initiatives where possible:
  - We have installed Encore cisterns, which draw two thirds of their water supply from condensate pumps in the air conditioning, thereby reduce our mains water consumption. The system is BREEAM and LEED compliant
  - We continue to operate an Ecocap system in the Town Centre House toilets, which saves water and money whilst protecting the environment, being a fully biodegradable product. From using the Ecocap system in Town Centre House, in the past year we saved approximately 300,000 litres of water
  - We installed no touch infrared sensor taps, which are water efficient and more hygienic.
- The first Merrion Goes Green week was held in October 2018, a platform to promote all things sustainable and environmental. The themes were Reduce, Reuse, Recycle, Rejuvenate and Renew, working with Merrion Centre stakeholders, tenants and local focus groups to raise awareness and reiterate our commitment.

Utilities

Following further progression of our energy saving initiatives we delivered a 28% reduction on electrical consumption, notwithstanding the development of the centre, saving £23,691 which was passed back to our tenants. Through other initiatives we also achieved a 15% saving on gas and water consumption at Merrion.

Greenhouse gas (GHG) emissions statement

In accordance with the Companies Act 2006, Town Centre Securities is required to measure, monitor and report its greenhouse gas (GHG) emissions profile.

To achieve this, the GHG calculation and reporting methodology follows the Greenhouse Gas Protocol ('operational approach') and the DEFRA Environmental Reporting Guidelines (2013). The boundary for reporting includes emissions from all sources under direct control, grouped under: Scope 1 (direct) GHG emissions from owned assets; and Scope 2 (indirect) GHG emissions from supplied electricity and gas to office space over the reporting period (July 2018 to June 2019).

This is the first year that TCS has disclosed its CO_2 emissions profile. As a result, we will use 2018/19 data as the baseline from which to provide comparable year-on-year data in future reporting.

As a property investment company, emissions from sources such as company vehicles, production processes and combustion sources are minimal and therefore not deemed material (see description below). Emissions from properties leased to customers have been excluded as they do not fall within the scope of the GHG Protocol's operational approach requirements. A full list of additional estimates and assumptions can be found in the descriptions below this table.

	2018/19
Emissions type (kg of CO_2e)	
Absolute values	
Scope 1 (direct)[1]	–
Scope 2 (indirect)[2]	59,007
TOTAL	59,007
Carbon intensity 13 (kg of CO_2 per m² area)	
Scope 1 (direct)	–
Scope 2 (indirect)[3]	34.97
TOTAL	34.97
Carbon intensity 24 (kg of CO_2 per full time-equivalent employee)	
Scope 1 (direct)	–
Scope 2 (indirect)[4]	6,003
TOTAL	6,003

1) Although TCS does not combust fuels, we do own a small fleet of eight company vehicles. As the majority of these vehicles are either fully electric vehicles or petrol hybrids (six out of the eight), emissions from these sources are minimal and therefore not reported as part of our emissions profile.

2) Indirect (Scope 2) GHG emissions from supplied electricity and gas are based on actual energy consumption values. Estimates have been provided for the electricity usage during the last six months of the financial year for our Duke Street office, and the final month for our Town Centre House office.

3) CO_2 per m² area: Based on an office size of 8,311 m² across two owned offices. The downsizing of our Town Centre House office space from 8,800 m² to 6,500 m² has been included within our calculations.

4) CO_2 per full time employee (FTE): Based on 35.7 FTEs in our Town Centre House office, Leeds and 4 FTEs in our Duke Street office, London.

Financial review

The Company has continued to strengthen its underlying financial position.

We made progress towards our aim of reducing our exposure to the retail sector and unlocking future growth through our development pipeline.

Mark Dilley
Group Finance Director

TCS has a proud history of focusing and delivering on long-term shareholder return, and – consistent with this – the activity of the past year was undertaken with long-term value creation in mind.

EPRA earnings in the year were 7.9% lower than last year. Despite that we continued to deliver a fully covered dividend, proud of our 59-year history of maintaining or improving the dividend. This year we propose holding the dividend constant at 11.75 pence, delivering a 6.4% yield based on the share price as at 13 September 2019.

The table on page 55 highlights the key financial measures over the past five years. It is clear that 2019 was a challenging year for the Company financially driven by the unrealised devaluation of our retail assets. In addition, it is disappointing to see Total Shareholder Return at such a level for the year. This is all driven by the significant, and in our minds unfounded, deterioration in our share price. Our fully covered dividend, our well-funded balance sheet, our development pipeline, and the fact that we continue to invest in the long-term future of TCS are testament to the underlying strength of the business.

	2015	2016	2017	2018	2019
Gross Revenue £m	22.7	26.3	27.5	30.2	31.2
EPRA Profit £m	6.5	6.6	7.0	6.9	6.4
Statutory Profit after Revaluation £m	24.0	11.9	6.7	18.4	(12.5)
NAV per Share p	344	357	359	384	354
Total Property Return	12.2%	7.8%	6.0%	9.4%	1.3%
Total Shareholder Return	19.1%	(3.9%)	9.6%	3.2%	(25.0%)
Loan to Value	49.7%	49.2%	49.3%	47.5%	49.4%
Gearing	95.5%	95.0%	96.5%	92.1%	92.5%
Absolute borrowing £m	179.1	185.8	188.9	192.6	182.0

Income Statement

EPRA Earnings for the year ended 30 June 2019 were £6.4m, down on the prior year profit of £6.9m.

£'000s	FY19	FY18	YOY
Gross Revenue	31,189	30,178	3.4%
Property Expenses	(11,600)	(10,896)	6.5%
Net Revenue	19,589	19,282	1.6%
Other Income / JV Profit	1,649	2,084	(20.9%)
Administrative Expenses	(6,857)	(6,574)	4.3%
Operating Profit	14,382	14,792	(2.8%)
Finance Costs	(8,025)	(7,887)	1.7%
EPRA Earnings	6,356	6,905	(7.9%)

Segmental	FY19	FY18	YOY
Property			
Net Revenue	13,970	13,850	0.9%
Operating Profit	9,725	10,307	(5.6%)
CitiPark			
Net Revenue	5,387	4,979	8.2%
Operating Profit	4,425	4,032	9.7%
ibis Styles Hotel			
Net Revenue	231	453	(49.0%)
Operating Profit	231	453	(49.0%)

Financial review continued

Income Statement continued

There were six key drivers of the reduction in profit year on year:

- Retail CVAs, administrations and bad debt write offs: £0.4m. During the year eight tenants entered into CVAs or administration. See page 27 for details
- Investing in our assets: £0.2m. During the year we saw a level of income reduction as we took the opportunity of leases coming to an end to invest in and improve our assets. In the short term this had the effect of reducing rental levels, but will create future value. Milngavie in Scotland is the most significant example (see page 17)
- ibis Hotel and Restaurant: £0.2m. Whilst the hotel room performance was robust, we were disappointed by the performance of the rebranded restaurant. We have now launched a new more mass-market offer, with a focus on the bar facilities
- Admin expenses: £0.3m. On top of inflationary cost rises we experienced a number of one-off costs, primarily for professional services relating to financing costs and renewing old certificates of title for our development land
- Other income: £0.4m. This was lower year on year due to a significant one-off dilapidation payment from Homebase in the prior year, and also the interest effect of the new Merrion House financing agreement, which is consolidated into our accounts within other income
- LIBOR increase: £0.2m.

These reductions were partly offset by the timing benefit of purchasing The Cube ahead of selling Rochdale Retail Park.

Gross Revenue:

Gross revenue was up £1.0m or 3.4% year on year, with key drivers being:

- Acquisitions including The Cube in Leeds and Ducie House in Manchester, ahead of the sale of Rochdale Retail Park in January, gave a net benefit of £1.1m, accounting for 3.7% points of the increase
- Organic growth of £0.6m or 5.5% in CitiPark, accounting for 2.1% points of the increase
- These increases were partly offset by the impact of CVAs and bad debt of £0.4m year on year
- In addition, the effect of the former Homebase property in Milngavie being vacant for almost the whole year further reduced income by £0.2m year on year.

Property Expense:

At a total Company level property expenses were up 6.5% or £0.7m year on year. Key drivers of this underlying increase were:

- Property: our recent acquisition, Ducie House has a higher level of operating expense than the rest of our portfolio. Due to the nature of the property - most leases have historically been fully inclusive of costs with no service charge. This accounted for £0.3m or 3.0% points of the increase
- CitiPark: greater operating expenses accounted for 2.2% points of the increase, although these rose below the level of revenue growth, improving cost leverage
- ibis Hotel: operating expenses were £0.1m higher year on year, driven primarily by the change in restaurant operation, part of which was a one-off payment to terminate our agreement with Marco Pierre White's operating company. This accounted for 0.7% points of the increase.

Other / JV Income:

Total Other / JV income was down 20.9% or £0.4m year on year. This is explained by two key items:

- Income from joint ventures was down £0.1m year on year driven by the onset of the financing agreement in respect of Merrion House, where our share of income is reduced by the effective interest cost
- Last year we received £0.3m of income from Homebase as a result of dilapidations charges following their vacating our property in Milngavie, which was understandably not repeated in FY19.

Administrative Expenses:

Administrative costs were up 4.3% or £0.3m year on year. The increase was primarily driven by staff costs, where the combination of annual pay awards, the joining of our new Property Director and a provision release in the prior year drove costs up £0.4m year on year. This was partly offset by the halving of the bonus accrual to £0.25m as a result of performance.

In addition, professional costs were circa £0.1m higher year on year, driven primarily by additional legal work required to renew Certificates of Title for our development land, following last year's renewal of our bank loan facilities.

Finance Costs:

Finance costs were 1.7% or £0.1m higher year on year. Despite the receipt of £26.4m following the Merrion House refinancing, the combination of purchasing The Cube ahead of selling our Rochdale Retail Park asset and the increase in LIBOR drove higher interest costs in the year.

Balance Sheet

Our total non-current assets (including JVs) of £370.2m (2018: £407.2m) include £337.9m of investment properties (2018: £376.1m) and £30.7m of non-current car parking assets (2018: £29.6m). The Merrion Centre car park is included in the investment property asset value. The car parking assets include £4m (2018: £4m) of goodwill arising on business combinations.

It is worth noting that the largest single factor that reduced the value of our non-current assets was the financing of Merrion House. Previously the Investment in Joint Ventures value reflected the full value of our share of the Merrion House joint venture vehicle. The reduction in value of £27.3m is due to the distribution received from the joint venture following Leeds City Council's forward payment of 25 years of discounted rent.

We continued to invest in our properties with a total of £3.7m of capital expenditure during the year, including £1.3m into the Merrion Centre and £1.5m net into the redevelopment of our property in Milngavie. We also invested £0.4m into our Burlington House Joint Venture. Capital recycling comprised £14.0m of sales and £17.0m of purchases.

Along with other cash movements this resulted in a decrease in borrowings from £192.6m to £181.9m.

The property and car parking balances reflect valuation losses of £18.3m in respect of the investment and development properties, no movement in respect of joint ventures and gains of £0.7m in respect of car parks (which includes a gain of £0.5m which is shown in the Statement of Changes in Equity as other comprehensive income).

Protecting income through flexibility

Demonstrating:

Innovative financing arrangement enabling portfolio flexibility.

Snap shot:

TCS raised £26.4m leveraging Merrion House, enabling the acquisition of The Cube in Leeds ahead of selling Rochdale Retail Park, thereby protecting income in the year.

The background:

Following the completion of the redevelopment of Merrion House in Leeds, in joint venture with Leeds City Council (LCC), LCC took occupation of the building in early 2018, using the building as their main public facing office building on a new 25-year lease, with built in five-yearly CPI uplifts.

In order to leverage the asset TCS entered into an innovative financing arrangement with LCC where they effectively advanced 25 years of discounted base rent in July 2018, providing TCS with £26.4m of working capital. The inflationary rental increases will still apply, providing TCS with further cash funds from year five onwards.

The problem to be solved:

TCS was keen to sell Rochdale Retail Park, a strongly rented but ex-growth asset where valuation was coming under pressure. However, yielding income of £1.15m per annum, the business wanted to ensure this income was suitably replaced, with little or no loss of income in the year.

The solution:

The working capital provided by the Merrion House financing allowed TCS to purchase The Cube for £12.0m (see Strategy in Action page 16) three months ahead of selling Rochdale for £13.2m.

This positive timing resulted in a positive net revenue effect of over £0.6m in the year, as well as the disposal of an ex-growth asset and the purchase of a strategically important one.

Strategic Report
Corporate Governance
Financial Statements
Shareholder Information

Financial review continued

Balance Sheet continued

Borrowings:

As reported in last year's Annual Report, we extended or renewed all of our banking facilities in 2018. There have been no changes since that point meaning that we remain with three RCF facilities as follows:

- Lloyds: A £35m three-year facility with the opportunity for two one-year extensions, with the three-year element expiring in June 2021. We also have a £5m overdraft facility
- NatWest/RBS: A £33m three-year facility expiring in April 2021
- Handelsbanken: A £35m five-year facility expiring in June 2023.

These facilities, combined with a £106m long-term debenture scheduled to expire in 2031, give the Company a good level of certainty over its funding over a long time frame.

In addition, again as reported in last year's Annual Report, we finalised a funding arrangement with Leeds City Council whereby they paid upfront their 25 years of rental payments at a discount for their occupation of Merrion House. TCS received £26.4m in July 2018 (see case study on page 57).

We have sought to lower our Loan to Value (LTV) levels in recent years, making good progress whilst still investing in our portfolio. It is disappointing to see LTV increase to 49.3% at the 30th June 2019. This was unfortunately fully due to the reduction in valuation of the portfolio seen in the last year. The like-for-like reduction in valuation of £13.8m in the year had a 3.7% point impact on LTV levels, which would otherwise have shown a continuing reduction in leverage. Looking at cash debt levels in the above summary table it can be seen that, at £182m, net borrowing levels were lower than in any of the past three years.

Future financial considerations

A number of commercial and accounting considerations are currently being assessed by the Company that are worthy of comment:

Yourparkingspace.co.uk (YPS)

The business currently owns a 15% stake in YPS, and accounts for it as an investment. We hold no significant influence over the company at the reporting date. We review the value of our investment for balance sheet purposes, and from an income perspective look at dividends paid. To date, we have determined that the value of our investment remains consistent with our quantum invested, and with no dividends paid we have not reflected any income.

However, YPS is in the process of undergoing a potential further fundraising, and as part of our existing arrangement with YPS we have the ability to increase our equity stake on the basis of the original valuation. We also have the ability to convert part or potentially all of our loan to YPS into equity on the basis of the new fund raise valuation. These two possibilities may increase our equity share to more than 20%. This would require us to account for the investment on an equity basis. Should this fundraising be successful, we would envisage it having a positive effect on our balance sheet valuation given the expectation that the new fundraising exercise will highlight a significant increase in value of the Company. However, at the year end, this outcome remains uncertain and the current carrying value is management's best estimate of fair value. We also however expect this accounting approach to depress EPRA Earnings in the near term as a result of the current loss-making status of this start up.

None of this affects the FY19 accounts, but it is possible in the future that we will need to report on an adjusted EPRA Earnings figure to enable investors to understand performance of the underlying Company on a like-for-like basis.

IFRS16

We will have to apply IFRS16 (lease accounting) for the year ended June 2020. We have a small number of leased operational car parks. We are in the process of finalising our review of the impact of IFRS16.

Future P&L events

As highlighted elsewhere in this report, we have not escaped the impact of CVAs and administrations from retail tenants, and, given the current climate, it is prudent to assume that this risk will continue. Our experience to date suggests that the strength and diversity of our assets will enable re-letting with minimal or no medium-term income loss, although we would expect continued short-term impacts to income and value (see page 27).

The situation with regards to the uncertainty around retail property reinforces our intention to continue to recycle retail assets and to identify the most appropriate use of the proceeds. Whilst we have been able to protect the income line this year with the purchase of The Cube ahead of the sale of our Rochdale Retail Park site, it is unlikely that we will be able to continue to repeat this, and therefore it is likely that we will see income impacted as we work our way through a continued sale of retail assets.

Going concern and headroom

One of the most critical judgements for the Board is the headroom in the Group's bank facilities.

This is calculated as the maximum amount that could be borrowed, taking into account the properties secured to the funders and the facilities in place. The total headroom at the end of June 2019 was £26.1m (2018: £10.6m), which was considered to be sufficient to support our going concern conclusion.

Total shareholder return and total property return

Total shareholder return of minus 25.0% (2018: +3.2%) was calculated as the total of dividends paid during the financial year of 11.75p (2018: 11.50p) and the movement in the share price between 30 June 2018 (288p) and 30 June 2019 (205p), assuming reinvestment of dividends. This compares with the FTSE All Share REIT index at minus 5.2% (2018: +9.8%) for the same period.

Despite the long-term improvement in dividend payments, the material reduction in share price in the past 12 months has significantly impacted our reported total shareholder return in the year and in the five and 10 year reported figure.

Total shareholder returns % (CAGR)

Total shareholder returns	1 Year	5 Years	10 Years
Town Centre Securities	(25.0%)	(0.6%)	9.9%
FTSE All Share REIT index	(5.2%)	4.5%	10.9%

Total property returns	TCS	MSCI Quarterly index
Retail	(1.7)	(4.0)
Retail Warehouses	5.6	(5.5)
Shopping Centres	(3.4)	(8.8)
Offices	3.1	4.6
All Property	1.3	3.1

(12 months ending June 2018)

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

Total Property Return for the business for the reported 12 months was 1.3% (2018: 9.4%). This compared to the MSCI/IPD market return of 3.1% (2018: 9.3%).

A key driver of the All Property MSCI index being higher that TCS is due to the strong market performance of Industrial property of which TCS has only a small amount of.

Mark Dilley
Group Finance Director

Risk report

Likelihood	Impact	Change from 2018
H High	H High	Improved
M Medium	M Medium	No Change
L Low	L Low	Worsening

Protecting value by identifying and managing our principal and emerging risks is an integral part of our operations.

Risk management

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

The business has a number of formal meetings during the year where risk assessment is a core element of the agenda. We pay particular attention to new and emerging risks, in order to ensure we put in place actions which attempt to remove or reduce risk before it occurs. In recent years, in particular, we had identified the risk of retail tenant failures and the increase in CVAs and Administrations. We use our formal meeting structures to identify emerging risks, as well as highlighting existing risks. These meetings include but are not limited to:

- **Annual Strategy Review** – Begins with a review of key risks facing the business and a review of how the strategy will best mitigate those risks.
- **Bi-annual Audit Committee** – Undertakes a formal review of the risk register and mitigating action plans.
- **Quarterly IT & Data Governance Committee** – Chaired by the Group Finance Director, this Committee of senior management reviews IT- and data-specific risks and ensures that key risks are understood and managed. Includes a review of adherence to the GDPR regulations.
- **Monthly Board Meetings** – Each meeting includes a review of financial performance, debt levels and banking covenants, an IT update, and a review of the papers and actions from the Property Review Group (see below).
- **Monthly Property Review Group** – A meeting of the Executive Board and senior Property and Finance management, tasked at undertaking a review of the Property Portfolio. This includes occupancy levels, tenancy changes, adherence to payment terms and bad debt levels, and Health and Safety and IT related matters.
- **Monthly CitiPark Board Meeting** – A meeting of the Executive Board and senior CitiPark, Property, and Finance management, tasked at reviewing the performance of the CitiPark business, including key risks and areas such as IT and Health and Safety.
- **Joint Venture Board Meetings** – Formal Board structures and quarterly Board meetings are in place for the Company's two main joint venture companies, Merrion House LLP and Belgravia Living Group Ltd.
- **YourParkingSpace.co.uk ('YPS')** – Following investment in YPS, TCS Board Directors sit on the Board of YPS, which meets formally on a bi-monthly basis.

Principal Risks and Uncertainties

Risk	Likelihood	Impact	Mitigation	Movement
MACROECONOMIC RISKS				
Economic and Political Outlook **A broad economic downturn, potentially as a result of Brexit, or broader cyclical reasons could result in tenant failures, falling asset values, rising debt costs, or less debt availability.**	H	M	An economic downturn at some point in the cycle is inevitable, with the risk accentuated as a result of Brexit. TCS would not escape the impact of an economic downturn, however specific mitigating factors for TCS include: • Rents paid in advance • Market leading level of occupancy and a long history of ensuring on-time payment by tenants • Avoidance of speculative developments • Concentrated portfolio of car parks in highly sought-after locations • Bank agreements renewed or extended last year ranging from two to four years in length, and the long-term debenture accounting for c 60% of our debt.	◀▶
CORPORATE RISKS				
Strategy **The Company's strategy could be inappropriate for the current stage of the property cycle and the economic climate, resulting in lower profits and therefore a pressure on dividend and shareholder return.**	L	H	The Board undertakes regular reviews of the strategy and believe the following help mitigate risk: • All key decisions are reviewed and approved at Board level • The strategy of developing diverse multi-use sites and lowering exposure to retail • The experience and expertise of the team, particularly in relation to the property markets of Leeds and Manchester • The presence of the Ziff Concert Party ensures a strong alignment of management and shareholder aims.	◀▶
People **The inability to attract and retain high calibre staff, affecting the ongoing success of the Company.**	L	H	The Company benefits from the long service of a number of key individuals, including family members of the Concert Party, which helps guarantee stability. In addition: • Base salary packages are kept competitive within the market • The Remuneration Committee reviews succession plans and pay levels annually • New recent appointments, including at Board level, demonstrate the attractiveness of the business to new recruits at all levels • Continued financial success combined with the development opportunities of the business make the Company attractive to new recruits.	◀▶

Risk report continued

Likelihood	Impact	Change from 2018
H High	H High	Improved
M Medium	M Medium	No Change
L Low	L Low	Worsening

Principal Risks and Uncertainties continued

Risk	Likelihood	Impact	Mitigation	Movement
CORPORATE RISKS CONTINUED				
Systems, Processes and Financial Management **Weak controls putting at risk the protection of the Company's assets and ability to deliver on its strategy, resulting in financial loss, fraud, and suboptimal returns. Risk to data and systems as a result of cyber-attacks.**	M	H	The Company has a strong culture of safeguarding assets, being conservative in its approach, and using professional experts to ensure risk levels are low: • IT systems are supported in house, and more services are being moved to the cloud • A new property and accounting IT solution has been implemented in the last few years to ensure we remain well controlled in this respect. This is in the process of being upgraded and moved into the cloud • Financial processes relating to cash are tight, robust, and reviewed regularly. Clear and separated authorisation processes are in place and robustly adhered to • Insurance policies are fully in place to safeguard assets • Staff are trained in all aspects of cyber security and penetration, and phishing tests are carried out to test for weaknesses • A summary of the internal financial control review processes can be found in the Audit Committee report.	Improved
GDPR **Financial and reputational risk arising from a breach of GDPR regulations, potentially resulting in fines and damage to customer trust.**	M	H	Given the nature of the business we do not hold significant amounts of customer data, with the CitiPark business our highest risk area. That said, the Company has taken seriously the requirements of the legislation and has implemented a detailed action plan that has been reviewed at Board level. Key aspects include: • Updated all Privacy related statements and policies • Trained all staff on theirs and the Company's responsibilities • IT and Data Governance Committee in place, meeting quarterly, to oversee all aspects of GDPR and wider cyber security.	Improved
Regulatory and Tax Framework **Non-compliance with tax, legal, or regulatory obligations could result in financial penalties, reputational damage, and higher levels of cost.**	L	H	The Company takes its legal responsibilities seriously. Matters are reviewed regularly at Board and Audit Committee level, and the Company makes use of third-party professional services to ensure compliance. Actions include: • Link Company Matters engaged as formal Company Secretary to provide advice and recommendations to the Company and attend Board meetings • PwC are engaged as the Company's tax advisors and are tasked with ensuring we remain compliant in all aspects of tax • The Corporate and Criminal Offences legislation (CCO) is a key consideration and a workshop has been held to ensure risks and mitigating actions are clearly understood.	No Change

Risk	Likelihood	Impact	Mitigation	Movement
CORPORATE RISKS CONTINUED				
Major Incident/ Business Disruption **Cost and business down-time as a result of a major incident. This risk is primarily associated with the Merrion Centre, due to its importance to the portfolio and as the location of Company's head office.**	L	H	The provision of insurance across the portfolio is the main mitigation to this risk, with policies in place to protect income as a result of disruption. In terms of disruption to the head office the following actions are in place: • Key personnel have laptops to enable remote working • Back up procedures are in place to ensure minimal loss of data in the event of damage to IT hardware • IT audit has recommended further protections, which we are in the process of putting in place.	No Change
PROPERTY RISKS				
Investment Risk **New investment opportunities cannot be sourced at economic prices.**	M	L	The Company has clear plans in place to minimise the impact of this risk, including: • The Company typically targets assets of higher value than sought by individual investors, but lower than many larger property or overseas investors • The Company looks to build strong relationships with partners to generate opportunities that can be exploited together. For example, our Belgravia Living PRS venture • The existing portfolio has enough development potential to provide growth opportunities even if asset purchase prices rise.	No Change
Development Risk **Development projects may exceed cost estimates and/or newly developed properties may fail to rent. The scale of such projects means they are of material size to the Company.**	M	H	The Company has numerous actions in place to mitigate such risks including: • Build projects are generally contracted with third parties on a fixed cost basis • Where possible, the Company seeks to undertake a development where there is a significant level of pre-let commitments • Where that is not possible, (e.g. PRS residential investments) a detailed market analysis will be undertaken, and the Company will ensure that locations are in high demand and that target rental levels are achievable • When in Joint Venture, formal Board structures are created with at least quarterly meetings to review progress and performance, and to ensure that all development risks are being managed appropriately.	Worsening

Risk report continued

Likelihood	Impact	Change from 2018
H High	H High	Improved
M Medium	M Medium	No Change
L Low	L Low	Worsening

Principal Risks and Uncertainties continued

Risk	Likelihood	Impact	Mitigation	Movement
PROPERTY RISKS CONTINUED				
Valuation Risk **A material devaluation in assets.**	M	M	The key mitigation to this risk is ensuring there is enough headroom in terms of uncharged assets of undrawn, charged facilities. Key actions include: • All three bank facilities renewed or extended in June 2018, extending the life of the facilities to between three and five years from that point • All three facilities now able to take development and car park assets, maximising our drawdown ability. In addition, Lloyds facility has removed any cap on such assets • Asset cover in the long-term debenture can drop from the required 1.67x to 1.5x without triggering a covenant break • The Company recycles assets believed to be at greatest risk of devaluation • The Company recycles assets believed to be at greatest risk of devaluation.	Worsening
Tenant and Sector Risk **Individual tenant failures, or exposure to a specific sector.**	H	M	There have been an increasing number of CVAs and administrations within the Retail sector. TCS are taking a number of actions: • Since 2016 the Company has significantly reduced its exposure to Retail from 70% to 50% of value at June 2019 • Now a mixed-use asset, the Merrion Centre now depends upon Mall Retail for less than 25% of its income • We have a diversified tenant base, and limited exposure to individual tenants. Our top tenants are Leeds City Council, Waitrose, Morrisons and Pure Gym • CitiPark income helps further mitigate the reliance on specific property tenants.	Worsening
FINANCING RISKS				
Capital and Financial Risk **The Company has insufficient funds /lines of credit.**	L	H	The majority of mitigating actions are contained with the Valuation Risk category above. In addition: • The Board reviews cash balances, forecast cash flow, borrowing levels and headroom on a monthly basis • The Company demonstrated during the last downturn the strength of its conservative approach and longstanding relationships with its banks.	No Change
Cost of Debt **Rising debt costs.**	H	M	The following actions help mitigate the risk to the Company: • More than 50% of debt is in the form of fixed, long-term debenture borrowing in place to 2031 • Having renewed or extended all three bank facilities in June 2018, bank margins are locked in for three to five years from that point • The Company has a significant amount of income to interest headroom • The Board takes moving Libor rates into account when considering three-year budgets and affordability.	No Change

Viability Statement

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

The Board's review considered a three-year future period, consistent with the three-year budgeting process that the Company undertakes annually. The three-year perspective allows the business to review cash flows, dividend cover, borrowing headroom and other key financial ratios, and requires the business to have clarity on its approach to bank financing over a longer period. The review also considers alternative scenarios.

In taking this longer term perspective, the Board considers the risks covered in this Risk Management review. In particular the key risks identified are:

- Changes in the macro-economic environment affecting rental income levels and property values
- Changes in the level of Tenant and Sector risk affecting occupancy levels and lettings
- Changes in availability of capital, affecting committed expenditure and investment transactions.

The Board has also taken into consideration the current financial position and the secure, recently updated debt facilities.

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

Going Concern

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

Based on the above, the Directors continue to adopt the going concern basis in preparing the accounts for the year ended 30 June 2019.

This Strategic Report and the information referred to herein was approved on behalf of the Board on 24 September 2019.

Dr. Edward Ziff OBE DL
Chairman & Chief Executive

Corporate governance

Town Centre Securities PLC became a listed company 59 years ago and has over that time provided strong returns to shareholders.

Image: Founder, Arnold Ziff

Strategic Report
Corporate Governance
Financial Statements
Shareholder Information

Corporate governance
Introduction from Chairman

> **As Chairman, I take my responsibilities for ensuring strong corporate governance very seriously and it has been an area of focus for the Board this year...**

Dr. Edward Ziff OBE DL
Chairman & Chief Executive

As Chairman, I take my responsibilities for ensuring strong corporate governance very seriously and it has been an area of focus for the Board this year particularly following the introduction of the 2018 UK Corporate Governance Code (the 'Code').The Board has been looking on how it can best implement the Code given the Company's particular structure.

The Board has undertaken a review of its structure and composition. There are currently three independent Non-Executive Directors who, as well as contributing invaluable support and guidance, offer significant challenge to me and the other Executive Directors. The Board has focused on longer term strategy during the year and the Non-Executive Directors have provided robust challenge which has been particularly important given the difficulties of the market at present.

Following the retirement of Richard Lewis last year, the Board were delighted to welcome Lynda Shillaw, formally of Manchester Airports Group, to the Board as Group Property Director. Lynda is our first female Property Director and the Board recognises the benefits of having a diverse Board and intends to continue to address as opportunities arise to do so.

We try wherever possible to comply with the Principles set out in the UK Corporate Governance Code.

However, the Board takes a pragmatic approach and because of the size and nature of the Company, does not apply all the Code's Principles. The Board keeps this under review and decisions on these matters are made by the Board bearing in mind the best interests of all shareholders. Last year, I reported that we recognised the need to keep up with required changes in the reporting around Corporate Governance, continuing to increase our level of disclosure. This year, we have taken a further step forward and with the support of Link Company Matters Limited as Company Secretary and the use of other external experts we continue to strengthen our governance processes and reporting.

As mentioned earlier, we have begun implementation of several changes following the introduction of the 2018 UK Code of Corporate Governance. Corporate Governance arrangements will continue to be a key focus for the Board going forward and regular reviews undertaken to ensure compliance to the fullest extent, where practicable.

We report below in more detail why the Board continues to believe that it is appropriate for the roles of Chairman and Chief Executive to be combined. Clearly, the Board is aware that this is not in compliance with the Code and recognises that a number of shareholders will have concerns about this. It is a matter which the independent Non-Executives have discussed during the year and will continue to keep under review. The presence on the Board of key executive management provides the Non-Executive Directors with direct access to these major functions rather than through the Chief Executive. In addition, the three independent Non-Executives are extremely rigorous in their review of my performance as Chairman focusing on ensuring the Chairman:

- demonstrates objective judgement and promotes a culture of openness and debate
- facilitates constructive Board relations and the effective contribution of all Non-Executive Directors.

The independent Directors are firmly of the view that my holding the combined role of Chairman and Chief Executive continues to be in the best interests of the Company. Whilst the combined role remains appropriate for the time being, with my being in a unique position – my father having founded the Company and the Ziff family being the largest shareholder overall – the Board will continue to review the situation on a regular basis.

I also wanted to take the opportunity to directly address the issue concerning the number of independent Non-Executive Directors. Currently less than at least half the Board are independent (as required by the Code). Again, this is a matter which the independent Directors have reviewed and concluded that given the size of the Company, three independent Directors is appropriate and that to change the composition of the Board would either impact Board effectiveness or add unnecessary cost. This is a matter that will be kept under review and is covered specifically in the Board evaluation exercise.

Dr. Edward Ziff OBE DL
Chairman & Chief Executive
24 September 2019

Corporate governance continued

Board of Directors

COMMITTEES
- ● Remuneration Committee
- ● Nominations Committee
- ● Audit Committee

Executive

Dr. Edward Ziff OBE DL
Chairman & Chief Executive

APPOINTED
03 / 1985

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

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

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

Edward's position as son of the founder of the TCS and his lifelong experience working at different levels in the business make him uniquely qualified to lead the Company. In addition, the wider role he plays in the Leeds community in particular, support leading this proudly Leeds based business.

Lynda Shillaw ACMA
Group Property Director

APPOINTED
11 / 2018

PROFILE
Lynda joined the TCS Board in November 2018 from Manchester Airports Group (MAG) where she had served as the Divisional Chief Executive Officer, Property from 2014. Lynda was a member of the MAG Executive Committee. Prior to MAG, Lynda has been Director of Real Estate at Scottish Widows Investment Partnership, Managing Director and Global Head of Corporate Real Estate for Lloyds Banking Group, Managing Director of Co-Operative Estates, and Director of Property at BT plc. Lynda holds Non-Executive Director positions on the Board of the Crown Estate and VIVID housing association.

Lynda's broad property experience, and in particular her success in formulating and delivering large scale ventures, makes her a valuable member of the Executive Board. In addition, her time spent in Banking and her original accounting qualification further strengthen the value she adds.

Mark Dilley ACMA
Group Finance Director

APPOINTED
07 / 2017

PROFILE
Mark joined the Board in July 2017 from Asda Stores Limited (part of Walmart) where he held a number of senior finance roles over 14 years, including latterly as Vice President, Retail and Property Finance where he was responsible for all Asda stores and distribution centres as well as the new store acquisitions. Prior to Asda, Mark held senior finance positions at JP Morgan in London for six years, and began his career at Unilever. Mark is a graduate of the University of Oxford and is a qualified accountant.

Mark's chartered accounting qualification clearly underpins his ability to deliver in his role as Group Finance Director. In addition, his previous roles as a senior commercial finance business partner ensure he is able to guide and add value in the operational aspects of the business as well as having input in to the strategic direction the business takes.

Ben Ziff
Managing Director CitiPark & TCS Energy

APPOINTED
09 / 2015

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

Ben's long and close involvement with the business ensures he is always able to take the wider, cross business long-term view. In addition, his wide knowledge of the rapidly changing effects of technology ensures that we are able to take advantage of new ways of doing business across both the Property and Car Parking parts of the Company.

Non-Executive

Michael Ziff Hon DUniv (Brad)
Non-Executive Director ●

APPOINTED
07 / 2004

PROFILE
Dr Michael Ziff was appointed to the Board in July 2004. He is a Director of W Barratt & Co Ltd, Transworld Business Advisors UK Ltd and London Business Franchise & Brokerage Ltd. He is President and a trustee of Maccabi GB and International Vice President of Maccabi World Union. He is also Hon President of UK Israel Business and Member of Council at the University of Bradford.

Michael's lifelong involvement with the Company and his retail experience puts him in a unique position to understand TCS and give counsel based on the founding principles of the business and the importance of taking a long-term strategic view.

Ian Marcus FRICS
Non-Executive Director ●●●

APPOINTED
12 / 2014

PROFILE
Ian Marcus was appointed to the board in January 2015. He spent over 32 years as an investment banker latterly at Credit Suisse. Ian is Trustee of The Princes Foundation, a Crown Estate Commissioner and a member of Redevco's Advisory Board. He is Senior Advisor to Eastdil Secured, the Senior Independent Director for Secure Income REIT, the Senior Independent Director for Shurgard Self Storage SA, Senior Advisor to Elysian Residences, and Advisor to Work.Life. Ian is also President of Cambridge University Land Society. He is a former chairman of the Bank of England Commercial Property Forum and a Past President of the British Property Federation.

Ian's significant experience in the Property and Corporate Finance worlds give him an experience base and a network that can valuably inform, guide and support TCS both in making day to day operational decisions, and in setting the long-term strategic direction of the business. He has broad remuneration experience which supports his role as Chair of the Remuneration Committee.

Paul Huberman FCA CTA
Non-Executive Director ●●●

APPOINTED
12 / 2014

PROFILE
Paul Huberman was appointed a Director in January 2015. He brings over 30 years' experience in the property and finance sector. Paul was previously Finance Director at three quoted companies. He is currently a Non-Executive Director of Galliard Homes Limited, a London housebuilder, a Non-Executive Director at LiFE At Ltd, a multi-branch London based residential estate agency, a Non-Executive Director at a privately-owned property group, and a Non-Executive Director at The Industrial Dwellings Society (1885) Ltd, a housing association. He also sits on the Advisory Board for London Resort Company Holdings Ltd, the developer of a major theme park in north-west Kent. Recently, Paul was a Non-Executive Director at GRIT Real Estate Income Group Ltd and a Non-Executive Director at JCRA Group Ltd, the holding company of JC Rathbone Associates Ltd.

Paul's previous experience as Finance Director of a number of quoted businesses, and his on-going work in the real estate arena mean that he can robustly challenge and scrutinise the financial affairs of the business, leading the Audit Committee, as well as contributing meaningfully to the broader operational and strategic activities of the Company.

Jeremy Collins
Non-Executive Director ●●●

APPOINTED
02 / 2018

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

Jeremy's wide experience base as a property professional, particularly in the Retail field, puts him in a strong position to help TCS really understand the challenges of owning retail property during a period of such significant change. His guidance on the changing face of retail combined with the importance creating mixed-use communities plays an important role in the Company's strategic planning

Corporate governance continued

Board of Directors

Details of the Board of Directors are given on pages 70 and 71 of this report. At the end of the year the Board comprised four Non-Executive Directors, three of whom are independent and four Executive Directors, including the Chairman and Chief Executive.

The key roles and responsibilities are as follows:

Chairman and CEO: Edward Ziff OBE DL

- Ensure a robust decision making process is in place and all appropriate information is provided to the Board in a timely manner
- Setting the Board agenda, focusing on strategic matters and giving adequate time to other key issues as required
- Managing the Board to allow time for discussion of complex or contentious issues
- Ensuring the Board discharges its responsibilities with respect to Risk Management and Governance, promoting high standards of Corporate Governance
- Effective communication with shareholders and other stakeholders
- Leadership of the Board and the Company
- Successful achievement of objectives and execution of strategy
- Responsible for identifying and recruiting Board members
- Ensure long-term business sustainability
- Ensure implementation of Board decisions.

Property Director: Lynda Shillaw

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

Managing Director: Ben Ziff

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

Finance Director: Mark Dilley

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

Senior Independent Director: Paul Huberman

- Supporting the Chairman and CEO's delivery of objectives
- Leading the Non-Executive Directors in the oversight and evaluation of the Chairman and CEO
- Being available to shareholders to express concerns that the normal channels have failed to resolve or which would be inappropriate
- Taking responsibility for an orderly succession process for the Chairman were it to be required.

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

In accordance with the UK Corporate Governance Code the Board considers that Jeremy Collins, Paul Huberman, and Ian Marcus to be independent and confirm that they:

- have not been an employee of the Company or Group during the prior five years;
- have not had any material business relationship with the Company or has been a Director or a senior employee of a body which has had such a relationship with the Company;
- have not received or receive remuneration from the Company other than Directors fees, nor do they participate in any Company Share Plan, nor is a member of the Company's pension scheme;
- do not have close family ties with the Company's advisors, Directors, or senior employees;
- have no cross Directors or significant links with other Directors through involvement in other companies and bodies other than that referred to below;
- do not represent a significant shareholder; and
- have not been a Director of the Company for more than nine years since their first appointment.

Ian Marcus and Lynda Shillaw are independent Non-Executive Directors of The Crown Estate. The Board has carefully considered this and discussed the matter with both Ian and Lynda in order to gain a full understanding of how each exercise their duties as Board members of The Crown Estate. The Board concluded that this situation does not impair Ian Marcus's independence.

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

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

During the year Ian Marcus was appointed as workforce representative in anticipation of the requirements of the 2018 UK Corporate Governance Code.

The full Board met 10 times in the year and the record of Directors' attendance at the Board meetings is set out overleaf. This year the Board met twice specifically to review the strategic direction of the Group. The Board manages overall control of the Group's affairs in accordance with the schedule of matters reserved for its decision. These include the approval of Financial Statements, business plans, all major acquisitions and disposals, risk management strategy and treasury decisions.

The Board has established two divisional Boards, the Property Review Board (eight meetings in the year) and CitiPark Board (six meetings in the year), which comprise Executive Directors and senior. The Board has delegated responsibility to the divisional Boards for assisting the Executive Directors on measures relating to the Board's strategies and policies, operational management and the implementation of the systems of internal control, within agreed parameters.

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

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

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

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

Corporate governance continued

2018 UK Corporate Governance Code (the 'Code')

As part of the Company's commitment to good corporate governance a review of compliance with the 2018 Code was undertaken and areas of non-compliance identified. The Board has undertaken several changes to comply with the 2018 Code and several other actions remain ongoing. Detail on compliance with the Code is provided on page 76.

Listing Rules

In accordance with listing rule 9.8.4 R the following information has been disclosed as set out below.

Listing Rule requirement	Location
A statement of the amount of interest capitalised during the period under review and details of any related tax relief.	Not Applicable
Information required in relation to the publication of unaudited financial information.	Not Applicable
Details of any long-term incentive schemes.	No such long-term incentive plans
Details of any arrangements under which a Director has waived emoluments, or agreed to waive any future emoluments, from the Company.	No such waivers
Details of any non pre-emptive issues of equity for cash.	No such share allotments
Details of any non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking.	No such share allotments
Details of parent participation in a placing by a listed subsidiary.	Not applicable
Details of any contract of significance in which a Director is or was materially interested.	No such contract
Details of any contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder.	No such contract
Details of waiver of dividends by a shareholder.	No such waiver
Board statement in respect of relationship agreement with the controlling shareholder.	Directors' Report, page 93

Performance of the Board

An evaluation of the effectiveness of the Board, its committees and Directors has been undertaken. Given the size of the Board and nature of the business the Directors performed an internal board evaluation. The Board decided not to undertake an external Board evaluation this year but will keep the matter under review.

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

The evaluation of the performance of individual Directors was undertaken by the Chairman and Chief Executive and the performance of the Chairman and Chief Executive was evaluated by the Non-Executive Directors led by the Senior Non-Executive Director, taking into account the views of the Executive Directors. The independent Non-Executive Directors met at least once during the year without the Chairman and non-independent Directors.

Committees of the Board

Nomination Committee	Audit Committee	Remuneration Committee
Edward Ziff (Chair)	Paul Huberman (Chair)	Ian Marcus (Chair)
Ian Marcus	Ian Marcus	Paul Huberman
Paul Huberman	Jeremy Collins	Jeremy Collins
Jeremy Collins		
Michael Ziff		

Attendance

Board Meetings

Executives		Non-Executive	
Edward Ziff	10	Michael Ziff	10
Mark Dilley	10	Ian Marcus	10
Lynda Shillaw	7*	Paul Huberman	10
Ben Ziff	10	Jeremy Collins	10
Richard Lewis	4		

Audit Committee Meetings

Paul Huberman	2
Ian Marcus	2
Jeremy Collins	2

* There have been seven Board meetings since Lynda Shillaw was appointed to the Board on 20 November 2018.

Town Centre House, Leeds

Corporate governance continued

Statement of compliance with the UK Corporate Governance Code

The UK Corporate Governance Code (2016) ('the Code') can be found on the FRC's website: frc.org.uk. Under the Code, the Board is required to make a number of statements. These statements are set out below:

1. Compliance with the Code:

As a Company listed on the London Stock Exchange Town Centre Securities PLC is subject to the requirements of the Code. The Board is required to comply with the Code and, where it does not, explain the reasons for non-compliance. The Board has been taking steps to ensure that it complies with the new UK Corporate Governance Code published in 2018 and will report against that version of the Code next year including information on how Directors have performed their duties under section 172 of the Companies Act 2006.

Statement of compliance with the Code

The Board has considered the principles and provisions of the Code, published by the Financial Reporting Council ('FRC'). The Board of Directors has complied with the Code throughout the year except for the following matters:

UK Corporate Governance Code	Provision	Explanation of departure from the Code
Provision A.2.1	The roles of the Chairman and Chief Executive should not be exercised by the same individual.	The Board acknowledges that the appointment of Edward Ziff as Chairman and CEO and his tenure depart from the UK Code. Edward Ziff became Chief Executive in 2001 and succeeded his Father and Founder of the Company as Chairman in 2004. The Board unanimously agreed that, for a number of reasons, including cost efficiency, that taking on both roles would be in the Company's best interests. The Board is focused on the commercial success of the Company and believes that continuing the combined position of Chairman and Chief Executive is the best way to achieve this. Furthermore, the Board noted the contributions which have been made by Edward Ziff in delivering the strategy of the Company, whilst utilising his position to act as an ambassador for the Company. The Independent Directors meet at least annually in a private session chaired by the Senior Independent Director to consider the governance of the Company including the division of responsibilities for the Chairman and CEO. Edward Ziff will stand for re-election at all future Annual General Meetings in accordance with the 2018 Code requirements.
	Chair not to remain in post for more than nine years.	Edward Ziff is Chairman and CEO which the Board feels is in the best interest of the Company. Due to this combined role Edward Ziff is not considered to be independent. The Board believes that the valuable experience provided by Edward Ziff continues to benefit the Company.
Provision D.1.5	Notice or contract periods should be set at one year or less.	The Chairman and Chief Executive has a service contract with a notice period greater than one year. Given the role and experience of the Chairman and Chief Executive, and his deep knowledge of the Company, the Board believes the longer notice period continues to be appropriate.
Provision B.1.2	At least half the Board, excluding the Chairman to be independent.	The Board noted that less than half of the Board is considered to be independent. The composition of the Board is regularly reviewed to ensure that there in an appropriate balance of skills and experience. The Board currently comprises four Non-Executive Directors.
	To review each Non-Executive Director's time commitment.	The Board has a conflict of interest register which is tabled at meetings and regularly reviewed by the Board. The Board and Nomination Committee will meet as required to review any significant changes to membership.

2. Going Concern:

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

The Directors are satisfied that the Group has adequate resources to continue to be operational as a going concern for the foreseeable future and therefore have adopted the going concern basis in preparing the Group's 2018 financial statements. More details can be found in the Risk Report on page 60 and the Director's Report on page 93.

3. Viability Statement:

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

The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years. Our Viability Statement can be found in the Risk Report on page 65.

4. Principal Risks facing the Group

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

A robust assessment of the principal risks facing the Company was undertaken during the year, including those that would threaten its business model, future performance, solvency or liquidity. These risks and how they are being managed or mitigated can be found in the Risk Report starting on page 60.

5. Risk Management and Internal Control

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

The Board conducted a review of the effectiveness of the systems of risk management and internal control during the year, and considers that there is a sound system in place. More detail can be found in the Audit Committee Report on page 80.

6. Fair, balanced and understandable

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

The Directors consider, to the best of each person's knowledge and belief, that the Annual Report, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. This is considered in the Audit Committee Report on page 82 and the Statement of Directors' Responsibilities on page 95.

Relations with Shareholders

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

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

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

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

Dr. Edward Ziff OBE DL
Chairman & Chief Executive
24 September 2019

Nomination Committee report

for the 2019 Annual Report

I am pleased to continue to act as Chairman of the Nomination Committee.

Dr. Edward Ziff OBE DL

Chairman of Nomination Committee

Dear Shareholder,

I am pleased to continue to act as Chairman of the Nomination Committee. The other members of the Committee are Jeremy Collins, Ian Marcus, Paul Huberman and Michael Ziff. The Committee therefore comprises a majority of independent Directors. The Committee formally met once during the year.

Responsibilities of the Nominations Committee

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

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

Committee Members

Edward Ziff (Chair)
Ian Marcus
Paul Huberman
Jeremy Collins
Michael Ziff

Read biographies of the committee members on pages 70 and 71

Work of the Committee during the year

Lynda Shillaw formally joined the Board in November 2018 as Property Director following a detailed search process with support of Thomas Cole Kinder, an executive search firm. Thomas Cole Kinder had previously been used in the appointment of Mark Dilley as Group Finance Director. The Board were delighted to appoint someone of Lynda's experience.

The effectiveness of the Board, its committees and Directors was reviewed as part of the September Board proceedings. More detail can be found in the Directors' Report on page 93.

Following changes in the Corporate Governance Code the Board has now agreed that all members be put forward for re-election every year. Biographies of the Board members can be found on page 70.

Diversity

The Board embraces the supporting principles on diversity in its broadest sense: diversity of skills, background, experience, knowledge, outlook, approach, gender and ethnicity. In addition, the Company has regard for diversity in recruitment at all levels.

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

All Board appointments are made on merit and we are pleased that the appointment of Lynda Shillaw as Property Director was an important step towards the Board becoming more diverse.

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

Edward Ziff

Chairman of Nominations Committee

Audit Committee report

for the 2019 Annual Report

> **I am pleased to present the report of the Committee for the year ended 30 June 2019.**

Paul Huberman
Chairman of Audit Committee

Dear Shareholder,

As Chairman of the Audit Committee ('the Committee') I am pleased to present the report of the Committee for the year ended 30 June 2019.

The Audit Committee consists of three of the Board's Independent Non-Executive Directors. As Chairman of the Audit Committee I am a qualified Chartered Accountant and experienced senior finance executive having been Finance Director of three different listed companies, and more recently as a Non-Executive Director at Galliard Homes and Grit Real Estate Income Group. Ian Marcus has a breadth of experience in Investment Banking, and as a Non-Executive Director with past Audit Committee responsibilities. Jeremy Collins is also a member of the Committee, bringing valuable experience from his prior roles, including as Property Director at John Lewis. The Board is therefore satisfied that at least one member of the Audit Committee has recent and relevant financial experience. The Committee as a whole has relevant sector experience.

Executive Directors, including Edward Ziff and Mark Dilley, join Committee meetings by invitation but are not members of the Committee. The Committee meets alone with the External Auditor without Executives present at least twice a year.

The Audit Committee carries out an annual review of its Terms of Reference. This year the Terms of Reference were amended to reflect some changes required to ensure the Committee's role is fully compliant with the new UK Corporate Governance Code which it recommended to the Board were amended in order to reflect best practice. This is available to view on the Company's Website.

Committee Members

Paul Huberman (Chair)
Ian Marcus
Jeremy Collins

Read biographies of the committee members on pages 70 and 71

Responsibilities

The Committee's role includes assisting the Board to discharge its responsibilities and duties for financial reporting, internal control, management of risk and the appointment, reappointment and remuneration of an independent external Auditor.

The Committee is responsible for reviewing the scope, terms of engagement, and results of the audit work and the effectiveness of the Auditor. The Committee is responsible for monitoring the integrity of the financial statements, announcements and judgements, as well as reviewing the Company's internal financial controls. The Committee also satisfies itself of the Auditor's independence and objectivity, reviews and approves the level of non-audit services, and the Group's arrangements on whistleblowing. Any matter the Committee considers needs action or improvement is reported to the Board. In addition, the Committee continues to review annually whether an internal audit function is required.

Report on the Committee's activities during the year

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

- Reviewing the Group's draft Annual Report and financial statements and its interim results statement prior to discussion and approval by the Board
- Reviewing the continuing appropriateness of the Group's accounting policies
- Reviewing BDO's plan for the 2019 Group audit and approving their terms of engagement and proposed fees
- Reviewing reports prepared by management on internal control issues as necessary
- Considering the effectiveness, objectivity and independence of BDO as external Auditor and recommending to the Board their reappointment
- Reviewing management's biannual risk review report and the effectiveness of the material financial, operational and compliance controls that help mitigate the key risks
- Reviewing the effectiveness of the Group's whistleblowing policy
- Monitoring the level of non-audit fees and the scope of non-audit services provided in the year by the Auditor
- Considering management's approach to the viability statement in the 2019 Annual Report
- Reviewing and updating the terms of reference of the Audit Committee
- Carrying out an annual performance evaluation exercise and noting the satisfactory operation of the Committee.

Audit Committee report continued

for the 2019 Annual Report

Significant issues considered in relation to the financial statements

During the year, the Committee considered key accounting matters and judgements in respect of the financial statements. The Committee received detailed reporting from the Finance Director and BDO in respect of key areas of management judgement and reporting. Using BDO's assessment of risk and the Committee's own independent knowledge of the Company, estimates and judgements of management in relation to the preparation of the financial statements were reviewed and challenged. The significant accounting matters and judgements related to:

- Investment Property Valuation – The Committee reviewed the reports of the independent valuers JLL and CBRE
- Treatment of property sales and acquisitions in the year
- The investment in YourParkingSpace.co.uk (YPS), and the accounting treatment required to meet fair value requirements – The Committee agreed that the current carrying value reflects fair value, although this will be kept under regular review
- The future accounting treatment of YPS, and the fact that should the Company's share exceed 20%, it would be highly likely that the P&L and Balance Sheet of YPS would have to be fully consolidated (pro rata) into the financial statements of TCS. The Committee agreed with the judgement that the Company did not hold significant influence over YPS given the 15% shareholding at the balance sheet date
- Going concern and covenant compliance – The Committee reviewed and approved the Going Concern analysis
- Viability Statement and appropriateness of period of the statement – The Committee reviewed and agreed the longer-term viability analysis and recommended timeframe. As part of this process a number of stress scenarios were provided to the Committee. The assumptions behind those scenarios were robustly examined
- Accounting treatment in relation to Merrion House Financing – The Committee reviewed the analysis provided by management with the advice of third parties, and approved the approach of treating the transaction as a loan for accounting purposes. The Committee also reviewed advice received by the Company on any tax implications of this arrangement.

Fair, balanced and understandable

In its review the Audit Committee has determined that the 2019 Annual Report, taken as a whole, is fair, balanced and understandable and provides shareholders with the necessary information to assess the Company's position and performance, business model and strategy.

Risk Management and Internal Controls

The UK Corporate Governance Code provides that the Directors should monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and should report to shareholders in the Annual Report. The monitoring and review should cover all material controls, including financial, operational and compliance controls. The Board recognises that effective risk management is critical to the achievement of the Group's strategic objectives, and the Audit Committee plays a key role in reviewing identified risks and assessing the effectiveness of mitigation plans.

The principal risks and uncertainties identified by the Board and the processes in place to manage and mitigate such risks are summarised in the Risk Management section. It will be noted in the Risk Management section that three areas of risk have been identified as having worsened in likelihood in the past year; those being Development, Valuation Risk, and Tenant & Sector Risk. All three effectively driven by a combination of the challenging environment for Retailers, and the protracted uncertainty regarding Brexit. Whilst the Company has demonstrated mitigating actions regarding these risks, including reducing the proportion of retail assets within the portfolio, there is no doubt that the risk environment has worsened.

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

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

- A comprehensive system of financial budgeting and forecasting based on an annual budget in line with strategic objectives. Performance is monitored and action is taken throughout the year based on variances to budget and forecast
- Rolling 18-month cash flow forecasting that is reviewed by the Board on a monthly basis
- An organisational structure with clearly defined roles, separation of duties, and authority limits
- Close involvement of the Executive Directors in day to day operations, and regular formal meetings with senior management to review the business
- Monthly meetings of the Executive, the Property Review Group, the CitiPark Board, and quarterly meetings of the IT and Data Governance Committee
- A documented appraisal and approval process for all significant capital expenditure
- Approval by the Board for all material acquisitions, disposals and capital expenditure
- The maintenance of a risk register, and a formal review of significant business risks twice a year
- A formal whistleblowing policy and anti-bribery policy.

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

Oversight of the external Auditor

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

Current UK regulations require rotation of the lead audit partner every five years, a formal tender of the auditor every ten years and a change of auditor every 20 years. The 2019 audit was the fourth audit by Russell Field and we anticipate him continuing in role in 2020.

BDO presented their audit plan for the year end to the Board, where the key audit risks and areas of judgement were highlighted and the level of audit materiality agreed. BDO presented detailed reports of their findings to the Committee before the Interim and Full Year results. The Committee questioned and challenged the work undertaken and the key assumptions made in reaching their conclusions.

Auditor Independence and Objectivity

The Committee recognises the importance of auditor objectivity and independence and understands that this can be compromised by the provision of non-audit work. All taxation advice is provided separately by PwC. However, there may be certain circumstances where, due to BDO's expertise and knowledge of the Company, it's appropriate for them to under-take non-audit work. The Company has put in place a formal process for agreeing and approving non audit work by the Audit Committee. BDO have confirmed to the Audit Committee that they remain independent and have maintained internal safeguards to ensure the objectivity of the engagement partner and audit staff is not impaired.

Audit fees for the year are broken down as follows:

	£000's
Audit of Year End Consolidated Financial Statements	86
Audit of Company subsidiaries pursuant to legislation	10
Other Audit related services	15
Total Audit Services	**111**
Non-audit services	2
Total Auditor's remuneration	**113**

Auditor Reappointment

The Committee reviewed the effectiveness of the external audit process and the performance of the Auditor and for the reasons stated above, believe that BDO remain independent and recommend that BDO be reappointed as external auditor for the Company. The Committee note the requirements for the external auditor position to undergo tender and propose for this to be undertaken prior to 2025/2026. The Committee has also adopted a new process for evaluating audit effectiveness than it will use to review the FY19 audit.

Internal Audit

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

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

Whistleblowing

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

Committee Evaluation

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

Paul Huberman
Chairman of Audit Committee

Directors' remuneration report

for the 2019 Annual Report

"On behalf of the Board I am pleased to present the Directors' Remuneration Report of the Remuneration Committee."

Ian Marcus
Chairman of the Remuneration Committee

Dear Shareholders,

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

- This annual statement for the year ended 30 June 2019, which summarises remuneration outcomes and how the Remuneration Policy will operate for the year ending 30 June 2020;
- The Remuneration Policy Report, which details the Group's policy on the remuneration of Executive and Non-Executive Directors which was approved by shareholders at the 2017 AGM;
- The Annual Report on Remuneration which explains how the Remuneration Policy was implemented in the year ended 30 June 2019, and how the Remuneration Policy will be implemented for the year ended 30 June 2020.

Committee Members

Ian Marcus (Chair)
Paul Huberman
Jeremy Collins

Read biographies of the committee members on pages 70 and 71

As no changes are being proposed to the Remuneration Policy which was approved by shareholders last year, only the Annual Statement and Annual Report on Remuneration will be subject to a vote at the forthcoming 2019 AGM.

As the Remuneration Policy will not be subject to a vote at the 2019 AGM, the Remuneration Policy report remains unchanged from the policy which was approved at the 28 November 2017 AGM.

We formally met three times during the year.

Pay and performance during 2019

In determining the bonus award levels for the year ended 30 June 2019 the Remuneration Committee have taken full account of the progress made by the Company in the past year. Profitability in the year has been challenged and this clearly has had an effect on bonus awards in the year. In addition, despite the significant asset management initiatives undertaken in the year, NAV has declined driven primarily by the pressure on retail values. Despite the significant progress made in delivering on the longer-term strategy, aimed at delivering long term value for shareholders, the Committee have determined that there should be no bonus paid to the Board members.

Bonus award for year ended 30 June 2019:

The maximum bonus for the Executive Directors was unchanged from 2018 at 60% of base salary. The Committee has determined that there will be no bonus award for Directors for 2019.

Other activities and key decisions of the Committee during the year

In accordance with its terms of reference, the Committee continues to review the Remuneration Policy periodically to seek to ensure a clear linkage between Executive Directors pay and Group performance. In reviewing the policy, the Committee not only assesses the alignment between policy, strategy and shareholder interests, but also the extent to which remuneration is sufficiently competitive to recruit, motivate and retain key talent. Following a review last year, and as indicated in last year's report, we continue to have the following views and intentions:

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

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

- A more detailed review of the Remuneration Policy is required to focus on reviewing the bonus opportunity and targets, and the potential introduction of an LTIP
- In order for the Committee to give the matter due consideration, it is the Committee's intention to continue this review during the 2019/20 financial year with a view to setting forth proposals for our shareholders to consider at the 2020 AGM or before if appropriate.

Directors' remuneration report continued

for the 2019 Annual Report

Implementation of the Remuneration Policy in 2020

- From October 2019 salaries will increase by 3% for Edward Ziff, 3% for Mark Dilley, 1.75% for Lynda Shillaw, and 15% for Ben Ziff.
- The annual bonus opportunity will remain at a maximum of 60% of salary. The bonus will be based on similar measures to 2019. The weightings, measures and targets will be disclosed retrospectively in our subsequent report, owing to commercial sensitivity.
- Pension and benefits will operate as per 2019.

At the Company's AGM in 2018, 7.71% of shareholders voted against the resolution to approve the 2018 Remuneration Report and, whilst the Committee is pleased that so many shareholders showed their support, the Committee notes that a few shareholders have concerns over aspects of the Company' approach to remuneration. Based on a comment of one proxy advisory body, we understand the concern to be a 20% salary increase in Ben Ziff's salary last year, following on from a 29% increase in the previous year. We commented in last year's report that this increase was on the back of the strong performance of CitiPark, contribution to the business as a whole, and bench marking. Ben's salary is relatively low when compared to main board Directors of peer companies so the Committee considers it important that his salary is competitive. This, together with the fact that the Company does not pay large bonuses or operate any share schemes, we feel justifies the increase in Ben's salary. We have again agreed to increase Ben's salary by 15% for the coming financial year. As in recent years the Committee believes this is appropriate given Ben's continued performance running CitiPark, and given his relatively low pay given he is a member of TCS's PLC Board.

Furthermore, the proxy advisory body noted that pay outcomes at TCS were not well aligned on a three-year basis relative to Total Shareholder Return. We take our responsibility to shareholders extremely seriously, nowhere more than in relation to remuneration. We would highlight the fact that actual bonus pay-out levels have averaged 16% over the last 10 years and, combined with a scheme that has a relatively modest cap of 60% of salary and the lack of an LTIP scheme, we believe remuneration relative to performance has been well, and conservatively, managed. The recent and significant reduction in the TCS share price has distorted the comparisons of remuneration to recent Shareholder Return, however we remain convinced of the positive long term actions that management are taking to create long-term value for shareholders, and that the material discount of the share price to NAV highlights the opportunity.

Edward Ziff and Mark Dilley have between them engaged with a number of shareholders, both family and, where possible, larger independent shareholders. In addition, I am available to any shareholder who would like to discuss their concerns on remuneration throughout the year, not only at the AGM.

Ian Marcus
Chairman of
Remuneration Committee

REMUNERATION POLICY REPORT

Policy Report

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

Fixed remuneration

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

Edward Ziff receives no pension contributions.

The Group makes payments to a defined contribution scheme (or cash equivalent) for Mark Dilley of 13% of salary, Lynda Shillaw of 13% of salary, and for Ben Ziff of 13% of salary.

Variable remuneration

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

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

Service agreements and external appointments

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

Non-Executive Director Remuneration

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

Remuneration of other employees

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

Employees are eligible to participate in the Group bonus scheme and the SIP scheme. The Group makes pension contributions for eligible employees at rates which vary depending on seniority. In the past year the Company has improved pension contributions and introduced a Westfield Health policy for a large number of staff members.

Directors' remuneration report continued

for the 2019 Annual Report

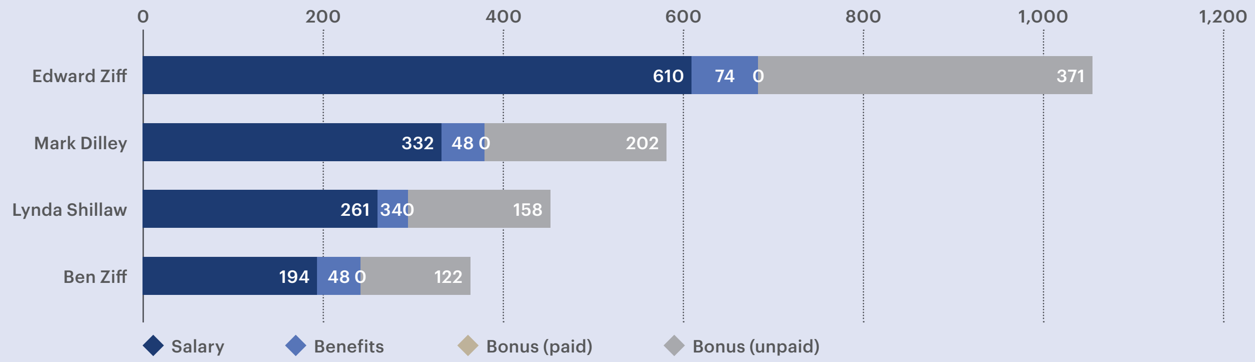
REMUNERATION POLICY REPORT CONTINUED

Consideration of shareholder views

The Group welcomes 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.

Board Remuneration including theoretical maximum bonuses

Year ended 30 June 2019. £'000s



Note: The unpaid element of the bonus represents the difference between the maximum possible bonus award of 60% of salary and the actual amount awarded. Lynda Shillaw joined the Board in November 2018 and therefore the above relates to her eight months of employment.

ANNUAL REPORT ON REMUNERATION

Single Total Figure of Remuneration for each Director

The following table sets out the total single figure of remuneration for each Director for the years ended 30 June 2019 and 30 June 2018.

	Salaries and fees		Bonuses		Taxable Benefits[1]		SIP Shares[2]		Pension contributions[3]		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Executive Chairman and Chief Executive												
Edward Ziff	610	585		235	72	92	2	2		–	684	914
Executive Directors[4]												
Mark Dilley	332	313		128	3	4	2	–	43	41	380	486
Ben Ziff	194	159		76	21	12	2	2	25	21	242	270
Lynda Shillaw	261						–		34		295	0
Richard Lewis	137	326		131	29	25	–	–		–	166	482
Duncan Syers		37		–		9	–	–		4	0	50
	1,534	1,420	0	571	125	142	6	4	102	66	1,767	2,203
Non-Executive Directors[4]												
Michael Ziff	48	47									48	47
Paul Huberman	52	49									52	49
Ian Marcus	52	49									52	49
Jeremy Collins	48	31									48	31
John Nettleton		19									0	19
	200	195	0	0	0	0	0	0	0	0	200	195
	1,734	1,615	0	571	125	142	6	4	102	66	1,967	2,398

Notes:

1 Taxable benefits include cash and non-cash benefits principally company cars or a cash alternative, permanent health and medical insurance premiums. The Chairman and Chief Executive receive re-imbursement of the costs of maintaining a flat in London which is regularly used for company meetings. The value of the benefits are not pensionable.

2 No long-term incentive plan was in operation for the relevant years although Directors were awarded shares under the Company SIP.

3 Edward Ziff received no pension contribution. The Group makes payments to a Defined Contribution scheme (or cash equivalent) for Mark Dilley (13% base salary), Lynda Shillaw (13% base salary) and Ben Ziff (13% base salary).

4 Lynda Shillaw joined the Board, and Richard Lewis retired in November 2018. Duncan Syers and John Nettleton retired from the Board in September and November 2017 respectively.

Notes to the single figure table – Annual bonus targets and outcomes for 2019

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

For the year ended 30 June 2019, the Executive Directors did not receive a bonus pay-out.

Scheme interests awarded during the financial year

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

In May 2019 Edward Ziff, Ben Ziff and Mark Dilley accepted an invitation to participate in the SIP by each agreeing to purchase shares to the value of £1,800, paid between June 2019 and November 2019. 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 2019. For illustration, based on the share price as at 30 June 2019, this would equate to each Director receiving 870 partnership shares and 870 matching shares. In November 2018 Edward Ziff, Ben Ziff and Mark Dilley received 740 partnership shares and 740 matching shares in respect of the 2018 Share Incentive Plan. The total number of partnership and matching SIP shares beneficially held at 30 June 2018 is shown below.

Executive	Holding of Partnership and Matching SIP Shares (30 June 2018)
Edward Ziff	6,432
Mark Dilley	1,480
Lynda Shillaw	0
Ben Ziff	6,432

Payments to past Directors/payments for loss of office

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

Directors' Shareholdings

The table below sets out the shares held by the Directors as at 30 June 2019. There has been no change to this information during the period 1 July 2019 to 24 September 2019.

Executive	Beneficial	Non-beneficial
Edward Ziff	5,483,354	16,086,569
Ben Ziff	300,443	0
Mark Dilley	1,480	0
Michael Ziff	2,539,081	8,105,121

The non-beneficial interest disclosures include the 1,069,278 Ordinary Shares over which a power of attorney has been granted by Mrs ME Ziff jointly to Edward and Michael Ziff for personal estate management reasons and 6,264,665 Ordinary Shares over which a power of attorney has been granted by AL Manning to Edward Ziff for personal estate management reasons. Non-beneficial holdings include shares held in trust and under powers of attorney.

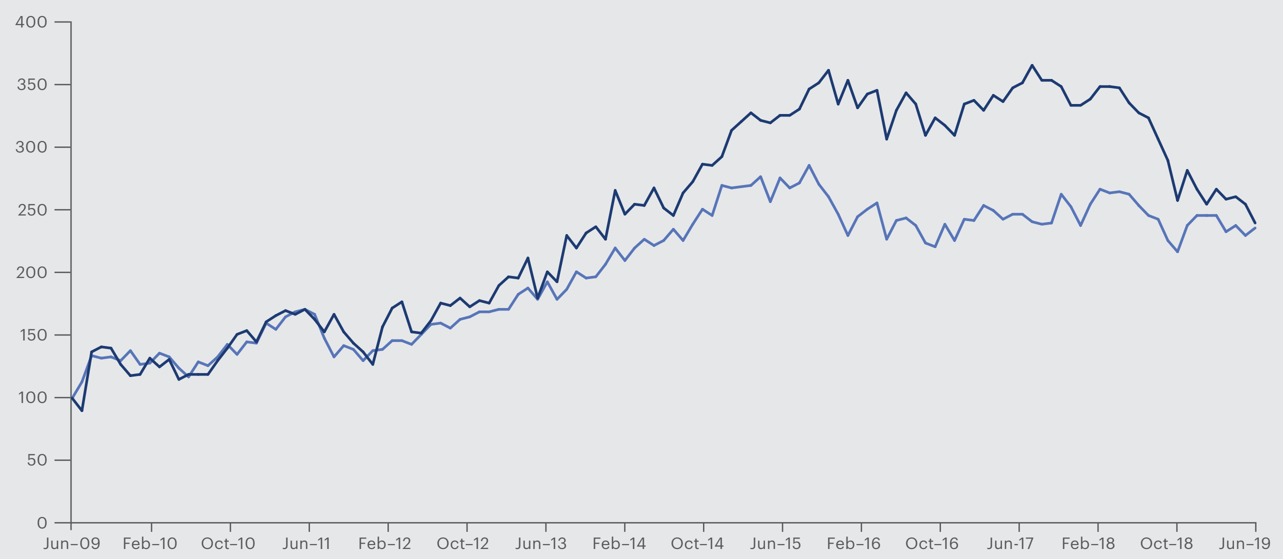
Edward Ziff, Lynda Shillaw and Mark Dilley are Directors of TCS Trustees Limited, Trustee for the shares that are required for the All Employee Share Incentive Plan. At 30 June 2019, TCS Trustees Limited held 89,532 Ordinary Shares (2018: 9,782) on behalf of all participants including those share awards of Executive Directors shown above.

Directors' remuneration report continued

for the 2019 Annual Report

Performance graph and table

The following graph shows the Company's Total Shareholder Return (TSR) performance compared to the FTSE All Share REIT Index, over the nine years ended 30 June 2019. This index has been chosen because the Directors consider it the most appropriate comparison and TCS is a constituent of this list. This chart illustrates the movement in value of a hypothetical investment of £100 in TCS and the FTSE All Share REIT index.



Source: DataStream (Thomson Reuters)

On a five year basis TCS TSR was minus 0.6% versus the FTSE All Share REIT at 4.5%. On a ten year basis TCS TSR was 9.9% versus the FTSE All Share REIT at 10.9%.

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

	Single total figure of remuneration (£'000s)	Annual Bonus pay-out (% of maximum)
2018/19	684	0%
2017/18	914	40%
2016/17	809	20%
2015/16	718	10%
2014/15	782	30%
2013/14	784	33%
2012/13	604	0%
2011/12	672	13%
2010/11	669	23%
2009/10	1,498	0%

Percentage change in remuneration of Executive Chairman and Chief Executive Officer

The table below sets out a comparison of the percentage change in base salary, benefits and bonus of the Executive Chairman and Chief Executive Officer versus the total employee population from 2018 to 2019.

	Executive Chairman and Chief Executive Officer (%)	Average pay for employees[1] (%)
Salary % change	3.0%	4.6%
Taxable Benefits % change	(21.7%)	(33.0%)
Annual Bonus % change[2]	n/a	(7.2%)

1 Average pay for employees is calculated on a like for like basis for comparison purposes.

2 Chairman & Chief Executive's bonus change shown as n/a as it was zero in the year ended 30 June 2019 compared to £235,000 in the prior year.

Relative importance of spend on pay

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

	2018 £'000	2019 £'000	% change
Staff remuneration costs	5,365	5,704	6.3%
Dividends to shareholders	6,114	6,247	2.2%

External appointments

Edward Ziff is the unpaid Chair and Trustee of Leeds Cares. Lynda Shillaw is a Non-Executive Director for Vivid Housing Ltd and The Crown Estate for which she receives £28,000 compensation in total.

Implementation of the Remuneration Policy for 2019

The following table outlines how TCS intends to implement the Remuneration Policy in the year ending 30 June 2020.

Component	Implementation for 2020
Base salary	The Committee has approved the following increases effective from 1 October 2019: • 3% increase for Edward Ziff and Mark Dilley, and 1.75% for Lynda Shillaw • 15% increase for Ben Ziff based on the strong performance of CitiPark, contribution to the business as a whole, and bench marking
Benefits	Benefits provisions will be as per 2019, to include cash and non-cash benefits principally company cars or a cash alternative, permanent health and medical insurance premiums. The Chairman and Chief Executive receive re-imbursement of the costs of maintaining a flat in London which is regularly used for Company meetings
Pension	EM Ziff does not receive a contribution. The Group makes payments to a Defined Contribution scheme (or cash equivalent) for Mark Dilley (13% base salary), Lynda Shillaw (13% base salary), and Ben Ziff (13% base salary)
Annual bonus	Maximum opportunity 60% base salary (unchanged) The measures and weightings applying to the 2020 bonus will be disclosed in next year's report owing to commercial sensitivity
SIP	Executive Directors will continue to participate in the SIP
NED fees	A 3% increase in fees for Non-Executive Directors has been agreed

Directors' remuneration report continued

for the 2019 Annual Report

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee formally met three times during the year and following Directors were members of the Committee during 2018:

- Ian Marcus
- Paul Huberman
- Jeremy Collins.

The key activities of the Committee during the year were:

- Approving the bonus outcome for 2018
- Approving the salary increases for 2019
- Setting the bonus targets for 2019
- Reviewing Service Contracts for continued appropriateness
- Discussing potential structures for a future LTIP scheme
- Reviewing changes to Corporate Governance, and the Committee's approach to those changes.

Statement of voting in relation to the 2018 AGM

	Annual Report on Remuneration
Votes For	92.29%
Votes Against	7.71%

This report was approved by the Board on 24 September 2019 and signed on its behalf by

Ian Marcus
Chairman of the Remuneration Committee

Directors' report

The Directors present their report for the year ended 30 June 2019.

Principal Activities

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

Company Status

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

Results for the year and dividends

The results for the year are set out in the Consolidated Income Statement on page 104.

An interim dividend of 3.25p per share was paid on 21 June 2019 as a PID. The Directors now propose a payment of a final dividend of 8.50p per share comprising a PID of 4.50p per share and an ordinary dividend of 4.00p per share for approval of the shareholders at the forthcoming Annual General Meeting ('AGM'). The proposed final dividend will be paid on 7 January 2020 to ordinary shareholders on the register at the close of business on 6 December 2019.

Non-current assets

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

Investment properties are held at fair value and were revalued by Jones Lang LaSalle and CBRE as at 30 June 2019, on the basis of open market value, or were revalued by the Directors. The key assumptions are set out in Note 12 to the Consolidated Financial Statements. In arriving at the valuation, each property has been valued individually.

Share Capital

There were no changes in the Company's issued share capital during the year as set out in Note 23 to the Consolidated Accounts. At 30 June 2019, there were 53,161,950 Ordinary Shares of 25p per share in issue and fully paid. The Company does not hold any Ordinary Shares in treasury. Further details relating to share capital, including movements during the year, are set out in Note 23 to the financial statements.

Purchase of own shares

The Company repurchased 95,617 shares of its own shares during the year to satisfy Employee Share Incentive Plan ('SIP') Scheme. The Company currently holds no treasury shares.

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

Shareholder Voting Rights

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

The Company has no share option schemes in current operation and there are no unexercised options outstanding at 30 June 2019.

Political Donations

The Group made no political contributions in the financial year (2018: nil).

Taxation

The Company is not a close company.

Directors and Directors' Interests

The Directors of the Company and their biographical details are shown on page 70. None of the Directors have any contracts of significance with the Company. Details of the Executive Directors' service contracts are given in the Directors' Remuneration Report on page 87.

Beneficial and non-beneficial interests of the Directors in the shares of the Company as at 30 June 2019 are disclosed in the Directors' Remuneration Report on page 89. Details of the interests of the Directors in share options and awards of shares can be found within the same report.

In accordance with the Code of Corporate Governance all Directors will retire at the Company's AGM on 25 November 2019 and offer themselves for re-election.

On 20 November 2018 Mr Richard Lewis stepped down as a Director following his retirement and Ms Lynda Shillaw was appointed a Director. Service agreements of Executive Directors and terms of conditions of Non-Executive Directors available for inspection at Company's registered office.

Workforce Engagement

Ian Marcus, Non-Executive Director, agreed to be workforce champion for the Company. Further details on workforce engagement are included on page 49.

Power of Directors

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

Directors' report continued

Directors' indemnity insurance

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

2019 Annual General Meeting

A Notice of Meeting can be found on pages 142 to 151 explaining the business to be considered at the AGM on 25 November 2019 at Town Centre House, Leeds. This will include renewal of the Company's authority to purchase, in the market, its own shares and allot shares for cash other than on a pre-emptive basis to existing shareholders.

Going Concern

Further detail is set out on page 65 of the Strategic Report.

Independent Auditors

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

Relationship Agreements

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

Under the terms of the relationship agreement, the Principal Concert Party Shareholders (Mr E Ziff & Mr M Ziff) have agreed to procure the compliance of other individual members of the Ziff Family Concert Party who are treated as controlling shareholders with independence obligations in the relationship agreement. The Ziff Family Concert Party, as controlling shareholders of the Company, have a combined aggregate holding of approximately 51.3% of the Company's voting rights.

The Board confirms that, since the entry into the relationship agreement until 24 September 2019, being the latest practicable date prior to the publication of this Annual Report and Accounts:

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

Substantial Shareholdings

At 30 June 2019, the following shareholders had notified an interest in the issued Ordinary Share capital of the Company in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules. The Company has not received any further notifications in this respect during the period 1 July 2019 until 24 September 2019.

	Number of shares	% of Issued Capital
Ziff Concert Party	27,285,464	51.33
New Fortress Finance Holdings Limited	3,376,000	6.35

Post-Balance Sheet Events

Since 30 June 2019, there have been no material events to report.

The Directors' Report was approved by the Board on 24 September 2019.

By order of the Board

Link Company Matters Limited
Company Secretary
24 September 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

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

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

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

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

Each of the Directors, whose names and functions are listed on pages 70 to 71, confirms that, to the best of their knowledge:

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

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

This responsibility statement for the year ended 30 June 2019 was approved by the Board on 24 September 2019.

Disclosure of information to the Auditors

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

For and on behalf of the Board

Edward Ziff OBE
Chairman and Chief Executive
24 September 2019

Financial statements

Burlington House, Manchester

Independent Auditor's report

to the members of Town Centre Securities PLC

Opinion

We have audited the financial statements of Town Centre Securities PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2019 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable
in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice (UK GAAP)).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the Annual Report set out on page 60 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 65 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 65 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 65 in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

Valuation of the Group's property interests

Risk

The valuation of the Group's property interests is the key driver of the Group's net asset value and underpins the results for the year.

Accounting policy for treatment of investment properties can be found on page 110 and further detail is found in note 12.

These interests, totalling £362.1m (2018: £399.5m) consist of investment and development properties, car park fixed assets, and interests in joint ventures; being the Group's share of the fair value of investment and development properties within these entities.

All interests in property as listed above are subject to independent revaluation to open market value at each reporting date by third party valuation experts appointed by management. Of the total portfolio, only £0.25m is valued by management internally, being an immaterial property interest.

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

Assets held as development properties are valued using a comparable sale approach or income based approach if being utilised as car parks. Where assets are undergoing development, these are generally valued using the residual appraisal method, which estimates the fair value of the completed project, including a suitable developers profit and deductions for expected costs to complete.

All of these valuation methods can require significant judgement and estimation to be applied the external valuation experts, increasing the inherent risk in this area.

The above, along with the highly material size of the balances, means we consider this to be a significant risk area as small percentage changes in each key assumption could materially affect the carrying value of the assets concerned.

Response

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

We held meetings with both external valuation experts in which we confirmed directly with these experts that valuations had been performed on bases consistent with practices approved by the Royal Institute of Chartered Surveyors ('RICS') and the requirements of IFRS as adopted by the EU and United Kingdom Generally Accepted Accounting Practice.

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

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

Independent Auditor's report continued

to the members of Town Centre Securities PLC

Our application of materiality

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

The materiality for the Group financial statements as a whole was set at £3,700,000 (2018: £4,000,000) and for the Parent Company £3,600,000 (2018: £3,500,000). This was determined with reference to a benchmark of total non-current assets (of which it represents 1% (2018: 1%), which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of a property investment group.

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality for the Group of £320,000 (2018: £350,000) to apply to all classes of transactions and balances excluding non-current assets, any property revaluation movements, gains or losses on disposal of properties and changes in the fair value of financial instruments. For the Parent Company financial statements this was set at £210,000 (2018: £300,000). This lower level of materiality was set with reference to a benchmark of profit after taxation excluding investment and development property revaluations, gains/losses on investing and trading property disposals and changes in the fair value of financial instruments (of which it represents 5% at group level) which we consider to be a key consideration in assessing the financial performance of the business.

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

Component materiality on significant components was set at levels between £140,000 and £1,560,000 (2018: £170,000 and £1,770,000) with specific materiality being set between £100,000 and £210,000 (2018: £100,000 and £270,000).

We reported to the Audit Committee all individual audit differences in excess of £16,000 (2018: £20,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

The Group operates solely in the United Kingdom and operates through a number of legal entities, which form reporting components. The financial information relating to the parent company and all significant and non-significant trading components of the Group were subject to full scope audits by the Group audit team. Significant components were defined as those reporting components contributing more than 15% towards group assets, turnover or profits. There were 39 components which were dormant for which no audit procedures were performed.

Capability of the audit to detect irregularities including fraud

We undertook audit procedures to respond to the risk of non-compliance with laws and regulations, focussing on those that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules, the REIT regime requirements and legislation relevant to the rental of properties. We made enquiries of management to obtain further understanding of risks of non-compliance. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We addressed the risk of management override of internal controls, by undertaking procedures to review journal entries processed during and subsequent to the year end and evaluate whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We consider that the audit procedures we planned and performed in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

- **Fair, balanced and understandable set out on page 82** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on page 80** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 76** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Independent Auditor's report continued

to the members of Town Centre Securities PLC

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or

the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.; or
- a corporate governance statement has not been prepared by the Parent Company.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 95, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Directors to audit the financial statements for the year ended 30 June 2015 and subsequent periods. In respect of the year ended 30 June 2019, we were re-appointed as auditors by the members of the Company at the Annual General Meeting held on 20 November 2018. The period of total uninterrupted engagement is four years, covering the years ending 30 June 2015 to 30 June 2019.

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

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Russell Field
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London, UK

24 September 2019

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

Consolidated income statement

for the year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Gross revenue	3	31,189	30,178
Property expenses	3	(11,600)	(10,896)
Net revenue		19,589	19,282
Administrative expenses	4	(6,857)	(6,574)
Other income	7	574	888
Valuation movement on investment properties		(18,308)	5,932
Reversal of impairment of car parking assets		200	1,300
(Loss)/profit on disposal of investment properties		(709)	1,677
Share of post tax profits from joint ventures	14	1,067	3,757
Operating (loss)/profit		(4,444)	26,262
Finance costs	8	(8,025)	(7,887)
(Loss)/profit before taxation		(12,469)	18,375
Taxation	9	–	–
(Loss)/profit for the year attributable to owners of the Parent		(12,469)	18,375
Earnings per share			
Basic and diluted	11	(23.4)p	34.6p
EPRA (non-GAAP measure)	11	12.0p	13.0p
Dividends per share			
Paid during the year	10	11.75p	11.50p
Proposed	10	8.5p	8.5p

Consolidated statement of comprehensive income

for the year ended 30 June 2019

	2019 £'000	2018 £'000
(Loss)/profit for the year	(12,469)	18,375
Items that may be subsequently reclassified to profit or loss		
Revaluation gains/(losses) on car parking assets	500	(350)
Items that will not be subsequently reclassified to profit or loss		
Revaluation gains on other investments	2,341	1,136
Total other comprehensive income	2,841	786
Total comprehensive (loss)/income for the year	(9,628)	19,161

All profit and total comprehensive income for the year is attributable to owners of the Parent. The Notes on pages 108 to 130 are an integral part of these Consolidated Financial Statements.

Consolidated balance sheet

as at 30 June 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Property rental			
Investment properties	12	324,500	336,311
Investments in joint ventures	14	13,387	39,742
		337,887	376,053
Car park activities			
Freehold and leasehold properties	12	24,194	23,423
Goodwill	13	4,024	4,024
Investments	15	2,510	2,125
		30,728	29,572
Fixtures, equipment and motor vehicles	12	1,609	1,544
Total non-current assets		370,224	407,169
Current assets			
Investments	15	5,871	3,530
Trade and other receivables	16	5,354	6,288
Cash and cash equivalents		23,692	23,149
Total current assets		34,917	32,967
Total assets		405,141	440,136
Current liabilities			
Trade and other payables	17	(34,739)	(37,954)
Total current liabilities		(34,739)	(37,954)
Non-current liabilities			
Financial liabilities	18	(182,152)	(198,057)
Total liabilities		(216,891)	(236,011)
Net assets		188,250	204,125
Equity attributable to the owners of the Parent			
Called up share capital	23	13,290	13,290
Share premium account		200	200
Capital redemption reserve		559	559
Revaluation reserve		250	250
Retained earnings		173,951	189,826
Total equity		188,250	204,125
Net asset value per share	21	354p	384p

Company number: 00623364

The financial statements on pages 104 to 130 were approved by the Board of Directors on 24 September 2019 and signed on its behalf by

Dr. Edward Ziff OBE DL
Chairman & Chief Executive

Consolidated statement of changes in equity

for the year ended 30 June 2019

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2017	13,290	200	559	600	176,429	191,078
Comprehensive income for the year						
Profit for the year	–	–	–	–	18,375	18,375
Other comprehensive income	–	–	–	(350)	1,136	786
Total comprehensive income for the year	–	–	–	(350)	19,511	19,161
Contributions by and distributions to owners						
Final dividend relating to the year ended 30 June 2016	–	–	–	–	(4,386)	(4,386)
Interim dividend relating to the year ended 30 June 2017	–	–	–	–	(1,728)	(1,728)
Balance at 30 June 2018	13,290	200	559	250	189,826	204,125
Comprehensive income for the year						
Loss for the year	–	–	–	–	(12,469)	(12,469)
Other comprehensive income	–	–	–	–	2,841	2,841
Total comprehensive loss for the year	–	–	–	–	(9,628)	(9,628)
Contributions by and distributions to owners						
Final dividend relating to the year ended 30 June 2018	–	–	–	–	(4,519)	(4,519)
Interim dividend relating to the year ended 30 June 2019	–	–	–	–	(1,728)	(1,728)
Balance at 30 June 2019	13,290	200	559	250	173,951	188,250

Consolidated cash flow statement

for the year ended 30 June 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Cash generated from operations	24	11,090		14,235	
Interest paid		(7,678)		(7,595)	
Net cash generated from operating activities			3,412		6,640
Cash flows from investing activities					
Purchase and construction of investment properties		(25,517)		(900)	
Refurbishment of investment properties		(3,740)		(1,806)	
Payments for leasehold property improvements		(255)		(153)	
Purchases of fixtures, equipment and motor vehicles		(814)		(340)	
Proceeds from sale of investment properties		17,089		7,534	
Proceeds from sale of fixed assets		23		–	
Payments for acquisition of non-listed investments		(385)		(175)	
Investments in joint ventures		(723)		(8,809)	
Distributions received from joint ventures		28,145		676	
Net cash generated from/(used in) investing activities			13,823		(3,973)
Cash flows from financing activities					
(Repayment of)/proceeds from non-current borrowings		(16,252)		5,796	
Dividends paid to shareholders		(6,247)		(6,114)	
Net cash used in financing activities			(22,499)		(318)
Net (decrease)/increase in cash and cash equivalents			(5,264)		2,349
Cash and cash equivalents at beginning of the year			5,473		3,124
Cash and cash equivalents at end of the year			209		5,473

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

	2019	2018
Cash balances	23,692	23,149
Overdrawn balances	(23,483)	(17,676)
	209	5,473

The Consolidated Cash Flow Statement should be read in conjunction with Note 24.

Notes to the consolidated financial statements

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 2019 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 the Group's property interests and other investments.

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

Changes in accounting policy and disclosure

(a) Standards, amendments to published standards and interpretations effective for the period ended 30 June 2019.

The effect of IFRS 15 has been assessed by the Directors and does not have a material impact on the Group.

The effect of IFRS 9 has been assessed by the Directors and does not have 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 2019 and not early adopted.

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

Going concern

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

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

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

Consolidation

(a) Subsidiaries

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

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

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

The Consolidated Financial Statements present the results of the Company and its subsidiaries (the 'Group') as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

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

(b) Joint Arrangements

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

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

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

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

Segmental reporting

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

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

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

Notes to the consolidated financial statements continued

1. ACCOUNTING POLICIES CONTINUED

Non-Current assets

(a) Investment properties

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

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

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

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

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

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

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

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

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

Freehold land held for development is not depreciated.

(b) Freehold and leasehold properties

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

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

(c) Fixtures, equipment and motor vehicles

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

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

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

Fair value

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

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

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

Goodwill

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

Investments

The Group classifies its listed and unlisted investments in accordance with IFRS9, being at fair value through profit and loss.

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. Equity instruments are valued at fair value at each reporting date. The fair values of listed investments are based on current bid prices. Any fair value gains and losses arising on equity instruments classified as fair value through profit and loss are recognised in the Income Statement. However, an assessment for each individual equity instrument not held for trading is considered, to establish whether an irrevocable election under IFRS 9 should be made to classify the instrument at fair value through other comprehensive income. Where this election has been made, fair value gains are recognised through other comprehensive income.

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

Notes to the consolidated financial statements continued

1. ACCOUNTING POLICIES CONTINUED

Investments continued

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, 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 equity instruments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Consolidated Income Statement.

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

Trade and related party receivables

Trade and related party receivables (such as loans to joint ventures or loans to investments) are recognised initially at fair value and are subsequently measured at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables concerned. The amount of the provision is recognised in the Consolidated Income Statement.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised. From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the Consolidated Statement of Comprehensive Income (operating profit).

Cash and cash equivalents

Cash and cash equivalents are carried in the Consolidated Balance Sheet are held at amortised cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the Consolidated Balance Sheet.

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 12 months after the balance sheet date.

Leased assets

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

Operating leases

(a) A Group company is the lessee

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

(b) A Group company is the lessor

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

Unamortised tenant lease incentives

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

Cash flow hedges

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

Taxation

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

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

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

(a) Deferred income tax

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

Notes to the consolidated financial statements continued

1. ACCOUNTING POLICIES CONTINUED

(a) Deferred income tax continued

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

(b) Current tax

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

Employee benefits

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

Revenue recognition

(a) Rental income

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

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

This income is recognised as follows:

i) rental income is recognised on an accrual basis on a straight line basis over the term of the lease;

ii) turnover rents are based on underlying turnover and are recognised in the period to which the turnover relates; and

iii) rent reviews are recognised with effect from the review date.

(b) Car park income

Contract car park income is recognised on a straight line basis over the relevant period, in accordance with the contract to which it relates. Daily car park income is recognised when received.

(c) Hotel income

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

(d) Interest income

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

(e) Other income

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

(f) Service charge income

Service charge income receivable from tenants relating to management fees is recognised on a straight line basis over the relevant period.

Dividend distribution

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

Reserves

Reserves are analysed in the following categories:

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

Financial risk management

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

(a) Credit risk

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

(b) Liquidity risk

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

(c) Cash flow and fair value interest rate risk

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

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

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

At 30 June 2019, 59.4% (2018: 54.5%) of the Group's borrowings were under long term fixed rate agreements and therefore were protected against future interest rate volatility.

(d) Capital risk

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

The Group is not subject to external regulatory capital requirements.

(e) Price risk

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

(f) Compliance with covenants

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

Notes to the consolidated financial statements continued

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3. SEGMENTAL INFORMATION

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

(A) Segmental assets

	2019 £'000	2018 £'000
Property rental	363,375	397,577
Car park activities	31,466	30,659
Hotel operations	10,300	11,900
	405,141	440,136

(B) Segmental results

	2019				2018			
	Property rental £'000	Car park activities £'000	Hotel operations £'000	Total £'000	Property rental £'000	Car park activities £'000	Hotel operations £'000	Total £'000
Gross revenue	16,408	12,154	2,627	31,189	15,891	11,516	2,771	30,178
Service charge income	2,976	–	–	2,976	2,556	–	–	2,556
Service charge expenses	(3,990)	–	–	(3,990)	(3,387)	–	–	(3,387)
Property expenses	(1,424)	(6,766)	(2,396)	(10,586)	(1,210)	(6,537)	(2,318)	(10,065)
Net revenue	13,970	5,388	231	19,589	13,850	4,979	453	19,282
Administrative expenses	(5,889)	(968)	–	(6,857)	(5,627)	(947)	–	(6,574)
Other income	569	5	–	574	888	–	–	888
Share of post-tax profits from joint ventures	1,075	–	–	1,075	1,196	–	–	1,196
Operating profit before valuation movements	9,725	4,425	231	14,381	10,307	4,032	453	14,792
Valuation movement on investment properties	(18,308)	–	–	(18,308)	5,932	–	–	5,932
Reversal of impairment of car parking assets	–	200	–	200	–	1,300	–	1,300
(Loss)/profit on disposal of investment properties	(709)	–	–	(709)	1,677	–	–	1,677
Valuation movement on joint venture properties	(8)	–	–	(8)	2,561	–	–	2,561
Operating (loss)/profit	(9,300)	4,625	231	(4,444)	20,477	5,332	453	26,262
Finance costs				(8,025)				(7,887)
(Loss)/profit before taxation				(12,469)				18,375
Taxation				–				–
(Loss)/Profit for the year				(12,469)				18,375

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

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

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

The net revenue at the Merrion Centre and development sites for the year ended 30 June 2019, arising from car park operations, was £3,961,000. After allowing for an allocation of administrative expenses, the operating profit at these sites was £3,249,000. Revenue received within the car park and hotel segments is the only revenue recognised on a contract basis under IFRS 15. All other revenue within the Property segment comes from rental lease agreements.

4. ADMINISTRATIVE EXPENSES

	2019 £'000	2018 £'000
Employee benefits	4,240	3,919
Depreciation	339	339
Charitable donations	92	116
Other	2,186	2,200
	6,857	6,574

5. SERVICES PROVIDED BY THE GROUP'S EXTERNAL AUDITORS

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

	2019 £'000	2018 £'000
Audit services:		
– Fees payable to the Group auditors for the audit of the Consolidated Financial Statements	85	82
– Audit of the Company's subsidiaries pursuant to legislation	10	10
– Other audit related services	15	18
Total audit services	110	110
Non-audit services:		
– IT consultancy	–	35
– Other non-audit services	2	4
Total other services	2	39
Total auditors' remuneration	112	149

6. EMPLOYEE BENEFITS

	2019 £'000	2018 £'000
Wages and salaries (including Directors' emoluments)	4,969	4,700
Social security costs	620	575
Other pension costs	115	90
	5,704	5,365

Employee benefits detailed above are charged to the Consolidated Income Statement through administrative expenses and property expenses. Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement are included on pages 84 to 92 in the Directors' Remuneration Report and form part of these Consolidated Financial Statements.

The average monthly number of staff employed during the year was 135 (2018: 140). The Group operates pension arrangements for the benefit of all eligible Directors and employees, which are defined contribution arrangements. The assets of the arrangements are held separately from those of the Group in independently administered funds. All of the pension costs in the table above relate to defined contribution schemes.

Notes to the consolidated financial statements continued

7. OTHER INCOME

	2019 £'000	2018 £'000
Commission received	172	142
Dividends received	33	29
Management fees receivable	207	198
Dilapidations receipts and income relating to lease premiums	85	438
Other	77	81
	574	888

8. FINANCE COSTS

	2019 £'000	2018 £'000
Interest payable on debenture loan stock	5,698	5,698
Interest payable on bank borrowings	1,981	1,879
Amortisation of arrangement fees	346	310
Total finance costs	8,025	7,887

9. TAXATION

There was no current or deferred tax charge for both of the years presented.

Taxation for the year is lower (2018: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before taxation	(12,469)	18,375
Profit on ordinary activities multiplied by rate of corporation tax in the United Kingdom of 19% (2018: 19%)	(2,369)	3,491
Effects of:		
– United Kingdom REIT tax exemption on net income before revaluations	(1,206)	(1,630)
– United Kingdom REIT tax exemption on revaluations	3,575	(1,861)
Total taxation	–	–

Factors affecting current and future tax charges

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

10. DIVIDENDS

	2019 £'000	2018 £'000
2017 final paid: 8.25p per share	–	4,386
2018 interim paid: 3.25p per share	–	1,728
2018 final paid: 8.50p per share	4,519	–
2019 interim paid: 3.25p per share	1,728	–
	6,247	6,114

An interim dividend in respect of the year ended 30 June 2019 of 3.25p per share was paid to shareholders on 21 June 2019. This dividend was paid entirely as a Property Income Distribution (PID).

A final dividend in respect of the year ended 30 June 2019 of 8.5p per share is proposed. This dividend, based on the shares in issue at 24 September 2019, amounts to £4.5m which has not been reflected in these accounts and will be paid on 7 January 2020 to shareholders on the register on 6 December 2019. This dividend will comprise an ordinary dividend of 4.0p per share and a PID of 4.5p.

11. EARNINGS PER SHARE

The calculation of basic earnings per share has been based on the profit for the year, divided by the weighted average number of shares in issue. The weighted average number of shares in issue during the year was 53,161,950 (2018: 53,161,950).

	2019		2018	
	Earnings £'000	Earnings per share p	Earnings £'000	Earnings per share p
(Loss)/profit for the year and earnings per share	(12,469)	(23.4)	18,375	34.6
Valuation movement on investment properties	18,308	34.5	(5,932)	(11.2)
Reversal of impairment of car parking assets	(200)	(0.4)	(1,300)	(2.4)
Valuation movement on properties held in joint ventures	8	0.0	(2,561)	(4.8)
Loss/(profit) on disposal of investment and development properties	709	1.3	(1,677)	(3.2)
EPRA earnings and earnings per share	6,356	12.0	6,905	13.0

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

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

12. NON-CURRENT ASSETS

(A) Investment properties

	Freehold £'000	Long leasehold £'000	Development £'000	Total £'000
Valuation at 30 June 2017	276,861	22,609	27,301	326,771
Additions at cost	9,483	–	–	9,483
Other capital expenditure	1,656	–	140	1,796
Disposals	(9,507)	(15)	–	(9,522)
(Deficit)/surplus on revaluation	(3,326)	(2)	9,260	5,932
Transfers	900	(900)	–	–
Movement in tenant lease incentives	1,851	–	–	1,851
Valuation at 30 June 2018	277,918	21,692	36,701	336,311
Additions at cost	16,968	–	–	16,968
Other capital expenditure	3,469	–	271	3,740
Disposals	(14,290)	–	(500)	(14,790)
Deficit on revaluation	(17,879)	(408)	(21)	(18,308)
Movement in tenant lease incentives	579	–	–	579
Valuation at 30 June 2019	266,765	21,284	36,451	324,500

Notes to the consolidated financial statements continued

12. NON-CURRENT ASSETS CONTINUED

(B) Freehold and leasehold properties – car park activities

	Freehold £'000	Long leasehold £'000	Total £'000
Valuation at 30 June 2017	2,000	20,495	22,495
Additions	–	153	153
Depreciation	–	(175)	(175)
Deficit on revaluation	–	(350)	(350)
Reversal of impairment	1,000	300	1,300
Valuation at 30 June 2018	3,000	20,423	23,423
Additions	–	255	255
Depreciation	–	(184)	(184)
Surplus on revaluation	500	–	500
Reversal of impairment/(impairment)	250	(50)	200
Valuation at 30 June 2019	3,750	20,444	24,194

The historical cost of freehold and leasehold properties relating to car park activities is £22,425,000 (2018: £22,425,000).

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

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

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

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

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

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

	Passing rent £'000	ERV £'000	Value £'000	Initial yield %	Reversionary yield %
Retail and Leisure	3,704	4,179	62,650	5.6%	6.3%
Merrion Centre (excluding offices)	7,126	7,759	92,500	7.3%	7.9%
Offices	3,867	4,335	45,685	8.0%	9.0%
Hotels	1,180	1,630	25,800	4.3%	6.0%
Out of town retail	1,752	2,477	41,750	4.0%	5.6%
Distribution	411	427	6,140	6.3%	6.6%
Residential	617	636	10,500	5.6%	5.7%
	18,657	21,443	285,025	6.2%	7.1%
Development property			36,451		
Car parks			22,793		
Finance lease adjustments			4,425		
			348,694		

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

Valuation in the Consolidated Financial Statements at an initial yield of 7.2% – £309.1m, Valuation at 5.2% – £403.9m.

Valuation in the Consolidated Financial Statements at a reversionary yield of 8.1% - £313.6m, Valuation at 6.1% – £395.3m.

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

	Investment Properties £'000	Freehold and Leasehold Properties £'000	Total £'000
Externally valued by CBRE	195,345	–	195,345
Externally valued by Jones Lang LaSalle	127,780	17,000	144,780
Investment properties valued by the Property Director	251	–	251
Finance lease obligations capitalised	1,124	3,301	4,425
Leasehold improvements	–	3,893	3,893
	324,500	24,194	348,694

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

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

Notes to the consolidated financial statements continued

12. NON-CURRENT ASSETS CONTINUED

(C) Fixtures, equipment and motor vehicles

	Cost £'000	Accumulated depreciation £'000
At 1 July 2017	4,819	2,847
Additions	339	–
Disposals	(1,526)	(1,517)
Depreciation	–	758
At 30 June 2018	3,632	2,088
Net book value at 30 June 2018		1,544
At 1 July 2018	3,632	2,088
Additions	814	–
Disposals	(56)	(42)
Depreciation	–	735
At 30 June 2019	4,390	2,781
Net book value at 30 June 2019		1,609

13. GOODWILL

	2019 £'000	2018 £'000
At the start and end of the year	4,024	4,024

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

A review of the year end carrying value has been performed to identify any potential impairment. This has been based on the discounted future cash flows that are expected to be generated by the assets acquired. The cash generating units are the individual car parks acquired. The key assumptions used in preparing these cash flow forecasts are an underlying revenue growth rate of 1% (2018: 1%) and a discount rate of 8% (2018: 8%). The assumptions used in the cash flow are based on historical experience of the sector.

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

14. INVESTMENTS IN JOINT VENTURES

	2019 £'000	2018 £'000
At the start of the year	39,742	27,852
Investments in joint ventures	723	8,809
Dividends and other distributions received in the year	(28,145)	(676)
Share of profits after tax	1,067	3,757
At the end of the year	13,387	39,742

Investments in joint ventures are broken down as follows:

	2019 £'000	2018 £'000
Equity	7,792	34,650
Loans	5,595	5,092
	13,387	39,742

Investments in joint ventures primarily relate to the Group's interest in the partnership capital of Merrion House LLP and Belgravia Living Group Limited.

Merrion House LLP owns a long leasehold interest over a property that is let to the Group's joint venture partner, Leeds City Council ('LCC'). The interest in the joint venture for each partner is an equal 50% share, regardless of the level of overall contributions from each partner. The investment property held within this partnership has been externally valued by CBRE at each reporting date.

The net assets of Merrion House LLP for the current and previous year are as stated below:

	2019 £'000	2018 £'000
Non-current assets	69,400	69,400
Current assets	1,178	1,754
Current liabilities	(2,702)	(1,374)
Non-current liabilities	(52,080)	–
Net assets	15,796	69,780

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

	2019 £'000	2018 £'000
Revenue	3,328	2,134
Expenses	(33)	(92)
Finance costs	(1,406)	–
	1,889	2,042
Valuation movement on investment properties	(17)	5,691
Net profit	1,872	7,733

Belgravia Living Group Limited has recently completed construction of a block of residential apartments in Piccadilly Basin, Manchester. The Group's financial interest in this joint venture is primarily in the form of a loan with a value as at 30 June 2019 of £5.5m (2018: £5.1m).

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

	2019 £'000	2018 £'000
Non-current assets	22,736	10,466
Current assets	540	363
Current liabilities	(23,355)	(9,745)
Non-current liabilities	–	(1,129)
Net liabilities	(79)	(45)

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

	2019 £'000	2018 £'000
Expenses	(14)	(31)
Net profit	(14)	(31)

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

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

Notes to the consolidated financial statements continued

14. INVESTMENTS IN JOINT VENTURES CONTINUED

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

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

15. INVESTMENTS

Current asset investments

	2019 £'000	2018 £'000
At the start of the year	3,530	2,394
Increase in value of investments	2,341	1,136
At the end of the year	5,871	3,530

Current asset investments relate to an equity shareholding in a company listed on the London Stock Exchange. This is stated at market value in the table above and has a historic cost of £889,130 (2018: £889,130).

Current asset investments are measured at fair value in the consolidated balance sheet and are categorised as Level 1 in the fair value hierarchy as defined in IFRS13 as the inputs to the valuation are based on quoted market prices.

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

Non-current asset investments

	2019 £'000	2018 £'000
Equity investments	975	590
Loans	1,535	1,535
	2,510	2,125

Non-current asset investments primarily relate to an equity shareholding and loans advanced to YourParkingSpace Limited, a privately owned company incorporated in the United Kingdom.

The asset is categorised as Level 3 in the fair value hierarchy as defined in IFRS 13 as the inputs to the valuation are based on unobservable inputs.

16. TRADE AND OTHER RECEIVABLES

	2019 £'000	2018 £'000
Trade receivables	2,955	1,539
Less: provision for impairment of receivables	(411)	(458)
	2,544	1,081
Other receivables and prepayments	2,810	5,207
	5,354	6,288

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.

Due to the nature of income, debts are generally recovered in advance and only a small proportion of debt is overdue at the balance sheet date. As such, the credit risk relating to trade and other receivables in considered to be low and any expected credit loss would be immaterial.

As at 30 June 2019, trade receivables which had not been impaired can be analysed as follows:

			Outside credit terms		
	Total £'000	Within credit terms £'000	Less than one month £'000	One to two months £'000	Older than two months £'000
2019	2,544	2,124	211	10	199
2018	1,081	1,006	11	7	57

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

	2019 £'000	2018 £'000
At the start of the year	458	435
Provision for receivables impairment	229	211
Receivables written off as uncollectible	(218)	(160)
Provision held within acquired subsidiaries	–	–
Unused amounts reversed	(58)	(28)
At the end of the year	411	458

The creation and release of the provision for impaired receivables have been included in administrative expenses in the Consolidated Income Statement.

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
2019	411	9	19	383
2018	458	141	33	284

The only class within trade receivables is rent receivable. Other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables as mentioned above.

The Group does not hold any material collateral as security.

In assessing whether trade receivables are impaired, each debt is considered on an individual basis and provision is made based on specific knowledge of each tenant, together with the consideration of appropriate economic market indicators.

Notes to the consolidated financial statements continued

17. TRADE AND OTHER PAYABLES

	2019 £'000	2018 £'000
Bank overdraft	23,483	17,676
Trade payables	128	140
Social security and other taxes	529	816
Other payables and accruals	10,599	19,322
	34,739	37,954

The Group's banking facility has an agreement which allows the right of off-set between fellow group companies. Interest payments and covenant tests are conducted on a net basis across the accounts within the banking facility. Whilst management monitors cash on a net basis, the fact that accounts were not actually swept and netted off at 30 June 2019 has meant that the cash and overdraft balances have been presented on a gross basis. The prior year cash and bank overdraft balances have been adjusted upwards by £17.676m to allow for consistent treatment and presentation of the group facility.

18. FINANCIAL LIABILITIES – BORROWINGS

All the Group's borrowings are either at floating or fixed rates of interest. The Group takes on exposure to fluctuations in interest rates on its financial position and its cash flows. Interest costs may increase or decrease as a result of such changes.

	2019 £'000	2018 £'000
Non-current		
Bank borrowings	71,862	87,759
Finance leases	4,425	4,444
5.375% First mortgage debenture stock	105,865	105,854
Total borrowings	182,152	198,057

The movement in financial liabilities during the year can be summarised as follows:

	2019 £'000	2018 £'000
At the start of the year	198,057	191,969
Cash items		
Borrowings drawn down	(16,000)	6,500
Arrangement fees paid	(233)	(704)
Total cash items	(16,233)	5,796
Non-cash items		
Amortisation of arrangement fees	347	310
Movement in finance leases	(19)	(18)
Total non-cash items	328	292
At the end of the year	182,152	198,057

The debenture, bank loans and overdrafts are secured by fixed charges on properties, valued at £336,825,000 (2018: £339,485,000) owned by the Company and its subsidiary undertakings.

The Group has an overdraft pooling facility in place with Lloyds Bank. This facility includes the right to offset, therefore the net position of all accounts that fall under this facility have been presented as the Group's cash balance at year end.

The gross cash and overdraft balances on the individual accounts are summarised as follows:

	2019 £'000	2018 £'000
Cash balances	23,692	23,149
Overdrawn balances	(23,483)	(17,676)
Cash and cash equivalents	209	5,473

The Group's remaining contractual non-discounted cashflows for financial liabilities is set out below:

2019	Trade and other creditors £'000	Bank borrowings £'000	Debenture stock £'000	Finance lease £'000	Total £'000
In one year or less on demand	23,483	1,750	5,698	209	18,913
In more than one year but not more than five years	–	76,690	22,790	818	100,298
In more than five years	–	–	148,163	17,475	165,638
	23,483	78,440	176,651	18,502	284,849

2018	Trade and other creditors £'000	Bank borrowings £'000	Debenture stock £'000	Finance lease £'000	Total £'000
In one year or less on demand	17,676	2,130	5,698	211	28,317
In more than one year but not more than five years	–	93,919	22,790	830	117,539
In more than five years	–	–	153,860	17,785	171,645
	17,676	96,049	182,348	18,826	317,501

The debenture issue premium is net of issue costs and is amortised over the life of the debt agreement.

The numbers disclosed in the maturity profile above have been calculated to include notional interest payments, using the interest rates prevailing at the balance sheet date. The calculation is based on the assumption that the level of borrowings remains unchanged until maturity.

The Group had undrawn committed floating rate bank facilities as follows:

	2019 £'000	2018 £'000
Expiring in one year or less	–	–
Expiring in more than one year	30,500	14,500
	30,500	14,500

Notes to the consolidated financial statements continued

19. FINANCIAL INSTRUMENTS

The Group finances its operations through a combination of retained cash flows, debentures, finance leases and bank borrowings. Procedures are in place to monitor interest rate risk as considered appropriate by management. Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the accounting policies relating to financial risk management. The carrying value of short-term receivables and payables approximate to their fair values. All financial liabilities are denominated in Sterling.

Interest rate risk

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

	As at 30 June 2019			As at 30 June 2018		
	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	12	106,001	5.375	13
Bank floating rate liabilities	72,500	2.41	2	88,500	2.41	3
Finance leases	4,425	5.0	118	4,444	5.0	119
	182,926			198,945		

Floating rate financial liabilities bear interest at rates for term loans based on LIBOR plus an average margin of 1.72% and for the overdraft of 2.00% above base rate.

Facilities provided by banks and other investors are a mixture of fixed rates and floating charge funding. Floating rate borrowings are exposed to the risk of rising interest rates which the Group manages where necessary by the use of appropriate financial hedging instruments, primarily interest rate swaps.

An increase in LIBOR by one percentage point would have reduced profit for the year by approximately £735,000 (2018: £803,000).

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:

	2019	2018
Bank overdraft facility	2.75%	2.50%
Bank borrowings	2.41%	2.41%
Debenture loan	5.375%	5.375%
Finance leases	5.0%	5.0%

Fair value of current borrowings

The fair value of bank borrowings and overdrafts approximates to their carrying value.

Fair value of non-current borrowings

	2019		2018	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Debenture stock	105,865	116,518	105,854	111,347
Non-current bank borrowings	71,862	71,862	87,759	87,759

The above debenture stock has been valued as at 30 June 2019 on the basis of open market value.

The fair valuation of debenture stock is categorised as Level 1 in the fair value hierarchy as defined in IFRS13 as inputs are quoted in active markets.

All financing liabilities are held at amortised cost.

Capital management

The Group manages its capital to ensure that entities in the Group will each be able to continue to operate as a going concern while maximising the return to stakeholders through the optimisation of debt and equity. The capital structure of the Group consists of financial liabilities per note 18 and equity per the consolidated statement of changes in equity. The Group's capital structure is reviewed regularly by the Directors.

The Group is not subject to externally imposed capital requirements.

20. FINANCE LEASES

The Group has a long leasehold interest in two properties that are classified as finance leases.

Future lease payments are as follows:

	2019			2018		
	Minimum lease payments £'000	Interest £'000	Present value £'000	Minimum lease payments £'000	Interest £'000	Present value £'000
In one year or less on demand	209	209	–	211	211	–
In more than one year but not more than five years	818	818	–	836	836	–
In more than five years	17,475	13,050	4,425	17,785	13,341	4,444
	18,502	14,077	4,425	18,832	14,388	4,444

21. EPRA NET ASSET VALUE PER SHARE

The Basic and EPRA net asset values are the same, as set out in the table below.

	2019 £'000	2018 £'000
Net assets at 30 June	188,250	204,125
Shares in issue (000)	53,162	53,162
Basic and EPRA net asset value per share	354p	384p

22. COMMITMENTS

The Group has no capital commitments (2018: £nil) in respect of capital expenditure contracted for at the balance sheet date but not yet incurred, for investment and development property.

Minimum total future lease payments receivable:	2019 £'000	2018 £'000
Within one year	13,821	14,224
One to five years	40,713	45,444
In more than five years	83,364	88,591

The Group has a wide range of leases in place with tenants across a broad range of properties, sectors, tenures and rental values.

Notes to the consolidated financial statements continued

22. COMMITMENTS CONTINUED

Minimum total future lease payments payable:	2019 £'000	2018 £'000
Within one year	1,411	1,411
One to five years	5,643	5,643
In more than five years	25,511	26,922

Future lease commitments relate to five car parks operated under lease agreements. The annual rent for these car parks ranges from £175,000 to £400,000 and the remaining term on the leases are all less than 35 years.

The expense recognised in relation to operating lease agreements for the year ended 30 June 2019 was £1,411,000 (2018: £1,400,000).

23. CALLED UP SHARE CAPITAL

Authorised

The authorised share capital of the company is 164,879,000 (2018: 164,879,000) Ordinary Shares of 25p each. The nominal value of authorised share capital is £41,219,750 (2018: £41,219,750).

Issued and fully paid up

	Number of shares 000	Nominal value £'000
At 30 June 2018 and 30 June 2019	53,162	13,290

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

24. CASH FLOWS FROM OPERATING ACTIVITIES

	2019 £'000	2018 £'000
(Loss)/profit for the financial year	(12,469)	18,375
Adjustments for:		
Depreciation	919	933
Profit on disposal of fixed assets	(9)	–
Loss/(profit) on disposal of investment properties	709	(1,677)
Finance costs	8,025	7,887
Share of post tax profits from joint ventures	(1,067)	(3,757)
Movement in valuation of investment and development properties	18,308	(5,932)
Movement in lease incentives	(579)	(1,851)
Reversal of impairment of car parking assets	(200)	(1,300)
(Increase)/decrease in receivables	(2,074)	144
(Decrease)/increase in payables	(473)	1,413
Cash generated from operations	11,090	14,235

25. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of the Executive 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 88.

	2019 £'000	2018 £'000
Short-term employee benefits	1,865	2,332
Post-employment benefits	102	66
	1,967	2,398

Company balance sheet

as at 30 June 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Investment properties	4	102,026	92,984
Property, plant and equipment	4	872	457
Investments	5	256,798	255,909
		359,696	349,350
Current assets			
Investments	6	5,871	3,530
Debtors	7	96,626	121,520
Cash		22	20
		102,519	125,070
Creditors: amounts falling due within one year			
Financial liabilities – borrowings	9	(20,337)	(16,270)
Other creditors	8	(132,519)	(131,709)
		(152,856)	(147,979)
Net current liabilities		(50,337)	(22,909)
Total assets less current liabilities		309,359	326,441
Financial liabilities – borrowings	9	(177,727)	(193,613)
Net assets		131,632	132,828
Equity attributable to the owners of the Parent			
Called up share capital	10	13,290	13,290
Share premium account		200	200
Capital redemption reserve		559	559
Other reserves		80,057	80,057
Profit and loss account		37,526	38,722
Total shareholders' funds		131,632	132,828

Company number: 00623364

As permitted by Section 408 of the Companies Act 2006, the Parent Company's Profit and Loss Account has not been included in these financial statements. The profit shown in the financial statements of the Parent Company was £5,051,000 (2018: £11,106,000).

The financial statements on pages 131 to 141 were approved by the Board of Directors on 24 September 2019 and signed on its behalf by

Dr. Edward Ziff OBE DL
Chairman & Chief Executive

Statement of changes in equity

for the year ended 30 June 2019

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2017	13,290	200	559	80,057	33,730	127,836
Comprehensive income for the year						
Profit	–	–	–	–	11,106	11,106
Total comprehensive income for the year	–	–	–	–	11,106	11,106
Contributions by and distributions to owners						
Final dividend relating to the year ended 30 June 2017	–	–	–	–	(4,386)	(4,386)
Interim dividend relating to the year ended 30 June 2018	–	–	–	–	(1,728)	(1,728)
Balance at 30 June 2018	13,290	200	559	80,057	38,722	132,828
Comprehensive income for the year						
Profit	–	–	–	–	5,051	5,051
Total comprehensive income for the year					5,051	5,051
Contributions by and distributions to owners						
Final dividend relating to the year ended 30 June 2018					(4,519)	(4,519)
Interim dividend relating to the year ended 30 June 2019					(1,728)	(1,728)
Balance at 30 June 2019	13,290	200	559	80,057	37,526	131,632

Notes to the company financial statements

1. ACCOUNTING POLICIES

Basis of Preparation

The Company Financial Statements have been prepared in accordance with FRS 102, (The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland), the going concern basis, the historical cost convention as modified by the revaluation of investment properties and certain investments and in accordance with the Companies Act 2006 and applicable law.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).The principal accounting policies, which have been applied consistently, are as set out below:

Financial reporting standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland':

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the Consolidated Financial Statements of Town Centre Securities PLC as at 30 June 2018 and these financial statements may be obtained from Companies House, Cardiff CF4 3UZ.

Deferred taxation

Town Centre Securities PLC elected for group REIT status with effect from 2 October 2007. As a result the Company no longer pays United Kingdom corporation tax on the profits and gains from qualifying rental business in the United Kingdom provided it meets certain conditions. Non-qualifying profits and gains of the Company continue to be subject to corporation tax as normal. On entering the REIT regime an entry charge equal to 2% of the aggregate market value of the properties associated with the qualifying rental business was payable. Deferred tax accrued at the date of conversion in respect of the assets and liabilities of the qualifying rental business was released to the income statement as the relevant temporary differences are no longer taxable on reversal. From 17 July 2012 there is no REIT entry charge payable where the Company makes acquisitions of companies owning qualifying properties.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Investment properties

Investment properties are included in the accounts at open market values based on an independent external valuation, as at 30 June each year, or held at Directors' valuation. Movements in fair value are taken through the Income Statement.

Notes to the company financial statements continued

1. ACCOUNTING POLICIES CONTINUED

Investments

Investments are held on the balance sheet at fair value. Any fair value gains and losses are taken to the income statement.

Investment income

Income from investments is accounted for on the payment date of the dividends.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost less impairment.

Trade receivables

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

Cash and cash 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. Where there is a formal legal arrangement with a right to offset the net position of the individual accounts will be presented in cash or current liabilities as appropriate.

Joint ventures

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

Investments in jointly controlled entities are valued at cost less impairment.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of rent and services supplied to customers. Rental income is accounted for as it falls due in accordance with the lease to which it relates.

Unamortised tenant lease incentives

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

Derivative financial instruments (derivatives) and hedge accounting

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

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently re-measured at fair value. The fair value of interest rate swaps is based on broker quotes.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

Cash flow hedges

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

Reserves

Reserves are analysed in the following categories:

- Share capital represents the nominal value of issued share capital
- Share premium represents any consideration received in excess of nominal value of the shares issued
- Capital redemption reserve represents the nominal value of the Company's own shares that have been repurchased and cancelled
- Other reserves relates to the revaluation of the company's investments
- Retained earnings represents the cumulative profit or loss position less dividend distributions.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The only estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value amounts of assets and liabilities within the next financial year are investment properties (note 4).

3. EMPLOYEE BENEFITS

	2019 £'000	2018 £'000
Wages and salaries (including Directors' emoluments)	3,086	2,693
Social security costs	369	452
Other pension costs	62	58
	3,517	3,203

Employee benefits are charged to the Profit and Loss account through administrative expenses.

All of the pension costs in the table above relate to define contribution schemes.

The aggregate remuneration of the Directors of the Company was £1,967,000 (2018: £2,398,000).

The average monthly number of staff employed during the year was 56 (2018: 56). Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement, are included on page 88 in the Remuneration Report and form part of the Consolidated Financial Statements. The remuneration paid to the Parent Company auditors in respect of the audit of the Parent Company Financial Statements for the year ended 30 June 2019 is included in note 5 to the Consolidated Financial Statements.

Notes to the company financial statements continued

4. TANGIBLE ASSETS

Investment properties	Freehold £'000	Long leasehold £'000	Development £'000	Total £'000
Valuation at 30 June 2018	49,494	7,340	36,150	92,984
Additions	14,709	–	271	14,980
Valuation movement	(5,401)	(350)	(21)	(5,772)
Movement in tenant lease incentives	(166)	–	–	(166)
Valuation at 30 June 2019	58,636	6,990	36,400	102,026

The above freehold and long leasehold properties have been valued as at 30 June 2019 on the basis of open market value by Jones Long LaSalle and CBRE in accordance with the Royal Institution of Chartered Surveyors Appraisal and Investment Manual.

Fixtures, equipment and motor vehicles	Cost £'000	Accumulated depreciation £'000
Balance at 30 June 2018	1,484	1,027
Additions	699	–
Disposals	(56)	(42)
Depreciation	–	270
Balance at 30 June 2019	2,127	1,255
Net book value at 30 June 2019		872
Net book value at 30 June 2018		457

Total tangible assets	
At 30 June 2019	102,898
At 30 June 2018	93,441

5. FIXED ASSET INVESTMENTS

	2019 £'000	2018 £'000
Shares in Group undertakings		
At 1 July	248,693	248,693
Additions	–	–
At 30 June	248,693	248,693
Other investments		
At 1 July	2,125	1,950
Additions	385	175
At 30 June	2,510	2,125
Interest in joint ventures		
At 1 July	5,091	–
Loans advanced	372	4,985
Share of profits after tax	132	106
Dividends received	–	–
Transferred to shares in Group undertakings	–	–
At 30 June	5,595	5,091
Total fixed asset investments	256,798	255,909

As permitted by Section 615 of the Companies Act 2006, where the relief afforded under Section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of shares issued plus the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings.

6. LISTED INVESTMENTS

	2019 £'000	2018 £'000
At 1 July	3,530	2,394
Increase in value of investments	2,341	1,136
At 30 June	5,871	3,530

Listed investments, all of which are listed on a recognised stock exchange, are stated at market value in the table above and have a historic cost of £889,130 (2018: £889,130).

7. DEBTORS

	2019 £'000	2018 £'000
Trade debtors	383	169
Less: provision for impairment of debtors	(72)	(68)
	311	101
Amounts owed by subsidiary undertakings	95,176	120,988
Other debtors and prepayments	1,139	431
	96,626	121,520

The expense recognised in relation to the impairment of debtors for the year ended 30 June 2019 was £1,000 (2018: £1,000).

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

Notes to the company financial statements continued

8. OTHER CREDITORS

	2019 £'000	2018 £'000
Trade payables	36	35
Taxation and social security	–	22
Amounts owed to subsidiary undertakings	128,807	120,242
Other payables and accruals	3,676	11,410
	132,519	131,709

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.

	2019 £'000	2018 £'000
Non-current		
Bank borrowings	71,862	87,759
5.375% First mortgage debenture stock	105,865	105,854
	177,727	193,613
Current		
Bank borrowings	20,337	16,270
Total borrowings	198,064	209,883

The debenture, bank loans and overdrafts are secured by fixed charges on properties, valued at £336,825,000 (2018: £339,485,000) owned by the Company and its subsidiary undertakings.

The debenture issue premium is net of issue costs and is amortised over the life of the debt agreement.

The Company had undrawn committed floating rate bank facilities as set out below:

	2019 £'000	2018 £'000
Expiring in one year or less	–	–
Expiring in more than one year	30,500	14,500
	30,500	14,500

Included within facilities expiring in one year or less are overdraft facilities subject to annual review. There are net cash balances of £21,743,000 held by other Group companies which offset the Company's overdraft on consolidation. The total overdraft facility is based on the Group's right of set off. Other facilities are available to provide funding for future investments.

The Company finances its operations through a combination of retained cash flows, debentures and bank borrowings. Procedures are in place to monitor interest rate risk as considered appropriate by management. Numerical financial instruments disclosures are set out overleaf.

All financial liabilities are denominated in Sterling.

Interest rate risk

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

	As at 30 June 2019			As at 30 June 2018		
	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	12	106,001	5.375	13
Bank floating rate liabilities	92,837	2.41	3	104,750	2.41	3
	198,838			210,751		

Floating rate financial liabilities bear interest at rates for term loans based on LIBOR plus an average margin of 1.72% and for the overdraft of 2.00% above base rate.

Financial instruments held for trading purposes

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

Foreign currency exposure

The Group has no exposure to foreign currency as it has no overseas operations and all sales and purchases are made in Sterling.

Effective interest rates

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

	2019	2018
Bank overdraft facility	2.75%	2.50%
Bank borrowings	2.41%	2.41%
Debenture loan	5.375%	5.375%

Fair values of current borrowings

Where market values are not available, fair values of financial assets and liabilities have been calculated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates. The carrying amounts of short-term borrowings approximate to book value.

Fair value of non-current borrowings

	2019		2018	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Debenture stock	105,865	116,518	105,854	111,347
Long-term bank borrowings	71,862	71,862	87,759	87,759

10. CALLED UP SHARE CAPITAL

Authorised

164,879,000 (2018: 164,879,000) Ordinary Shares of 25p each.

Issued and fully paid up

	Number of shares 000	Nominal value £'000
At 30 June 2018 and 30 June 2019	53,162	13,290

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

Notes to the company financial statements continued

11. SUBSIDIARY COMPANIES

The Company's wholly owned active subsidiary undertakings at 30 June 2019, registered in England or Scotland and operating in the United Kingdom, are as follows:

	Company number	Activity
Held directly		
TCS Holdings Limited	2271353	Property investment
Dundonald Property Investments Limited	3672365	Property investment
Buckley Properties (Leeds) Limited	647309	Property investment
Citipark plc	8837214	Car park operations
TCS Development Management (Merrion) Limited	8696141	Property investment
TCS (Residential Conversions) Limited	3946495	Property investment
TCS (Property Management) Limited*	5281225	Management company
TCS Trustees Limited*	3112923	Trustee for employee benefit plans
TCS Properties Limited*	2831154	Property investment
TCS (Whitehall Plaza) Limited	9922032	Property investment
TCS (9 Cheapside) Limited	10139127	Property investment
TCS (Tariff Street) Limited	09929851	Property investment
TCS (Brownsfield Mill) Limited	10291290	Property investment
TCS (Merrion Hotel) Limited	10380988	Hotel operator
Apperley Bridge Limited	6879596	Dormant
TCS Park Row Limited	8077103	Dormant
Citipark UK Limited	8837203	Dormant
TCS (Merrion House JVC02) Limited	8561356	Dormant
Tassgander Limited	4077297	Dormant
Blackpool Markets Limited	2740190	Dormant
Emett Exhibitions Limited	1544918	Dormant
Milngavie East Limited	SC464805	Dormant
No 29 Management Co (Eastgate) Limited	3873683	Dormant
T Herbert Kaye's Estates Limited	0226678	Dormant
TCS (Bolton) Limited	4104688	Dormant
TCS Piccadilly Limited	4317396	Dormant
TCS Whitehall Riverside Limited	4329860	Dormant
TCS (Rochdale JV) Limited	7712764	Dormant
TCS (Rochdale Management) Limited	7712123	Dormant
TCS Car Parks Limited	4847697	Dormant
TCS Eastgate Limited	6554827	Dormant
TCS Finance Limited	3108777	Dormant
TCS Trading Limited	3060862	Dormant
The Merrion Centre Limited	0814845	Dormant
Town Centre Enterprises Limited	0221003	Dormant
Town Centre Securities (Developments) Limited	3946549	Dormant
Town Centre Securities (Manchester) Limited	0129485	Dormant
Town Centre Securities (Scotland) Limited	0748937	Dormant
Town Centre Services Limited	2285764	Dormant
TCS plc	4329979	Dormant
TCS (EX TCCP) plc	3385312	Dormant

	Company number	Activity
Held indirectly		
TCS Freehold Investments Limited	3684812	Property investment
TCS Leasehold Investments Limited	3684827	Property investment
Town Centre Car Parks Limited	5494592	Car park operations
TCCP (Clarence Dock) Limited	6219875	Car park operations
TCS (Milngavie) Limited	6391627	Property investment
TCS (Merrion House JVC01) Limited	8561354	Property investment
Dundonald (Cumbernauld) Limited	5983938	Dormant
TCS (Bothwell Street) Limited	4240551	Dormant
Dundonald Property Developments Limited	6430444	Dormant
Riverside (Leeds) Limited	4569350	Dormant
TCS (Greenhithe) Limited	4413344	Dormant
TCS (Isleworth) Limited	4413343	Dormant
TCS (Parliament Street 1) Limited	4768830	Dormant
TCS (Parliament Street 2) Limited	4768845	Dormant
TCS Energy Limited	4414144	Dormant
TCS (Mill Hill) Limited	4413341	Dormant
TCS (Residential) Limited	4249007	Dormant
TCS Solar Limited	5113915	Dormant

* The subsidiaries marked with an asterisk above are exempt from preparing audited statutory accounts under section 479a of the Companies Act 2006.

The registered office of all subsidiaries is at the following address:

Town Centre House
The Merrion Centre
Leeds
LS2 8LY

The Company's directly owned joint ventures, which are all registered in England and operate in the United Kingdom, are as follows:

	Proportion of Ordinary Shares held %	Activity
Belgravia Living Group Limited	50	Property Investment
Bay Sentry Limited	50	Software Development

The registered offices of joint ventures are as follows:

Belgravia Living Group Limited
Middleton House
Westland Road
Leeds
LS11 5UH

Bay Sentry Limited
Town Centre House
The Merrion Centre
Leeds
LS2 8LY

The Company also has an indirect 50% interest in Merrion House LLP, which has the same registered office as the Company.

Notice of Annual General Meeting

Notice is hereby given that the 2019 Annual General Meeting (the 'Meeting') of Town Centre Securities PLC (the 'Company') will be held at Town Centre House, The Merrion Centre, Leeds, LS2 8LY on Monday 25 November 2019 at 10.30am.

You will be asked to consider and, if thought fit, to pass the resolutions below. Resolutions 1 to 15 will be proposed as ordinary resolutions. For an ordinary resolution to be passed, a simple majority of the votes cast must vote in favour of the resolution. Resolutions 16 to 19 will be proposed as special resolutions. For a special resolution to be passed, at least 75% of the votes cast must vote in favour of the resolution.

ORDINARY RESOLUTIONS

Resolution 1: Annual Financial Statements and Directors' Report

1. To receive the Company's annual financial statements (together with the Directors' Report and the auditors' report) for the financial year ended 30 June 2019.

Resolution 2: Directors' Remuneration Report

2. To approve the Directors' Remuneration Report set out on pages 84 to 92 of the Company's 2019 Annual Report for the year ended 30 June 2019 (excluding the Directors' Remuneration Policy included in the report).

Resolution 3: Final Dividend

3. To declare a final cash dividend recommended by the Board for the year ended 30 June 2019 of 8.50 pence per Ordinary Share, to be paid on 7 January 2020, to shareholders whose names appear on the register at close of business on 6 December 2019.

Resolutions 4 to 11: Re-election of Directors

4. To re-elect Michael Ziff as a Non-Executive Director of the Company.

5. To re-elect Ian Marcus as a Non-Executive Director of the Company.

6. To re-elect Paul Huberman as a Non-Executive Director of the Company.

7. To re-elect Jeremy Collins as a Non-Executive Director of the Company.

8. To re-elect Edward Ziff as an Executive Director of the Company.

9. To re-elect Benjamin Ziff as an Executive Director of the Company.

10. To re-elect Lynda Shillaw as an Executive Director of the Company.

11. To re-elect Mark Dilley as an Executive Director of the Company

Resolution 12: Re-appointment of Auditors

12. To re-appoint BDO LLP as the auditors of the Company, to hold office from the conclusion of this Meeting until the conclusion of the next General Meeting at which annual financial statements are laid before the Company's shareholders.

Resolution 13: Remuneration of Auditors

13. To authorise the Directors to determine the remuneration of the Company's auditors.

Resolution 14: Authority to Make Political Donations

14. To authorise, in accordance with Part 14 of the UK Companies Act 2006 (the 'Act'), the Company and all companies that are subsidiaries of the Company at the date on which this resolution is passed, or at any time when this resolution has effect to:

(a) make political donations to political parties and/or independent election candidates;

(b) make political donations to political organisations other than political parties; and

(c) incur political expenditure,

(as such terms are defined in the Act), up to an aggregate amount of £50 000, and the amount authorised under each of paragraphs (a) to (c) above shall also be limited to such amount, during the period beginning on the date of the passing of this resolution and ending at the conclusion of the next Annual General Meeting of the Company to be held in 2020. Upon the passing of this resolution, all existing authorisations and approvals relating to political donations or expenditure under Part 14 of the Act shall be revoked without prejudice to any donation made, or expenditure incurred, prior to the passing of this resolution pursuant to such authorisation or approval. For the purpose of this resolution, the terms 'political donation', 'political parties', 'independent election candidates', 'political organisation' and 'political expenditure' shall have the meanings given by sections 363 to 365 of the Act.

Resolution 15: Authority to Allot Ordinary Shares

15. To generally and unconditionally authorise the Board, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date of the passing of this resolution, pursuant to and in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company:

(a) up to an aggregate nominal amount of £4,430,162.50 (representing 17,720,650 Ordinary Shares) (such amount to be reduced by any allotments or grants made under paragraph (b) below in excess of such sum); and

(b) comprising equity securities (as defined in the Act) up to a nominal amount of £8,860,325 (representing 35,441,300 Ordinary Shares) (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary, expedient or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company, to be held in 2020, or 25 February 2021, whichever is earlier, save that the Company may, before such expiry, make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry; and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Notice of Annual General Meeting continued

SPECIAL RESOLUTIONS

Resolution 16: Authority to Disapply Pre-emption Rights

16. That, if resolution 15 above is passed, the Board be given power to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be limited:

(a) to the allotment of equity securities and sale of treasury shares in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority granted under paragraph (b) of resolution 15, by way of a rights issue only):

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) in the case of the authority granted under paragraph (a) of resolution 16 and/or in the case of any sale of treasury shares, to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £664,524.25,

such power to apply until the end of the next Annual General Meeting to be held in 2020, or 25 February 2021, whichever is earlier, but, in each case, during this period the Company may make offers and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Resolution 17: Additional Authority to Disapply Pre-emption Rights for Purposes of Acquisitions or Capital Investments

17. That, if resolution 15 above is passed, the Board be given the power, in addition to any power granted under resolution 16 above, to allot equity securities (as defined in the Act) for cash under the authority granted under paragraph (a) of resolution 15 and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such power to be:

(a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £664,524.25; and

(b) used only for the purposes of financing a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice, or for the purposes of refinancing such a transaction within six months of it taking place,

such power to apply until the end of the next Annual General Meeting to be held in 2020, or 25 February 2021, whichever is earlier, but, in each case, during this period the Company may make offers and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

Resolution 18: Authority to purchase Company's own shares

18. That the Company be generally and unconditionally authorised for the purpose of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares of £0.25 each in the capital of the Company, provided that:

(a) the maximum number of Ordinary Shares which may be purchased is 7,974,292;

(b) the minimum price, exclusive of any expenses, which may be paid for each Ordinary Share is £0.25;

(c) the maximum price, exclusive of any expenses, which may be paid for each Ordinary Share is an amount equal to the higher of:

(i) 105% of the average mid-market value of an Ordinary Share, as derived from the London Stock Exchange Daily Official List for the five business days prior to the day on which the purchase is made; and

(ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share.

(d) this authority shall expire on the date of the next Annual General Meeting of the Company or on 25 February 2021 whichever is the earlier, but, in each case, provided that the Company may, before such expiry, enter into a contract or contracts to purchase shares which will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of shares under such contract or contracts as if the authority had not expired.

Resolution 19: Notice of General Meetings, other than Annual General Meetings

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

By order of the Board.

Link Company Matters Limited
Company Secretary
24 September 2019

Registered Office:
Town Centre House,
The Merrion Centre,
Leeds LS2 8LY

Notice of Annual General Meeting continued

EXPLANATORY NOTES

Ordinary Resolutions

Resolution 1: To receive the Annual Financial Statements and Directors' Report

Under the Company's Act 2006, the Directors are required to present the Strategic Report, Directors' Report, Auditor's Report and Annual Financial Statements of the Company to the Meeting. These are contained in the Company's 2019 Annual Report and Financial Statements for the year ended 30 June 2019 (the 'Annual Report'), which was circulated at the time of this Notice and is also available on the Company's website at www.tcs-plc.co.uk.

Resolutions 2: Directors' Remuneration Report (excluding the Directors' Remuneration Policy) for the year ended 30 June 2019

Under the Companies Act 2006 (the 'Act'), the Directors must prepare an Annual Report detailing the remuneration of the Directors and a statement by the Chairman of the Remuneration Committee (together, the 'Directors' Remuneration Report'). The Act also requires that a resolution be put to shareholders each year for their approval of that report. The Directors' Remuneration Report can be found on pages 84 to 92 of the Annual Report. Resolution 2 is an advisory vote only and the Directors' entitlement to remuneration is not conditional on it. No changes are proposed to the remuneration policy approved by shareholders at the Annual General Meeting held in 2017.

Resolutions 3: Final Dividend

The Board proposes a final dividend of 8.50 pence per share in respect of the year ended 30 June 2019 If approved, the recommended final dividend will be paid on 7 January 2020 to all ordinary shareholders who are on the register of members on 6 December 2019.

Resolutions 4 to 11: Re-election of Directors

The Board has agreed a policy whereby all Directors will seek annual re-election at the AGM, in accordance with the FRC Code of Corporate Governance.

The Board believes that each Director seeking re-election continues to have the requisite skills and experience, and demonstrates the necessary commitment, to contribute effectively to the Board. The biographical details of the Directors seeking re-election at the Meeting are set out on pages 70 to 71 of the Annual Report.

None of the independent Non-Executive Directors seeking re-election at the Meeting has any existing or previous relationship, transaction or arrangement with the Company, nor with any controlling shareholder of the Company or any associate of a controlling shareholder of the Company, within the meaning of Listing Rule 13.8.17R(1). In considering the independence of the Non-Executive Directors, the Board has taken into account guidance from the UK Corporate Governance Code.

Resolution 12: Re-appointment of Auditor

At each general meeting at which the Company's annual financial statements are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit Committee, recommends the re-appointment of BDO LLP as auditors of the Company.

Resolution 13: Remuneration of Auditor

The remuneration of the Company's auditor must be fixed by the Company in a general meeting or in such manner as the Company may determine in a general meeting. This resolution gives authority to the Directors to approve the terms of engagement and determine the remuneration of the Company's auditors.

Resolution 14: Authority to make political donations

Under the Act, political donations to any political parties, independent election candidates or political organisations other than political parties, or the incurring of political expenditure, are prohibited unless authorised by shareholders in advance.

As the legislation is capable of wide interpretation, the terms 'political donation', a 'political party', a 'political organisation' or 'political expenditure' are not easy to define. For example, sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within the scope of these matters.

Therefore, notwithstanding that the Company has not made a political donation in the past, and has no intention, either now or in the future, of making any political donation or incurring any political expenditure, the Board has decided to propose Resolution 14 to avoid running the risk of the Company or its subsidiaries inadvertently breaching the Act through the undertaking of routine activities.

As permitted under the Act, this resolution also covers any political donations made or political expenditure incurred by any subsidiaries of the Company. This resolution caps the amount of all forms of political donations and expenditure that the company and its subsidiaries would be permitted to make at an aggregate of £50,000.

Resolution 15: Authority to Allot Ordinary Shares

The purpose of this resolution is to give the Directors authority to allot shares in place of the existing authority approved at the Annual General Meeting of the Company held on 20 November 2018, which expires at the end of the 2019 Annual General Meeting.

The authority in paragraph (a) of the resolution will allow the Directors to allot new shares and grant rights to subscribe for, or convert other securities into, shares up to a nominal value of £4,430,162.50 (representing 17,720,650 Ordinary Shares), which is equivalent to approximately one third of the total issued Ordinary Share capital of the Company as at 24 September 2019, which is the latest practicable date prior to publication of this Notice.

In accordance with institutional guidelines issued by the Investment Association, paragraph (b) of Resolution 15 will allow Directors to allot, including the Ordinary Shares referred to in paragraph (a) of Resolution 15, further of the Company's Ordinary Shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £8,860,325, representing approximately two thirds (66.67%) of the Company's existing issued Ordinary Share capital and calculated as at 24 September 2019 (being the latest practicable date prior to publication of this document).

The Company does not currently hold any shares in treasury.

The Board believes it is in the best interests of the Company to have these authorities so that the Board can allot securities at short notice and without the need to hold a general meeting if the need arises.

The authorities sought in paragraphs (a) and (b) of resolution 15 are without prejudice to previous allotments made under such existing authorities.

The authorities will only be valid until the conclusion of the next Annual General Meeting of the Company to be held in 2020 or 25 February 2021, whichever is earlier.

Special Resolutions

Resolution 16: Authority to Dis-apply Pre-emption Rights

At the Annual General Meeting held on 20 November 2018, the Directors were given the authority to issue equity securities of the Company and sell treasury shares in exchange for cash until the 2019 Annual General Meeting. Resolution 16 renews this authority allowing Directors to issue equity securities and to sell treasury shares for cash on a non-pre-emptive basis: (i) to ordinary shareholders in proportion to their existing shareholdings and to holders of other equity securities as required by the rights of those securities, or as the Directors consider necessary, and to deal with, among other things, treasury shares, fractional entitlements and legal and practical problems in any territory, for example, in the case of a rights issue or other similar share issue; and (ii) otherwise, up to an aggregate nominal amount of £664,524.25 (representing 2,658,097 Ordinary Shares). This number represents approximately 5% of the issued share capital as at 24 September 2019, the latest practicable date prior to publication of this Notice.

The Directors believe that this resolution will assist them in taking advantage of business opportunities as they arise.

The Company does not currently hold any shares in treasury.

These authorities are without prejudice to allotments made under previous authorities and will only be valid until the conclusion of the next Annual General Meeting to be held in 2020 or 25 February 2021, whichever is earlier.

Notice of Annual General Meeting continued

EXPLANATORY NOTES CONTINUED

Resolution 17: Additional Authority to Disapply Pre-emption Rights for Purposes of Acquisitions or Capital Investments

On 5 May 2016, the Pre-Emption Group published a monitoring report on the implementation of its 2015 Statement of Principles for Disapplying Pre-emption Rights and a recommended template resolution for disapplying pre-emption rights. The template recommends companies request authority to disapply pre-emption rights in respect of the additional 5% to be used when the Board considers the use to be for an acquisition or specified capital investment in accordance with the 2015 Statement of Principles as a separate resolution to the disapplication to issue shares on an unrestricted basis.

Resolution 17 seeks this separate authority. Where the authority granted under resolution 17 is used, the Company will disclose this in the announcement regarding the issue, the circumstances that have led to its use and the consultation process undertaken.

In accordance with the section of the Statement of Principles regarding cumulative usage of authorities within a rolling three-year period, the Directors also confirm their intention that (except in relation to an issue pursuant to resolution 17 in respect of the additional 5% referred to above) no more than 7.5% of the issued Ordinary Share capital will be issued for cash on a non-pre-emptive basis during any rolling three-year period, without prior consultation with shareholders.

The Directors believe that this resolution will assist them in taking advantage of business opportunities as they arise.

These authorities are without prejudice to allotments made under previous authorities and will only be valid until the conclusion of the next Annual General Meeting to be held in 2020, or 25 February 2021, whichever is earlier.

Resolution 18: Authority to Purchase Company's Own shares

Resolution 18 is a special resolution that will grant the Company authority to make market purchases of up to 7,974,292 Ordinary Shares, representing 15% of the Ordinary Shares in issue as at the date of the Notice.

The Directors have no present intention to exercise the authority granted by this resolution, but the authority provides the flexibility to allow them to do so in future. The Directors would not exercise the authority unless they believed that the expected effect would promote the success of the Company for the benefit of its shareholders as a whole. Any shares bought back will either be cancelled or placed into treasury at the determination of the Directors.

The maximum price which may be paid for each Ordinary Share must not be more than the higher of (i) 105% above the average of the mid-market values of the Ordinary Shares for the five business days before the purchase is made or (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares. The minimum price which may be paid for each ordinary share is £0.25.

This authority shall expire at the Annual General Meeting to be held in 2020 or on 25 February 2021, whichever is the earlier, when a resolution to renew the authority will be proposed.

Resolution 19: Notice of general meetings other than Annual General Meetings

Under the Act, the notice period required for all general meetings of the Company is 21 clear days. Annual General Meetings will always be held on at least 21 clear days' notice but shareholders can approve a shorter notice period for other general meetings. At last year's Annual General Meeting shareholders authorised the calling of general meetings (other than an Annual General Meeting) on not less than 14 clear days' notice, and it is proposed that this authority be renewed.

Resolutions and Important Notes

The formal notice convening the Meeting (the 'Notice') is set out on pages 149 to 151 of this document and includes explanatory notes to each of the resolutions to be proposed at the Meeting. There will be an opportunity for you to raise questions at the Meeting about the resolutions set out in the Notice and about the business of the Company.

Attendance and Voting in Person or by Proxy

All resolutions for consideration at the Meeting will be voted on by way of a show of hands. The proxy votes will be taken into account where necessary or appropriate.

If you are entitled to, but unable to attend and vote at the Meeting, you may appoint a proxy to vote on your behalf. Please take careful note of the provisions included in the Notice set out on pages [XXX] to [XXX] regarding the actions required by shareholders. If you are in any doubt as to the action you should take, please consult your stockbroker, solicitor/attorney, accountant, CSDP, banker or other independent professional adviser immediately.

Further Information

Further information relating to the Company and its financial information can be found in the Company's Annual Report and Financial Statements for the year ended 30 June 2019, which was circulated at the same time as this Notice and is also available on the Company's website at www.tcs-plc.co.uk

Recommendation

The Board considers that Resolutions 1 to 19 are in the best interests of the Company and its shareholders as a whole and recommends that you vote in favour of such resolutions, as the Directors intend to do in respect of their own beneficial holdings.

IMPORTANT NOTES

The following notes explain your general rights as a shareholder and your right to attend and vote at this Annual General Meeting or to appoint someone else to vote on your behalf.

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at close of business on Thursday, 21 November 2019 (or, in the event that the meeting is adjourned, in the register of members at close of business on the date which is two days before the date of any adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

2. In order to gain admittance to the meeting, members may be required to produce their attendance card which is attached to the Form of Proxy enclosed with this document, or otherwise prove their identity.

3. A shareholder is entitled to appoint one or more persons as proxies to exercise all or any of his or her rights to attend, speak and vote at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him/her. To appoint more than one proxy, you will need to complete a separate Form of Proxy in relation to each appointment. Additional proxy forms may be obtained by contacting the Company's registrar at Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or you may photocopy the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the number of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

   The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.

4. A Form of Proxy is enclosed. To be valid, it must be completed, signed and sent to the offices of the Company's registrars, Link Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive no later than 10.30am on Thursday 21 November 2019 (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).

Notice of Annual General Meeting continued

IMPORTANT NOTES CONTINUED

5. As an alternative to completing the hard copy Form of Proxy, a shareholder can appoint proxies electronically by logging onto www.signalshaeres.com.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 Thursday 21 November 2019 (or in the event that the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

Any electronic communication sent by a member to the Company or the Company's registrar which is found to contain a virus will not be accepted by the Company but every effort will be made by the Company to inform said member of the rejected communication.

6. A shareholder or shareholders having a right to vote at the meeting and holding at least 5% of the total voting rights of the Company (see Note 8 below), or at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid share capital, may require the Company to publish on its website a statement setting out any matter that such shareholder(s) propose to raise at the meeting relating to either the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting of the Company in accordance with Section 527 of the Act.

Any such request must:

6.1 identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported;

6.2 comply with the requirements set out in Note 7 below; and

6.3 be received by the Company at least one week before the meeting.

Where the Company is required to publish such a statement on its website:

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

6.5 it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website; and 6.6 the statement may be dealt with as part of the business of the meeting.

7. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in Note 6 above:

7.1 may be made either:

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

7.1.2 in electronic form, by sending it to 0113 234 0442, marked for the attention of the Company Secretary, or to info@tcs-plc.co.uk (please state 'TCS: AGM' in the subject line of the email);

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

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

8. As at 24 September 2019 (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 24 September 2019 are 53,161,950.

9. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with Section 319A of the Act. The Company must answer any such questions unless:

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

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

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

10. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Act ('Nominee'):

10.1 the Nominee may have a right under an agreement between the Nominee and the shareholder by whom he/she was appointed, to be appointed, or to have someone else appointed, as a proxy for the meeting; or

10.2 if the Nominee does not have any such right or does not wish to exercise such right, the Nominee may have a right under any such agreement to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in Notes 3 to 5 above does not apply to a Nominee. The rights described in such notes can only be exercised by shareholders of the Company.

11. Biographical details of all those Directors who are offering themselves for appointment or re appointment at the meeting are set out on page 70 and 71 of the Annual Report and Accounts.

12. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

13. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends:

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

13.2 copies of the letters of appointment of the Non-Executive Directors.

14. The information required by Section 311A of the Act to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders is available at www.tcs-plc.co.uk.

Investor information

Registrar

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

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

Telephone: 0871 664 0300

(Calls cost 12p per minute plus network extras.
Lines are open from 9.00am–5.30pm, Monday to Friday.)

Telephone outside United Kingdom:
+44 (0) 371 664 0300

Email: shareholder.services@linkgroup.co.uk

Website: www.linkassetservices.com

Dividends

Interim dividend: 3.25p per share paid on 21 June 2019 to shareholders on the register on 24 May 2019.

Final dividend: 8.50p per share to be paid on 7 January 2020 to shareholders on the register on 6 December 2019.

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

BDO LLP

Brokers

Liberum
Peel Hunt

Bankers

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

Solicitors

DLA Piper UK LLP
Bond Dickinson LLP
TLT LLP

Principal Valuers

Jones Lang LaSalle
CBRE

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

Company Secretary

Link Company Matters
6th Floor
65 Gresham Street
London EC2V 7NQ

Registrar and transfer office

Link Asset Services

Trustees to mortgage debenture holders

Link Market Services Trustees
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Town Centre House, office interior

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Town
Centre
Securities
PLC