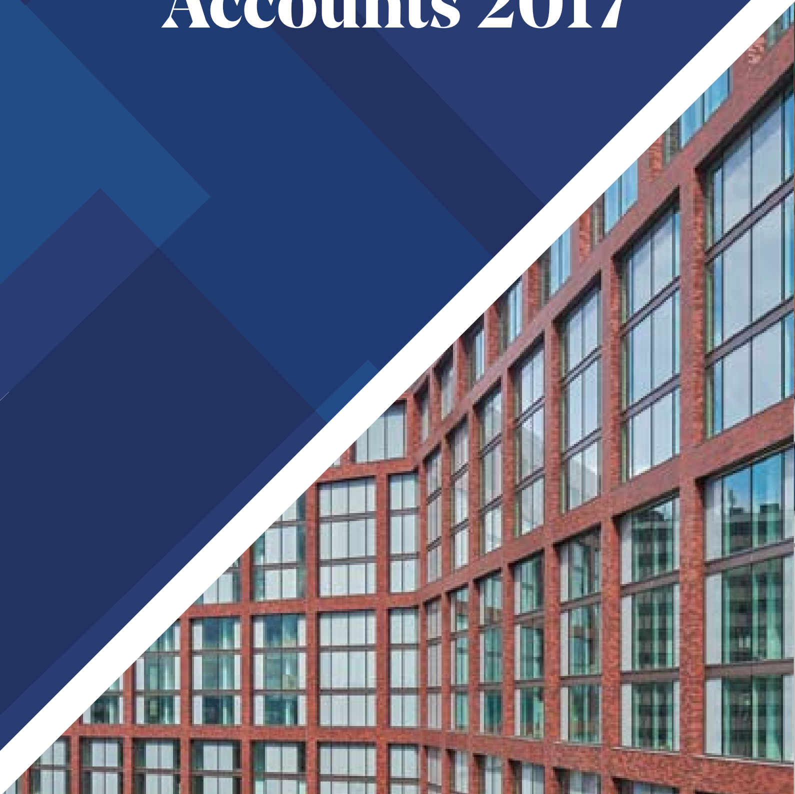
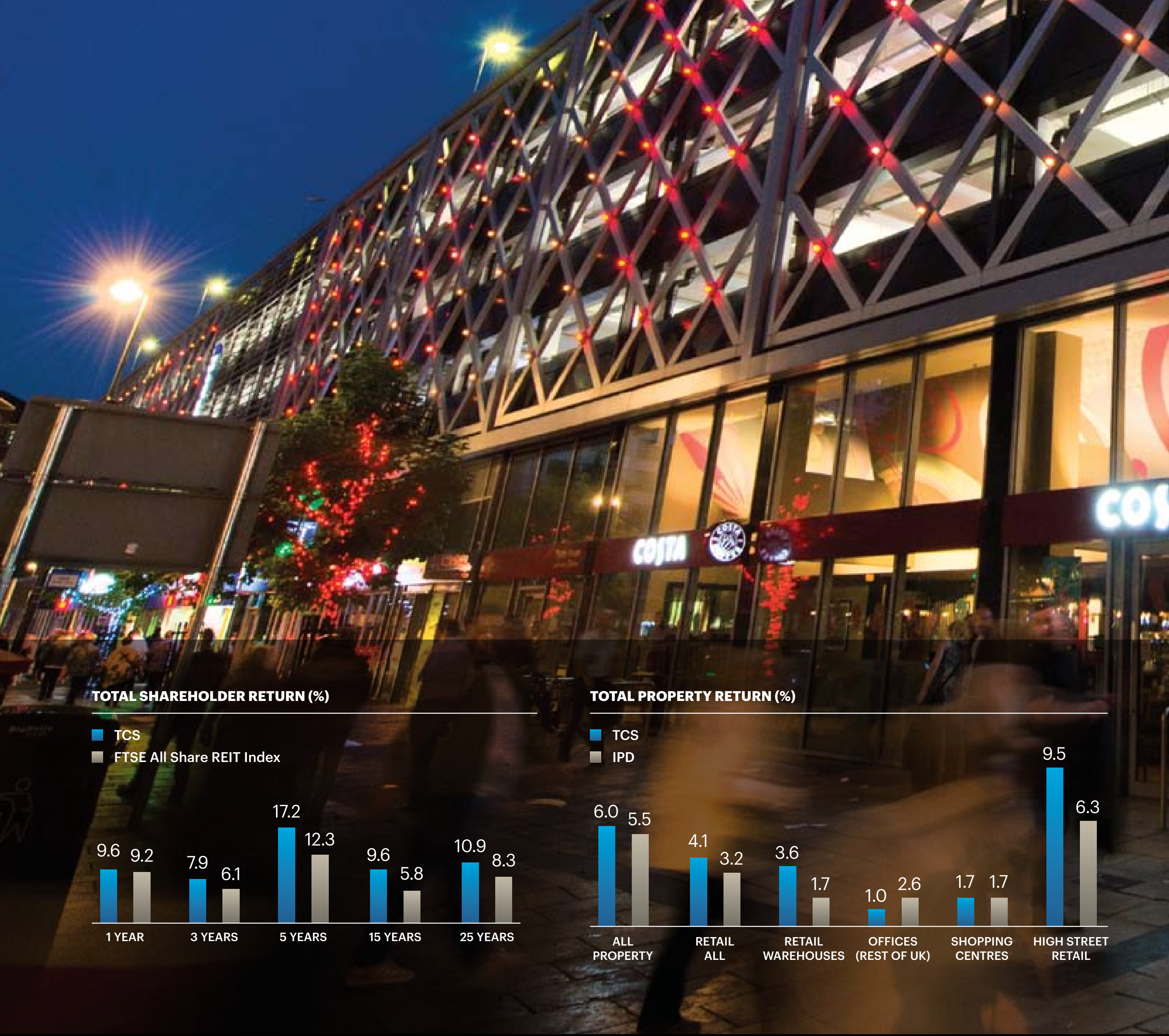
Town Centre Securities

Annual Report & Accounts 2017



Proud to
be making
a difference



Town Centre Securities PLC

are a specialist regional property investor with a £385m portfolio.

Operating principally in Leeds, Manchester, Scotland and London, we have a long track record as a listed company with 57 years of dividend payments either maintained or increased. Our strategy is focused on active management of income based on local knowledge. We are conservatively funded and we have delivered high long term returns for shareholders which compare favourably against market indices.


CitiPark
centre
COSTA

FINANCIAL HIGHLIGHTS

TOTAL SHAREHOLDER RETURN

9.6%

2016: -3.9%

STATUTORY PROFIT BEFORE TAX

£6.7m

2016: £11.9m

EPRA NET ASSETS PER SHARE

359p

2016: 357p

EPRA PROFIT BEFORE TAX

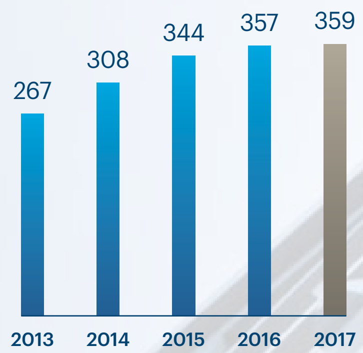
£7.0m

2016: £6.6m

5 YEAR RECORD

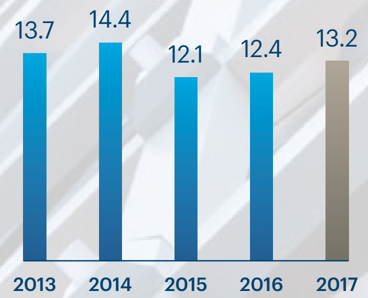
EPRA NET ASSETS PER SHARE:

359P



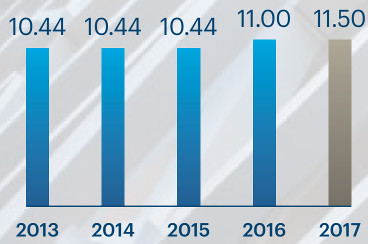
EPRA EARNINGS PER SHARE:

13.2p



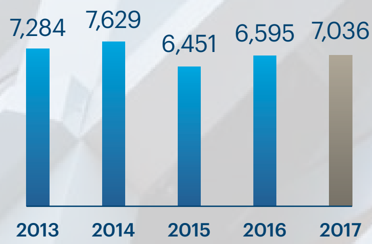
DIVIDENDS PER SHARE:

11.50p



EPRA PROFIT BEFORE TAX (000's):

£7m



TOTAL PROPERTY RETURN

6.0%

2016: 7.8%

STATUTORY EARNINGS PER SHARE

12.7p

2016: 22.4p

TOTAL DIVIDENDS PER SHARE

11.5p

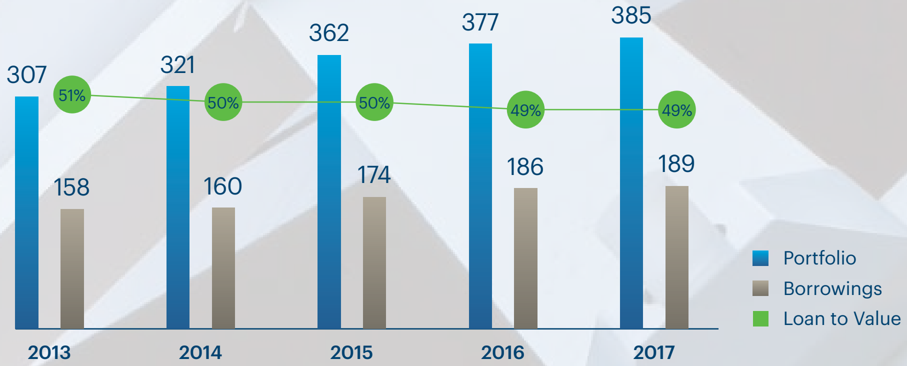
2016: 11.0p

EPRA EARNINGS PER SHARE

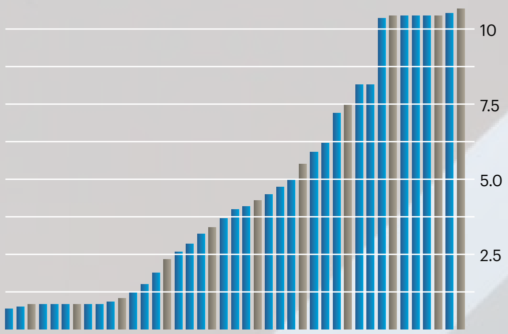
13.2p

2016: 12.4p

PROPERTIES AND BORROWINGS (£m):



57 YEARS OF UNBROKEN DIVIDENDS



BUSINESS MODEL AND STRATEGY

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

Our strategic priorities are:

Intensive Management

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

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

Property Sales and Re-Investment

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

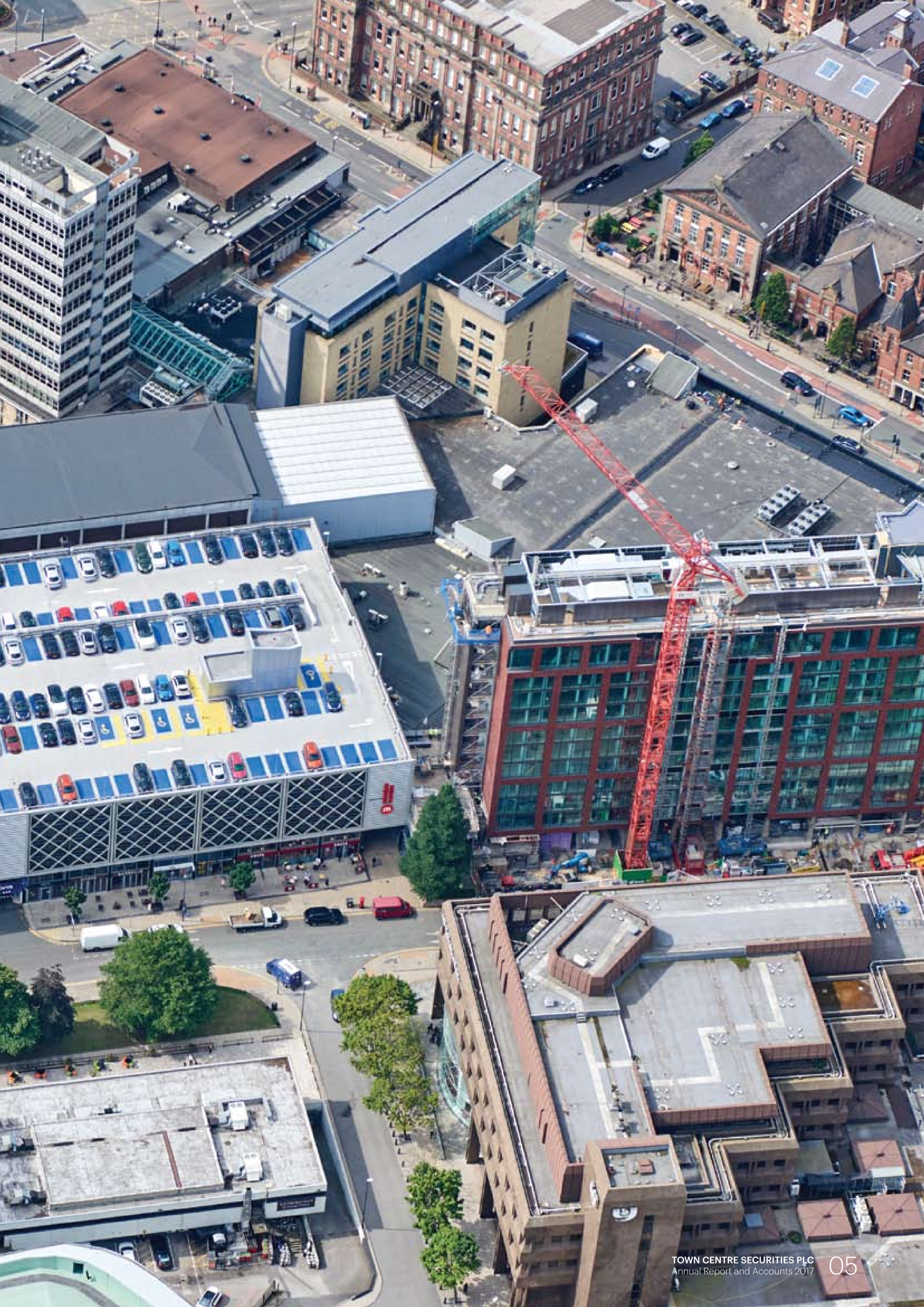
Investment in Car Parking

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

Secure Funding

We are conservatively funded - the majority of our borrowings are long term fixed interest. Our loan to value is moderate at 49% and we have £26m of headroom as protection for the future.

57 YEARS OF UNBROKEN DIVIDENDS



I am delighted with the progress that we have made as a business in this financial year, against a challenging backdrop. We have continued with our capital recycling and development programmes and our portfolio has continued to perform better than earlier market forecasts with like for like increases in passing rent (2.3%) and ERV (2.7%) and the valuation maintained on a like for like basis.

Edward Ziff OBE
Chairman and Chief Executive

Portfolio performance

The total like for like valuation of the portfolio is broadly flat year on year.

The like for like decrease in the value of our investment property portfolio this year has been 1.4% (2016: increase of 0.2%) which reflects a reversionary yield of 6.5% (2016: 6.4%). The like for like increase in development property is 20.1% (2016: 23.5%) The total property return is 6.0% (2016: 7.8%).

The investment properties, developments, joint ventures and car parks value at the year end stood at £381.1m (2016: £375.5m).

Results

Net assets and EPRA net assets at 30 June 2017 were £191.1m, representing 359 pence per share (2016: £189.9m, 357 pence per share).

We report a statutory profit for the year of £6.7m (2016: £11.9m) which includes the property revaluation deficit of £1.1m this year (2016: surplus of £3.5m).

Our EPRA profit before tax of £7.0m (2016: £6.6m) (excluding property revaluation and property disposals) is in line with expectations. CitiPark's operating profit (before funding costs) was up £0.4m or 12%.

Statutory earnings per share (including property revaluation and property disposals) were 12.7p (2016: 22.4p). EPRA earnings per share were 13.2p (2016: 12.4p).

Dividends

The Board is recommending a final dividend of 8.25p per share, which, with the interim dividend of 3.25p per share gives a total of 11.50p. We have approved this 4.5% increase to reflect the improvement of earnings within the year.

The final dividend comprises a Property Income Distribution of 7.00p and an ordinary dividend of 1.25p per share. The final dividend will be paid on 4 January 2018 to shareholders on the register on 8 December 2017.

Operational Review

We made strong progress against our stated strategic plan:

Intensive Management

We have continued to proactively manage our portfolio with 178 transactions completed this year (2016: 141). The total rent roll has risen by 2.6%, occupancy at the year end was 99% and 99% of rent collections were achieved within 5 days of the due date.

Merrion Centre

The centre saw record breaking visitor numbers with 11.5m visitors over the year – an increase of 3.4% on the previous year. We fully let the Arena Quarter in the first half which completes the £17m scheme which has transformed the north side of the centre. On a like for like basis the rent roll has risen by 3.3% and the occupancy is at 99%.

Other properties

We have recently acquired the remaining 50% of Buckley House in Leeds from the Evans Property Group ('Evans'); previously this property was held in a joint venture with TCS owning 50%. It is an excellent time to achieve 100% ownership of this property as it completes our island site which is immediately outside the new Victoria Gate John Lewis scheme and we expect retail demand in this location to improve significantly over the next few years.

The acquisition was part of a swap deal in which we sold a long lease for a 0.6 acre plot at our Piccadilly Basin site. Evans has obtained planning for a 5 star Dakota Hotel which will help stimulate further development activity. As part of the swap deal we also received £975,000 in cash.

We completed value adding income and asset schemes at our Rochdale retail park, at Shandwick Place, Edinburgh and at Wood Green, London.

Property Sales and Re-investment

Capital Recycling

We continue to use our capital recycling programme to maximise the growth potential of the portfolio; we sold two properties in Shandwick Place, Edinburgh for £2m, an exit yield of 6.1% and we sold Empire House, Sauciehall Street, Glasgow for £17.5m an exit yield of 5.7%; both deals exceeded previous valuations.

As income gains flow from our development programme we will continue to take the opportunity to re-position from Scotland into Leeds, Manchester and the London suburbs, and we are currently looking at a number of possible investment opportunities.

Development programme

Our development programme, creating and improving investment properties from within our portfolio, has continued to progress well.

Merrion House remains on track for completion in January 2018. The ibis Styles Hotel, at the Merrion Centre, opened under management on 8 April and is trading above expectations and the lease to Premier Inn at Whitehall Road, Leeds completed in February 2017. These three schemes will add £1.8m to our income.

We are at the beginning of a major residential development programme on our Piccadilly Basin site in Manchester. The Council approved Strategic Planning Framework includes a total of 850 residential units as well as a new multi-storey car park and canal-side commercial development.

The residential programme has now started; we are on site with our flagship 91 unit scheme at Tariff Street with our JV partners in Belgravia Living Group. We also have a JV with Urban Splash who are developing 31 loft style units. We have secured planning for our 126 unit Eider House residential development which we will move onto after Tariff Street is established. We see this as part of an ongoing programme for years to come as we intend to expand our residential portfolio.

At our Whitehall Road site in Leeds the market has also been active. The current scheme has outline permission for 324,000 sq ft of offices plus a 500 space multi-storey car park. We intend to bring forward the construction of the multi-storey car park and a further building (either office, residential or hotel) as the market dictates.

In addition to the above we are looking to bring forward proposals relating to our ownerships at Vicar Lane, Leeds and Milngavie, Glasgow where the Waitrose we completed last year is trading well and we have access to further development land. The car park acquired this year at Rickmansworth also has residential development possibilities.

Investment in Car Parking

CitiPark

The car park portfolio has traded well this year and we continue to benefit from strong income growth, particularly at Watford where the full results of the refurbishment have shown through for the first time this year.

All of the branches are trading well and the centralised Engine Room shows continuing improvement and has increased the efficiency of the operation.

Our process of technological development has continued this year; the rollout of Tesla destination charging points to all our branches is now complete and we also offer other customers electric charging. We were the first car park company to implement an emission based tariff which we introduced at Clipstone Street, London. We have continued to develop our own online booking system and this is now used extensively for our season ticket sales.

This year we invested in YourParkingSpace.co.uk (YPS), an on-demand parking app that allows drivers to search, book and park in thousands of spaces across the UK. This follows a successful partnership with CitiPark.

In June 2017 we completed the purchase of a 140 space freehold multi-storey car park right next to Rickmansworth underground station. We have previously traded from this branch as a tenant.

Secure Funding

Net debt at 30 June 2017 amounted to £188.8m (2016: £185.8m). This comprised £105.8m (net of £0.3m of unamortised lease incentives) of 5.375% First Mortgage Debenture Stock 2031 and £108m of revolving credit facilities, of which we had drawn £81.7m at the year end. Finance leases of £4.4m net of cash of £3.1m make up the remaining balance. The increase in the level of net debt is principally due to capital expenditure on the development schemes. Borrowings represent 49% of property values (2016: 49%).

Team

It is important to recognise the contribution of the entire team in delivery of these results and the progress the Company continues to make.

This year sees a number of Board changes worthy of comment. The Company welcomes Mark Dilley who joined TCS on the 10th July as Group Finance Director. Mark joins from Asda where he served for 14 years within its Finance team, before which he worked at JP Morgan and Unilever.

The Company would like to thank the out-going Finance Director Duncan Syers, and also John Nettleton, a Non-Executive Director as they both retire from Town Centre Securities.

Duncan completes his second term of office at TCS and leaves with gratitude and appreciation for his long-standing contribution to the Company. He has played a significant role in developing our car parking business through two phases of expansion, whilst shepherding the company through challenging economic times. The Board wishes him a long, happy, and healthy retirement and success in all his future endeavours.

John Nettleton joined the Board in 2004 and has played a crucial role in helping guide the business through significant times of change. He has always been generous in his giving of time and wisdom to the business. His humour and humility will be missed around the Board table and the Company sincerely thanks him for his service and wishes him and his family good health and happiness in the future. John will step down with effect from the Company's Annual General Meeting on 28 November 2017.

The Board intends appointing a new Non-Executive Director in the near future.

Outlook

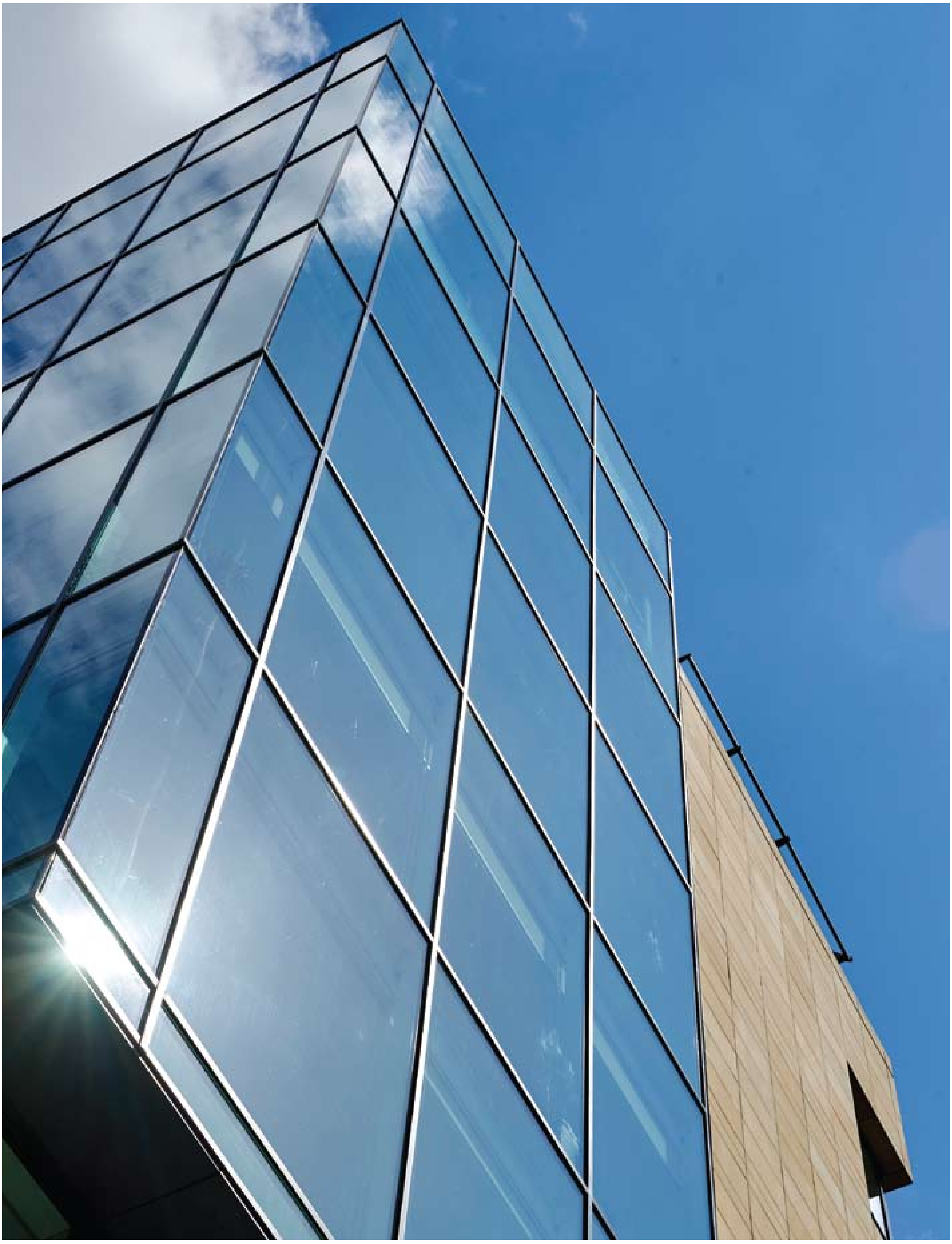
Despite a challenging start to the year, with the Brexit vote in June 2016 creating uncertainty in the markets and many pessimistic forecasts of the effect on property values and the economy, we are pleased with the progress that we have achieved.

Our performance this year has belied the market backdrop, and while some of our assets have experienced market driven falls in value, our continuing intensive management of the portfolio has again produced increases in rental income and also in capital value which have shown through in these results and proved the pessimists wrong. We expect this to continue.

Our capital recycling programme has accelerated with the disposals from our Scottish portfolio and we expect to make further disposals of mature assets in the forthcoming year. We are actively looking to invest as and when we see the right opportunities.

The development programme has gone well and continues to drive increases in income throughout the portfolio which has allowed us to be bold in terms of disposing of mature ex-growth properties. The portfolio holds extensive further development opportunities.

Edward Ziff OBE
Chairman and Chief Executive



Merrion Centre, Leeds

The Merrion Centre comprises 1m sq ft of retail, leisure, car parking and office space occupying a key position on the north side of the retail centre of Leeds and linking with the two Leeds Universities to the north of the scheme.

Originally developed in the 1960s the 120,000 sq ft office building and Morrisons store were added in the early 1970's. We have continued to invest in the centre every year with over £70m committed in the last 5 years. The latest additions have been the Arena Quarter and car park refurbishment and the ibis Styles hotel. These successful developments continue the ongoing diversification of users within the Merrion Centre

The centre offers affordable occupational costs to the discount retail sector. Key tenants in the main retail mall include Morrisons, Boots, Superdrug, Home Bargains, Poundworld, Rymans, Peacocks, Bon Marche and O2.

We have always worked closely with our tenants and we continue to maintain a high occupancy level of 99%. We have also been able, through active management, to keep the rent roll moving forward; on a like for like basis the increase has been 3.3% this year. This year we have completed a letting to Heron Foods for 10 years adding £68,000 to rental income for instance.

By Sector	SQ FT 000 '000	PASSING RENT £m	%	ERV £m
RETAIL	210	3.9	39	3.9
LEISURE	234	1.9	19	1.9
HOTEL	80	0.6	6	1.0
OFFICE	249	2.1	21	3.3
CAR PARKING	271	1.5	15	1.8
TOTAL	**1,044**	**10.0**	**100**	**11.9**


merrion centre
COSTA
COSTA
CitiPark
centre

Merrion Centre, Leeds

During the year, the main achievement has been the completion of the lettings of the Arena Quarter. This £17m project was started in 2012 to capitalise on the opening of the Leeds Arena. The northern side of the centre has been completely transformed into a food and leisure hub along with a complete refurbishment of the multi-storey car park. The scheme was fully let earlier in the year with lettings to Bengal Brasserie and a Burger King franchise with rents rising £155,000 pa. The total cost of the retail refurbishment of the Arena Quarter has been £6.5m (part of the £17m) and the rent roll now stands at £820,000 pa; an increase of £580,000 pa compared to 2012 when we started the project.


Acupuncture & Alternative Medicine
INCHES
WADE
The Shake Bar
Bright House
OFFICIAL LEEDS UNITED CLUB STORE
17


Bengal
restaurant
Sticky Sisters
BURGER KING

Vicar Lane, Leeds

Flannels, Vicar Lane

Buckley House

We have recently acquired 50% of Buckley House in Leeds from the Evans Property Group; previously this property was held in a joint venture with TCS owning the other 50%. It is an excellent time to achieve 100% ownership of this property as it completes our island site which is immediately outside the Victoria Gate John Lewis anchored scheme and we expect retail demand in this location to improve significantly over the next few years.

The acquisition was part of a swap deal; we sold a long lease on a 0.6 acre ownership from our Piccadilly Basin site in Manchester. Evans has obtained planning for a 5 star Dakota Hotel on this site which will help stimulate further development activity. As part of the swap deal we also received £975,000 in cash.

The total ownership on Vicar Lane now comprises a 0.65 acre island site with 10 retail units, a total of 40,000sq ft of retail space together with upper floor offices and 17 apartments. The main retail tenants include Flannels (18,500 sq ft) and High and Mighty occupying (3,000 sq ft). We recently let 7,000 sq ft to existing occupier Man Behind the Curtain restaurant in a relocation deal. This is the brand of Michelin starred chef Michael O'Hare and is scheduled to open in October in the basement formerly part occupied by Ladbrokes.

The plan for this block is primarily refurbishment/renewal and asset management and we believe it will provide asset and rental growth over the next few years.

DEVELOPMENT PROGRAMME

Town Centre Securities has always focused on building a strong income yielding portfolio. This continues to be our primary aim and key strategic initiative.

As we have grown our business over the years, we have been able to acquire a number of sites that give opportunity for significant development at the appropriate time.

A key focus for Town Centre Securities is to identify the right time to develop these opportunities.

2016/17 saw us make significant progress in numerous sites including the ibis Styles and Premier Inn Hotels in Leeds. Growth opportunities are inherent within the portfolio and is a key strength of the business.


ibis
STYLES
GREGGS
THE KEY CLUB
RECORDS
Professional
Barbers
marco's

Merrion House, Leeds

Merrion House will be a 170,000 sq ft state of the art office building let for 25 years to Leeds City Council (LCC). It will house all of the Council's public facing departments and over 2,000 employees.

The redevelopment will transform a 1970's office block into an innovative public sector building which will facilitate a significant saving in operating costs for LCC.

The scheme is on target for completion by January 2018. This will trigger the new 25 year lease to LCC which will increase our share of the rental income from £700,000 pa to £1,664,000 pa.

The total cost of the scheme to TCS is £33m with LCC purchasing their 50% interest for £28m.

Refurbished Merrion House

New extension to Merrion House

ibis Styles, Leeds City Centre Arena Hotel and Marco's New York Italian

ibis Styles Hotel open and trading.

The original Merrion Hotel was built in the 1960's and was effectively unusable before this redevelopment. The opening of the ibis Styles Hotel and adjoining Marco's New York Italian Bar and Restaurant has transformed this area of Leeds and helps further establish the Arena Quarter.

The total cost of the refurbishment has been £10m and the 134 bedroom hotel and restaurant have opened and are trading under a management agreement using the ibis Styles Hotel and Marco's New York Italian brands. Early trading in this new development has been ahead of expectations.

ibis Styles, Leeds City Centre Arena Hotel and Marco's New York Italian


marco's
NEW YORK ITALIAN
BY MARCO PIERRE WHITE


marco's

Premier Inn, Whitehall Road, Leeds

PREMIER INN WHITEHALL ROAD, LEEDS HANDED OVER ON TIME AND ON BUDGET

The build was completed on time and on budget of £10m. Handover to Premier Inn triggered the new 25 year lease (with the Whitbread PLC guarantee) generating an annual rent of £680,000 with RPI uplifts.

Whitehall Road, Leeds

This 4.35 acre site is now established at the core of the grade A office area for Leeds City Centre. It currently trades as a 460 space surface car park (See Pin Reference 10 on page 27). Both the city centre and the train station (which will include HS2) are a short walk away.

The masterplan is for 324,000 sq ft of offices in three buildings along with a 500 space multi-storey car park. There is also potential to replace one of the office buildings with around 310 residential units.

Whitehall Road Masterplan

The site's central location and river frontage gives it particular appeal and this area of Leeds has seen substantial development in recent times which has delivered two benefits for Whitehall Road - rental values have now been established at £28psf, and the availability for new requirements is being eroded as other large scale lettings reduce supply.

This will be particularly evident once the adjoining site has been chosen for the Government Property Unit office requirement, which will take up much of the remaining availability.

We have ongoing discussions regarding potential requirements and we expect to be announcing plans for the next building over the coming year. Detailed planning has now been granted for 180,000 sq ft of the aforementioned office space and the 500 space multi-storey car park.

We are currently planning to start work on the car park over the next year to capitalise on the increasing demand which will result from developments on adjoining sites.

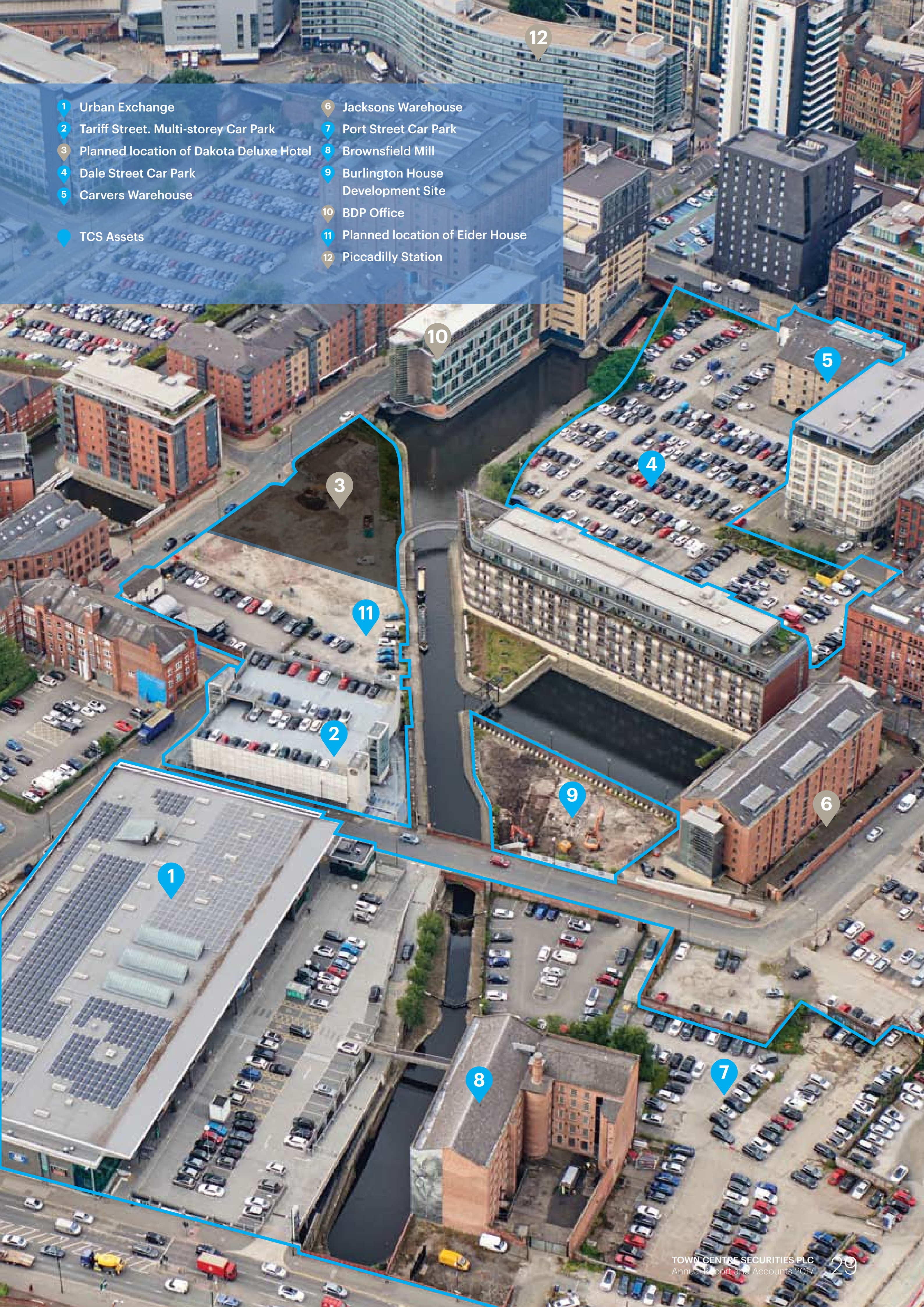

1 First Direct Arena
2 Merrion House
3 Merrion Centre
4 Town Hall
5 Vicar Lane Island site
6 Corn Exchange
7 Trinity Shopping Centre
8 No. 1 Whitehall Riverside
9 Premier Inn
10 Whitehall Road CitiPark Car Park
11 Victoria Gate
12 Victoria Quarter
13 Leeds Station
TCS Assets

Piccadilly Basin, Manchester

The original ownership of the basin dates back to the 1970's and was acquired through the takeover of the Rochdale Canal Company. The land assembly continued into the 1980s, and following which a number of significant commercial and residential developments have been completed and now form part of the wider Manchester Piccadilly Basin. The Basin now comprises circa 12.5 acres and includes a variety of buildings, car parking and future development sites. The following buildings have been developed by TCS over the past 15 years:

- Urban Exchange. A 116,000 sq ft retail building let to Aldi, Marks & Spencer, Go Outdoors and Pure Gym with a current annual rental income of £1.1m pa.
- Carvers Warehouse. A 22,000 sq ft listed multi let office building with an annual rental value of £0.3m
- Brownsfield Mill. A 40,000 sq ft listed mill building due to undergo conversion into loft style apartments in a JV with Urban Splash
- 30 Tariff Street. A 240 space multi-storey car park
- 21 Ducie Street. A 33,000 sq ft new build office occupied by BDP Architects (sold)
- Jacksons Warehouse. A residential conversion of a former mill building overlooking the marina (sold)
- Vantage Quay. A new 120 unit residential apartment building (sold)
- A 480 space surface car park with permanent planning permission

We have secured an approved Strategic Regeneration Framework with Manchester City Council which identifies 800 residential units, a 500 space multi-storey car park and a 200,000 sq ft of canalside commercial development. This gives us access to a fast track planning process where we bring forward schemes which fit within the framework.


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

Piccadilly Basin, Manchester

Burlington House

The agreement with Manchester City Council has allowed us to draw up a residential development programme for many years to come which will create an opportunity to build up a significant residential rental portfolio in this prime area of Manchester.

We are already on site with the first phase with our Joint Venture Partners in Belgravia Living Group; Burlington House will comprise 91 units in a flagship scheme. We expect a build period of 21 months at a total cost of £22m and the total value of the scheme when complete is expected to be over £26m, with a net rental value of £1.2m. We also have detailed consent for a further 126 unit residential block, Eider House, and aim to commence development of this prior to completion of Burlington House.

Alongside this we have agreed with Urban Splash, the urban regeneration specialists, a redevelopment of Brownsfield Mill into 31 loft-style apartments. We will receive an initial £1m upon the granting of planning, plus 12.5% of the gross sale proceeds. The scheme has recently achieved detailed planning permission and is expected to start on site later this year.

The swap agreement with Evans Property Group includes the sale of 0.6 acres for a 5 star 137 bedroom Dakota Deluxe Hotel. This is expected to open by the end of 2019 and will bring welcome commercial activity and demand to the site.

Dakota Deluxe Hotel

Eider House

DETAILED PORTFOLIO PERFORMANCE

Richard Lewis
Property Director

The post-Brexit performance of the portfolio has been much better than market forecasts. The Merrion Centre has reduced in value by 6.2% on yield shift but this has been offset by increases at Vicar Lane, Leeds (19%), Premier Inn Leeds (12%) and Leeds Dock Car Park (11%). Overall the portfolio has maintained value this year.

The investment property portfolio has been valued at £323m (2016: £314m) with an average initial yield of 5.6% (2016: 5.7%) and an average reversionary yield of 6.5% (2016: 6.4%) which we consider is appropriate for our mixed portfolio. Occupancy of around 99% has been maintained throughout the year, well above the industry average.

Portfolio Analysis	PASSING RENT	ERV £m	VALUE £m	% OF PORTFOLIO	VALUATION +/-%	INITIAL YIELD	REVERSIONARY YIELD
RETAIL & LEISURE	4.9	5.6	93.4	25%	3.4%	5.0%	5.6%
MERRION CENTRE (EXCL OFFICES)	7.3	8.3	106.9	28%	-6.2%	6.5%	7.3%
OFFICES	2.4	3.8	52.6	14%	3.3%	4.4%	6.8%
OUT OF TOWN RETAIL	3.5	3.7	54.0	14%	-2.9%	6.2%	6.5%
DISTRIBUTION	0.4	0.4	5.6	1%	15.8%	6.4%	6.5%
RESIDENTIAL	0.5	0.6	10.7	3%	1.7%	4.7%	5.5%
	19.1	**22.4**	**323.1**	**86%**	**-1.9%**	**5.6%**	**6.5%**
DEVELOPMENT PROPERTY (CAR PARK INCOME)	1.9	1.9	24.8	7%	35.1%		
OTHER DEVELOPMENT SITES			2.6	1%	-37.5%		
CAR PARKS	1.3	1.3	25.3	7%	6.3%		
LET PORTFOLIO	22.3	25.6	375.7	100%	0.0%		
VOIDS (1%)		0.2					
		25.8					

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

PORTFOLIO ANALYSIS

Portfolio Analysis

By Location:
Total Value: £375.7m

59% LEEDS
16% MANCHESTER
17% SCOTLAND
9% LONDON

By Sector:
Total Value: £375.7m

68% RETAIL/LEISURE
14% OFFICE
7% CAR PARKING
3% RESIDENTIAL
1% DISTRIBUTION
7% DEVELOPMENT

By Lease Expiries:
TPR: £19.1m

46% 0-5 YEARS
28% 5-10 YEARS
26% 10+ YEARS

TOP TEN TENANTS

£1m+

MORRISONS
WAITROSE

£500k-£1m

LEEDS CITY COUNCIL
HOMEBASE
MATALAN
STEP CHANGE
PURE GYM

£250k-£500k

ALDI
GO OUTDOORS
DUNE

Duncan Syers
Finance Director to 5 September 2017

Mark Dilley
Finance Director (joined 10 July 2017)

The key elements of our strategy have combined to strengthen both revenues and income:

- Intensive asset management across the portfolio has driven increases in like for like revenues
- The combination of property sales and reinvestments has ensured that we are now beginning to see revenue gains from our development programme
- Continuing to invest and be innovative in our CitiPark business has ensured revenue and income improvements.

Gross Revenue
Total revenues were up 4.9% year on year. Key drivers include:

- Merrion Centre rents up 3.3% LFL primarily from new Arena lettings
- New 2016 London acquisitions annualising
- Lease renewal at Waterside Distribution Park
- New development income from the two hotels starting to flow through

CitiPark revenues were up 8.4% with strong increases seen in Manchester, Watford, and the Leeds Dock and Leeds Whitehall Road branches.

The current development programme will deliver annual increases in revenue of £1.8m. In addition, the disposals completed in the year will reduce annualised rental incomes by £1.3m prior to any reinvestment.

Property expenses - have been maintained at 11% of gross rentals

Other income - increases in sundry property income such as management fees and dilapidations receipts;

Administrative expenses - increased versus last year driven by a combination of strengthening the Estates team, an increase in overall bonus costs, and the impact of accrual releases in the prior year.

	PROPERTY RENTAL		CAR PARKING	
Results	2017 £000's	2016 £000's	2017 £000's	2016 £000's
GROSS REVENUE*	16,571	16,147	10,969	10,118
PROPERTY EXPENSES	(1,896)	(1,818)	(6,252)	(5,843)
NET REVENUE	14,675	14,329	4,717	4,275
OTHER INCOME/JV PROFIT	1,578	1,326	0	5
ADMINISTRATIVE EXPENSES	(5,465)	(4,690)	(830)	(803)
OPERATING PROFIT	**10,788**	**10,965**	**3,887**	**3,477**
TOTAL OPERATING PROFIT	14,675	14,442		
FINANCE COSTS	(7,639)	(7,847)		
EPRA	**7,036**	**6,595**		

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

FINANCIAL REVIEW

Balance Sheet

Our total non-current assets (including JVs) of £385.1m (2016: £377.7m) include £354.6m of investment properties (2016: £350.4m) and £28.5m of non-current car parking assets (2016: £25.1m). The Merrion Centre car park is included in the investment property asset. The car parking assets include £4m (2016: £4m) of leasehold car parks which are accounted for under IFRS as goodwill. There are two such car parks with operating leases of 22 and 35 years.

We have continued to invest in our properties with a total of £18.7m (majority being on the two hotels) of capital expenditure this year and loans to the Merrion House joint venture of £4.3m. Capital recycling comprised £22.4m of sales and £4.1m of purchases. Along with other cash movements this resulted in an increase in borrowings from £185.8m to £188.8m.

The property and car parking balances reflect valuation losses of £2.1m in respect of the investment properties and gains of £1.1m in respect of car parks (which includes £0.1m which is shown in the Statement of Changes in Equity as other comprehensive income).

Our bank facilities total £108m from Lloyds, RBS and Handelsbanken and are 3 year revolving credit facilities secured on our investment properties and expire between November 2018 and April 2020. The quoted debenture stock is £106m secured against investment property and car parking assets and expires in November 2031.

Going concern and headroom

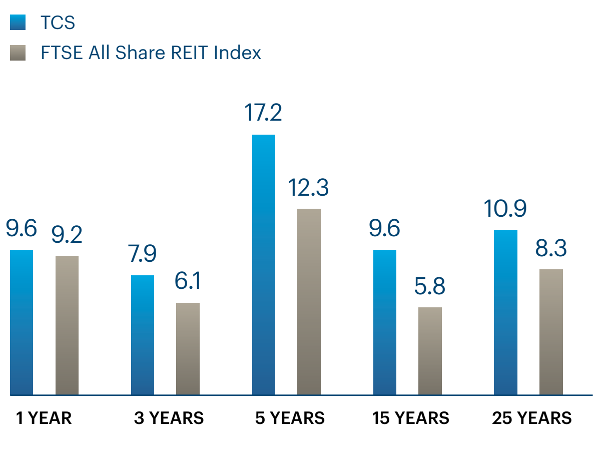
One of the most critical judgements for the Board is the headroom in the Group's bank facilities. This is calculated as the maximum amount that could be borrowed taking into account the properties secured to the funders and the facilities in place. The total headroom is currently £26m (2016: £27.7m) and is considered to be sufficient to support our going concern conclusion.

Total shareholder return and total property return

Total shareholder return of 9.6% (2016: minus 3.9%) is calculated as the total of dividends paid during the financial year of 11.15p (2016: 10.44p) and the movement in the share price between 30 June 2016 (275p) and 30 June 2017 (290p), and assumed dividends are reinvested. This compares with the FTSE REIT index of 9.2% (2016: minus 11.7%) for the same period.

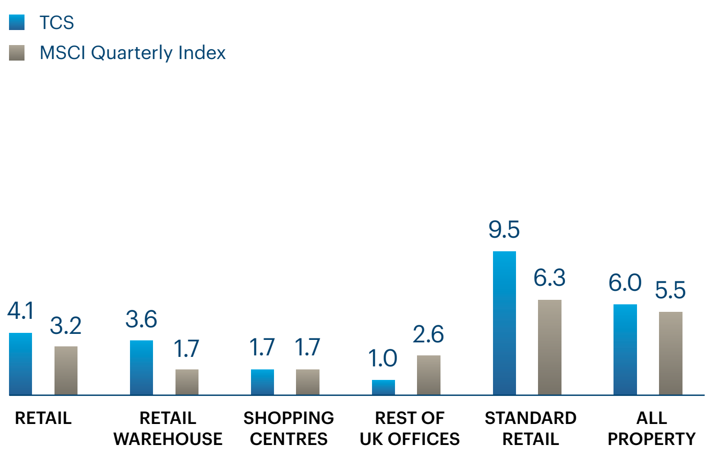
The Group's concentration on maximising income from our portfolio has led to out-performance of the relevant indices over 1, 3, 5, 15 and 25 years.

Total Shareholder Return



* 15 & 25 year comparable vs FTSE All Share Real Estate market as REIT Index did not exist

Total Property Return (12 months ending June 2017)



Total property return is calculated as the operating profit from the property rental business adding back administrative expenses and adjusting for the Merrion Centre car park income, as a percentage of the opening investment properties excluding developments.

Total Property Return for the business for the reported 12 months is 6.0% (2016: 7.8%). This compared to the MSCI/IPD market return of 5.5% (2016: 8.9%)

Risk

The directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten the business model, future performance, solvency or liquidity. The detailed Risk Register is shown on pages 59 and 60.

Key Performance Indicators (KPI's)

Our business model is predicted on delivering maximum return to shareholders so that Total Shareholder Return is the main KPI. Shown overleaf is a detailed explanation of the various components which contribute to Total Shareholder Return along with some other statistics of our performance over the last 2 years.

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

KEY PERFORMANCE INDICATORS

	2017	2016
01 DELIVERING RETURNS TO SHAREHOLDERS	• TSR over 3 years 7.9% (market 6.1%) • Dividends 11.50p – 57 years unbroken record • Dividend cover 1.2 times	• TSR over 3 years 19.6% (market 8.9%) • Dividends 11.0p – 56 years unbroken record • Dividend cover 1.13 times
02 CREATING VALUE THROUGH DEVELOPMENT	• Two hotel schemes completed on time and to budget • Merrion House progressing to completion in January 2018 on budget • Development schemes are expected to deliver £1.8m pa extra profit and £10.5m of additional net assets	• Three development projects progressing on time and on budget • Development schemes are expected to deliver £1.8m pa extra profit and £10.5m of additional net assets
03 CREATING VALUE THROUGH ASSET MANAGEMENT	• 178 leasing transactions delivering and maintaining £22.3m of passing rent and £25.8m of ERV	• 141 leasing transactions delivering and maintaining £19.8m of passing rent and £25.0m of ERV
04 CAPITAL RECYCLING	• Sales of ex growth properties £19.5m exit yield 7% ahead of previous valuation • £23m re-invested in development schemes	• Sales of ex growth properties £13.3m exit yield 6.0% • Purchases £6m average initial yield 5.7%
05 CAR PARKING	• Refurbishment and upgrade spend £4m • Profits from refurbished sites £0.5m effective yield on cost 12.5% • Growth in net revenue 10.3% • Engine Room fully operational handling 5,700 calls per month	• Refurbishment and upgrade spend on new sites £5m • Profits from acquired sites £0.4m effective yield on cost 6.7% • Organic like for like growth in net revenue of 25% • Engine Room fully operational handling 4,500 calls per month
06 CONSERVATIVE FINANCING	• Interest cover 1.9 times • 56% of debt long term (14 yrs) fixed interest • Headroom £26m • Loan to value 49% • Average interest cost 3.9%	• Interest cover 1.84 times • 57% of debt long term (15 yrs) fixed interest • Headroom £27.7m • Loan to value 49% • Average interest cost 4.1%


CitiPark

CAR PARKING

At CitiPark, our car parking business, we have continued to consolidate the assets we purchased in 2014 and 2015. We have upgraded all of the new branches with our integrated parking management system, which allows us to manage all locations remotely from our Engine Room.

In total, across 16 branches we operate over

6,400

Car parking spaces

Operating Profit per space is:

£610

per space

We continue to look for opportunities throughout the UK on either a freehold or long-leasehold basis.

Ben Ziff
Managing Director

CitiPark has had another good year with turnover up 8.4% to £11.0m and profit growth of 11.8% to £3.9m.

Our investment in technology and in the Engine Room continues to drive profit through to the bottom line.

We have benefitted again from the capital investment in the business; this is the first full year of trading from the refurbished branches in Watford. The majority of the growth however has come from our core assets.

Merrion is ahead of last year and will show further growth once Merrion House is complete in January 2018 – over 2,000 Leeds City Council employees will return to the centre and we expect to see parking numbers increase. Whitehall Road has continued to be our strongest performer as the branch closest to it has reduced in capacity through the development of offices. Leeds Dock continues to perform ahead of budget – the increase in occupancy in office lettings in the scheme has continued to show significant season ticket demand. As the car park is now effectively full we will be seeing increases in rates going forward. Piccadilly Basin has also performed strongly although we will lose part of the capacity through the Dakota Hotel site sale. We expect this to be largely mitigated by increased occupancy elsewhere on the site.

The Engine Room is the 24/7 control centre that provides constant customer service and support to our patrons via an intercom system and a web chat service. The launching of the Engine Room in June 2015 has allowed us to rationalise staff levels and it continues to drive efficiencies through the operations.

The next phase of our refurbishment programme is to upgrade our operation at Bell Street, London where demand has increased significantly following the closure of an adjacent competitor car park and also at Clipstone Street, London where we will add £0.1m to profits through letting part of the space to a storage operation.

It is also pleasing to announce another acquisition; in June 2017 we completed the purchase of a 140 space freehold multi-storey car park right next to Rickmansworth underground station. We have previously traded from this branch as a tenant. Now that we have acquired the freehold we will be bringing forward refurbishment plans for this branch.

Technological Enhancements

Our process of technological development has continued this year; the rollout of Tesla destination electric charging points to all our branches is now complete and we also offer generic electric vehicle charging. We were the first private car park company to implement an emission based tariff which we introduced at Clipstone Street, London.

We have continued to develop our own online booking system and this is now used extensively for our season ticket sales which allows us to minimise the administrative cost of taking these bookings.

YourParkingSpace.co.uk

yourparkingspace
On-Demand Parking

We are delighted to announce an investment in YourParkingSpace.co.uk (YPS). As a business we are always open to strategic acquisitions and investments that will enhance our core businesses. The investment in YPS is a decision taken in order to complement the focus of our property business and directly enhance our CitiPark division.

YPS was formed in November 2013. The business originated in the sharing economy sector, specialising in driveway rentals, before expanding to encompass all types of under-utilised parking inventory nationwide, with clients ranging from private individuals with vacant driveways, to major hotel brands, local authorities, and many of the traditional car park operators. The company has been named in this year's Mishcon The LEAP 100, a list of Britain's most exciting, fastest growing companies.

YPS is an on-demand parking service which connects drivers with over 250,000 parking spaces across the UK, ranging from private driveways owned by individuals to operator-managed car parks and commercial parking inventory. To-date YPS has generated over £10 million in revenue for its parking space providers. The service, which operates a mobile app and website, is available UK-wide.

The investment rationale was strengthened following the observation of the transformational effect of the internet across almost every industry. Today, the vast majority of industries are dominated by major online brands. Examples of this includes: Airbnb and Booking.com in the hotel industry, SkyScanner and Kayak in the travel sector and Match.com and Tinder in the dating industry. The parking industry is one of the few remaining sectors awaiting the emergence of a dominant online brand.

The parking industry within the local authority is worth over £1.5 billion each year*. The private sector's value is estimated to be significantly higher. The market is huge, there's a significant consumer appetite for innovation, and it is our belief that YPS, with the support and investment from our businesses can deliver on its growth plans to transform the industry and in the process, generate additional value for CitiPark, whilst significantly improving customer experience and the perception of the industry as a whole.

* http://www.britishparking.co.uk/write/documents/library/reports%20and%20research/bpa_uk_parking_sector_report_awweb.pdf

CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

TCS Energy

We believe passionately in operating the most sustainable and environmentally friendly business that we can. In addition to our focus on the Green Agenda we have chosen to actively manage our consumption of natural resources by using energy which we generate from renewable sources.

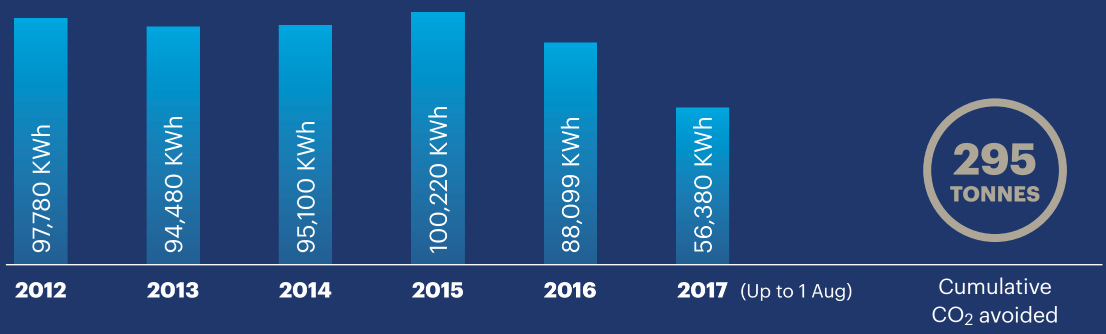
Ben Ziff
Managing Director

TCS Energy was established in April 2002. Since then we have installed 3 Solar Photovoltaic (PV) Farms. These are situated at Leeds Dock Car Park and Urban Exchange, Manchester.

LEEDS DOCK

The Solar PV system at Leeds Dock MSCP consists of 641 Solyndra 200W Solar Modules. The total system size is 128.2 kWp

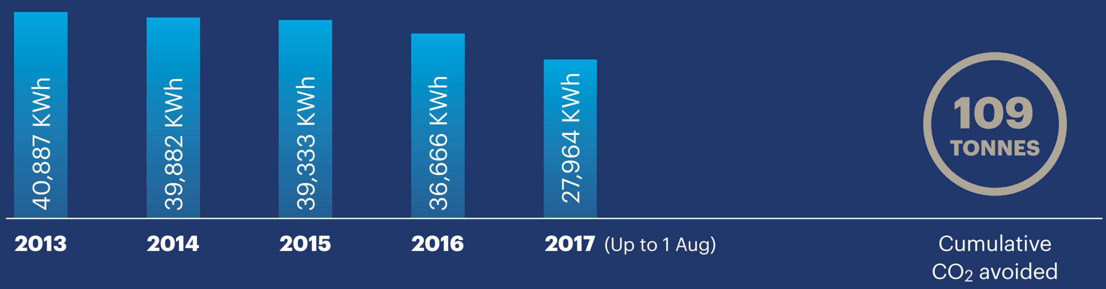
Production by calendar year is shown below:



URBAN EXCHANGE 1

The Phase 1 Solar PV system at Urban Exchange, Manchester consists of: 240 REC 240W Solar PV modules. The system size is 49.68kWp.

Production by calendar year has been:



URBAN EXCHANGE 2

The Solar PV system at Urban Exchange Phase 2 consists of: 562 Canadian Solar 255W Solar PV modules. The system size is 143.82 kWp.

Production by calendar year has been:

Total KWh Generated

We continue to demonstrate both corporate and individual staff commitment to our local community.

In recognition of the importance of this commitment to our business, we have, for the first time this year, had a designated CSR Coordinator, Charlotte Daisy Ziff. She has expanded our grass roots involvement in local charitable and community organisations and, to encourage engagement amongst our staff in charitable activities, is introducing an employee involvement programme for TCS and CitiPark.

The charities we have partnered with this year are: Candlelighters at whose annual awards dinner we were proud to sponsor an award, The Leeds Jewish Welfare Board, Variety The Children's Charity, LionHeart, The British Legion and, most recently, Autism Angels. In addition to those partnerships we have sponsored a number of stand alone initiatives, including the Physcap Three Peaks Challenge. In total, charitable donations by the company amounted to £125,000 (£121,000 in 2015-16), around £35,000 of which we raised through events, collections and competitions in the Merrion Centre alone.

A key element of our work in the local community this year has been our partnerships with local schools (including Leeds City Academy, a deprived inner city school), as well as our continued support of Child Friendly Leeds from whom we won an award through recognizing our contribution as one of their 'Gold Ambassadors'. It is our firm belief that by supporting children and young adults in the local community, we can ensure a brighter future for the city of Leeds. Highlights of our work this year include the two competitions that we organised in conjunction with local businesses for local school children. We gave local pupils the chance to display their artwork on the hoardings around the Merrion House project. In partnership with BAM, we entered the decorated hoardings into the 'Ivor Goodsite Hoarding Competition' and were awarded runners up for 2017. The second coincided with Healthy Eating Week, which encouraged each participating class to grow fruits and vegetables in hard hats which were then used as hanging baskets around each school, the class with the most bumper crop winning a meal, and a chance to learn more about healthy eating, at Marco Pierre White's new Leeds restaurant in the Merrion Centre.

We are actively seeking further partnerships and opportunities to further our work in this area and already have some exciting initiatives in the pipeline, including increasing the scope of our mentoring and work experience offering for local children and young adults in partnership with social enterprise 'Ahead Partnership'.

Each of our Executive Directors has given time and personal commitment to one of our nominated charities by holding leadership positions. Edward Ziff, is the Chairman and Trustee of the Leeds Teaching Hospital Charitable Foundation and continues a long association with the Leeds Jewish Welfare Board. Richard Lewis was Chairman of Trustees of the LionHeart charity until July 2017 and Duncan Syers is Chairman of the Yorkshire region of Variety and a trustee of the national charity

Finally, although not the aim of our charity involvement and community participation, we are always delighted when the work of our people in this regard is recognised: in recognition of his tireless work for charitable causes and in local community life, Edward Ziff was awarded an OBE for services to the community and economy in The Queens Birthday Honours List 2017.

CORPORATE SOCIAL RESPONSIBILITY

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

Emissions
The occupancy rate of our properties is 98% and therefore our tenants effectively control the emissions from our properties. We occupy a small part of the Merrion Centre and the top two floors of Duke Street, London for our own use and hence our emissions are not significant.

The CitiPark subsidiary business operates a fleet of electric hybrid vehicles for the management of its branch network. These vehicles emit 39g/km of CO_2.

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

Our operational teams have clear health and safety objectives and review procedures regularly taking action where necessary. Richard Lewis is the Board member with this responsibility and he is supported by specialist external advisers.

Sustainability
As our portfolio is 99% occupied it is our tenants who are responsible for the energy and waste management. We manage the Merrion Centre which comprises around 34% of our portfolio and the sustainability report is set out overleaf.

variety the children's charity improving young lives every day | LionHeart For RICS Members and their Families | The Leeds Teaching Hospitals Charitable Foundation | child friendly Leeds | AUTISM ANGELS | Candle Lighters | LJWB LEEDS JEWISH WELFARE BOARD | IN SUPPORT OF LEGION

SUSTAINABILITY REPORT

Merrion Centre Environmental Report - Waste Initiative – "resource not waste"

Our philosophy on waste management is firstly to understand how waste is created and then look at ways of avoiding waste to landfill through Prevention, Reduction, Re-use, Recycling and Recovery. The Merrion Centre has migrated waste services to Mitie Waste Management with AWM undertaking the waste collections and disposal. The first stage of this partnership is to capture accurate data on the waste being produced so a thorough strategy can be established which maximises both financial and environmental sustainability. Our aim is to achieve zero waste to landfill.

In summary, The Merrion Centre produced 677,688kgs (678 tonnes) of waste last year and 561,824kgs (562 tonnes) of the waste was recycled/recovered, which equates to 82.90% that did not go to landfill.

Sustainability Projects

The Merrion Centre has undergone a transformation with redevelopment happening across the site and the main shopping centre has itself seen improvements through upgrade projects with sustainability in mind:

- Roofing insulation – a programme of works is currently underway replacing the roofs across the Centre. The former cinema, Wade House and part of the main Morrisons roof have now been replaced ensuring insulation is installed which meets building regulations.
- LED alterations – an ongoing programme to exchange existing lights with LED options is underway, replacing all failing fittings with LED. Any new lighting installations are LED fittings and a larger scheme for light replacement throughout the Centre is currently being devised.
- Upgrading mains cables – a full assessment of the electric mains coming into the Merrion Centre has been undertaken, including assessing the load requirements against the installation. A strategy to upgrade cables has been devised and where possible any cables where the load can be reduced is being addressed accordingly.

Energy Initiatives & Utility Savings

The Merrion Centre have been working on a number of energy saving initiatives including

- Installation of PIR's – a number of PIR sensors have been installed in locations of reduced usage including in the bin stores, storage areas and service corridors this will limit the energy usage whilst ensuring areas are well lit when needed. The next stage is to review the service yard.
- Lights out – time clocks have been amended to ensure lighting is reduced to the minimal requirement out of hours when the Centre is closed. This is not only saving energy but also adding to the life of the lamps.
- WC Water Consumption – a programme to refurbish the wc's in Wade House has commenced and as part of these works consideration has been given to water consumption. The flushers have been reduced to improve consumption. A review of all the Wade House urinal cisterns and flow rates has been undertaken to ensure there is not an excess of water each flush. We continue to operate an ecocap system in the Town Centre House wc's, which saves water and money whilst protecting the environment and is a fully biodegradable product. From using the Ecocap system in Town Centre House, In the past year we have saved 373,220 litres of water which equates to a saving of approx. £480.
- Utilities Services Tender – The Merrion Centre energy services were tendered in December 2016 and The Energy Brokers Limited (TEBL) were successful in winning the contract. TEBL are responsible for utility procurement and management services. All services are reviewed on an ongoing basis to better understand the complexity, reduce consumption and improve energy efficiency.
- Through the introduction of our initiatives, last year the Merrion Centre was able to save £22,715, which equates to a 16% reduction on electrical consumption for our tenants and this is not withstanding the expansion of the centre and the arrival of new tenants. Following this success, we've also commenced initiatives focusing on gas and water consumption and in the last 6 months of the year saw an initial reduction of up to 14% savings.

LOCATIONS OF PROPERTY PORTFOLIO

Edinburgh

Princes Street
Shandwick Place

Glasgow City Region

Bath Street
Buchanan Street
Byres Road
Nerston, East Kilbride
King Street, Kilmarnock
Tannochside Business Park, Uddingston
Homebase, Milngavie
Waitrose, Milngavie

Ilford

CitiPark: Clements Road

Leeds City Region

CitiPark: Leeds Dock
CitiPark: Merrion Centre
CitiPark: Whitehall Road
Thorntons Chambers, Leeds
The Merrion Centre, Leeds
TCS Head Office, Town Centre House
Wade House
Merrion House
Central Road
Vicar Lane
Buckley House
Waterside Business Park
Premier Inn, Whitehall Road
West Park, Harrogate

London

CitiPark: Bell Street
CitiPark: Clipstone Street
9-13 Cheapside, Wood Green
6 Duke Street
448-450 Holloway Road
106a Kilburn High Road

Manchester City Region

CitiPark: Dale Street
CitiPark: Ducie Street
CitiPark: Port Street
CitiPark: Tariff Street
Brownsfield Mill
69-77 Dale Street
Carver's Warehouse
Belgravia Living Offices
Abingdon Street Market, Blackpool
Urban Exchange
Rochdale Retail Park

Rickmansworth

CitiPark: Rickmansworth

Watford

CitiPark: Church
CitiPark: Gade
CitiPark: Sutton

Property Valuation Reconciliation	INVESTMENT PROPERTIES £000	FREEHOLD & LEASE PROPERTIES £000	TOTAL £000
EXTERNALLY VALUED BY CB RICHARD ELLIS	200,970	-	200,970
EXTERNALLY VALUED BY JONES LANE LASALLE	123,745	15,350	139,095
INVESTMENT PROPERTIES VALUED BY THE PROPERTY DIRECTOR	897	-	897
FINANCE LEASE OBLIGATIONS CAPITALISED	1,159	3,303	4,462
LEASEHOLD IMPROVEMENTS	-	3,842	3,842
	326,771	22,495	349,266

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

INCLUDED WITHIN INVESTMENT PROPERTIES	200,970		200,970
INCLUDED WITHIN JOINT VENTURES	26,930		26,930
VALUATION PER VALUERS REPORT	227,900		227,900

THE BOARD

Edward Ziff OBE (57)
Chairman and Chief Executive

Edward Ziff joined the Company in 1981 before being appointed to the Board in 1985, becoming Managing Director in 1993, Chief Executive in 2001 and 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 a governor of the Grammar School at Leeds and is also Chair and Trustee of the Leeds Teaching 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.

Richard Lewis (62) FRICS
Property Director

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

Duncan Syers (61) ACA
Finance Director

Having trained and qualified with Price Waterhouse, Duncan was previously Finance Director of Town Centre Securities from 1993 to 2001. He left when the original car park business was sold to Q Park NV in 2001 as part of the sale and became Group Finance Director of Q Park. From 2003 to 2012 he pursued his own business interests and returned to the group in 2013 to advise on the expansion of the car park business. He was re-appointed as Finance Director in April 2014 and is retiring from the Board on 5th September.

Mark Dilley (45) ACMA
Finance Director

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

Ben Ziff (30)
Managing Director CitiPark & TCS Energy

Ben joined TCS in 2008, moving into the car park subsidiary as Managing Director in 2009. In 2013, he successfully led a team in the redevelopment of the Merrion Centre multi-storey car park, which turned a 60's structure into a state of the art facility which is amongst the best in the country. Since 2014, Ben has led the acquisitions programme which has doubled the size of the car park business. His knowledge of the energy sector led to the development of TCS Energy in 2012 which pursues green and renewable energy production. Ben has ensured the Group uses cutting edge tech to revolutionise and maximize its operation. In September 2015, Ben was appointed on the Board of Directors.

THE NON-EXECUTIVE BOARD

John Nettleton (69) FRICS ACAArb
Remuneration Committee, Nominations Committee and Audit Committee

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

John retires from the Board on 28 November 2017.

Michael Ziff (64) Hon DUniv (Brad)
Nominations Committee

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

Ian Marcus (58) FRICS
Remuneration Committee, Nominations Committee and Audit Committee

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

Paul Huberman (56) FCA CTA
Remuneration Committee, Nominations Committee and Audit Committee

Paul Huberman was appointed a Director on 1 January 2015. He brings over 30 years' experience in the property and finance sector. Paul was previously Finance Director at 3 quoted companies. He is currently a Non-Executive Director of Galliard Homes Limited, a London housebuilder and a Non-Executive Director at a privately-owned property group. Until its recent MBO, Paul was a Non-Executive Director at JCRA Group Ltd, the holding company of J C Rathbone Associates Ltd, the independent advisers on interest rate risk management, debt finance and foreign exchange exposure.

VALUERS REPORT

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

30 June 2017

Dear Sirs

Town Centre Securities PLC – Property Portfolio Valuation – 30 June 2017

In accordance with your written instructions we have inspected and valued the various freehold and leasehold properties held by Town Centre Securities PLC and its various subsidiary companies, for year end accounts purposes as at 30 June 2017.

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

Having regard to the foregoing we are of the opinion that the aggregate Market Value of the freehold and leasehold interests owned by the Group and valued by JLL, as at 30 June 2017, subject to and with the benefit of the tenancies currently subsisting, is:

Freehold	**£109,345,000**
Long leasehold	**£29,750,000**
Total	**£139,095,000**

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

Yours faithfully

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

CBRE

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

28 July 2017

Dear Sirs

Town Centre Securities PLC – 30 June 2017 valuations

In accordance with your written instructions we have inspected and valued the following properties held by Town Centre Securities PLC and its various subsidiary companies for accounts purposes as at 30 June 2017:

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

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

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

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

Having regard to the foregoing we are of the opinion that the Fair Value of the freehold interests in the above properties owned by the Group, as at 30 June 2017, subject to and with the benefit of the tenancies currently subsisting, is:

£227,900,000 (TWO HUNDRED AND TWENTY-SEVEN MILLION, NINE HUNDRED THOUSAND POUNDS)

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

Yours faithfully

Jonathan Adams MRICS
For and on behalf of CBRE Limited
RICS approved valuer
Senior Director

Yours faithfully

Max Field MRICS
For and on behalf of CBRE Limited
RICS approved valuer
Director

Town Centre Securities PLC became a listed company 57 years ago and has throughout its history provided superior returns to shareholders. As chairman, I take my responsibilities for ensuring strong corporate governance very seriously, as did my father before me.

We have always had a strong, independent presence of Non-Executive Directors on our Board and those Directors have provided invaluable support and guidance for me and my fellow Executives having challenged and tested our decisions and strategies.

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

Those rules are primarily focused on much bigger companies than ours and sometimes we have to make pragmatic compromises because of our size and the nature of our shareholder base. Those compromises are always made using common sense and with due consideration of the best interests of all shareholders.

I truly believe our Board is now one of the best in our sector and should provide investors with absolute confidence that their interests are in safe hands.

Edward M Ziff

Edward Ziff OBE
Chairman and Chief Executive
13 September 2017

This report along with the Directors' Remuneration Report on pages 61 to 64 to provides details of our corporate governance procedures and processes. On page 58 we also set out the Statement of Compliance which lists the exceptions to this statement.

Board of Directors

Details of the Board of Directors are given on pages 50 to 51 of this report. At the end of the year the Board comprised four Non-Executive Directors and four Executive Directors, including the Chairman and Chief Executive.

Chairman: Edward Ziff OBE
Leadership of the Board and the Company.
Successful achievement of objectives and execution of strategy.
Responsible for identifying and recruiting Board members.
Ensure long-term business sustainability
Management and Implementation of Board decisions

Property Director: Richard Lewis
Identify and propose commercial acquisitions and / or disposals
Manage development programme
Propose major projects or bids
Oversee all banking investments and debt
Manage commercial expenditure

Finance Director: Mark Dilley
Provide advice and guidance on financial strategy
Responsible for ensuring the Group's financial commitments, targets and obligations met
Budget and management
Ensure compliance with statutory regulations
Assist with shareholder communications

Managing Director: Ben Ziff
Provide advice and guidance on car parking strategy
Responsible for implementing agreed business plan for CitiPark
Responsible for identifying and recruiting CitiPark senior management team
Identify and propose car park acquisitions and/or disposals

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

Under the Code two Non-Executive Directors are not considered to be independent, Michael Ziff (due to his shareholding and his close family ties) and John Nettleton (due to the length of his service). The Board consider that both bring extensive experience and expertise and provide invaluable contributions to the work of the Board. John Nettleton is the Senior Non-Executive Director.

We are required to identify the 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 sake of compliance with the code the position will alternate - from the date of this report until the next one it will be Paul Huberman.

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

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

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

On appointment, the Directors receive information about the Group's operations, the role of the Board, the Group's corporate governance policies and the latest financial information. Training and briefings are available to all Directors on appointment and subsequent training is also undertaken as appropriate.

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

CORPORATE GOVERNANCE

Performance of the Board

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

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

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

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

Attendance at Board Meetings (8)

E M ZIFF	8
R A LEWIS	8
D S SYERS	8
C B A ZIFF	8
J NETTLETON	8
M A ZIFF	8
I MARCUS	8

Attendance at Audit Committee Meetings (2)

P HUBERMAN	2
J NETTLETON	2
I MARCUS	2

Committees of the Board

Nominations Committee

John Nettleton (Chair)
Edward Ziff
Ian Marcus
Paul Huberman
Michael Ziff

The Nominations committee only meets when circumstances require it. This year a new Finance Director was recruited so there were a series of meetings as part of the recruitment process. During the year there were regular discussions regarding succession planning but there have been no meetings.

As detailed earlier, John Nettleton is due to retire in November 2017, and the company intends to appoint a new independent Non-Executive Director. This individual will join the Nominations Committee and ensure that the majority of members are independent

Audit Committee

Paul Huberman (Chair)
Edward Ziff
Ian Marcus
John Nettleton

The Audit Committee is chaired by Paul Huberman and meets twice a year and considers the following issues:

- final and interim financial statements and matters raised by management and the external auditors
- the effectiveness of the Group's system of internal controls and risk management
- the risk register
- the full and half year valuations
- the external auditor, their effectiveness, objectivity and independence and the terms of engagement and scope of the audit

Remuneration Committee

John Nettleton (Chair)
Ian Marcus
Paul Huberman

The Remuneration Committee meets once a year in September to approve the pay and incentive awards of the Executive Board. Details are set out in the Remuneration Report.

Audit Committee Report

At their February and September meetings, as appropriate, the Audit Committee reached the following conclusions:

- The 2017 Annual Report is fair, balanced, understandable and provides shareholders with the necessary information to assess TCS's position and performance, business model and strategy
- The conclusions on risk management are set out on pages 59 and 60
- The Committee reviewed the methodology and outcomes of the valuations based on reports prepared by the valuers along with a commentary by the Property Director. The Main Board also considered this report which set out the process which included discussions between management and the external valuers and also a meeting with the Auditors. The Committee is confident that the valuations were properly conducted as described in the Financial Statements. The independence qualifications and objectivity of the valuers were also monitored by the Committee.
- The scope of the forthcoming year's audit was discussed in advance by the Audit Committee and the Committee reached a positive conclusion on the effectiveness of the audit process. Audit fees were reviewed by the Audit Committee and then referred to the Board for approval.
- Assignments awarded to BDO have been, and are subject to, controls by management that have been agreed by the Audit Committee so that audit independence is not compromised. A summary of the auditor's remuneration for non-audit services is provided in Note to the Consolidated Accounts.

These controls have provided the Audit Committee with adequate confidence in the independence of BDO in its reporting on the audit of the Group.

Internal Control

Provision C.2.3 of the Code requires that the Directors review, at least annually, the effectiveness of the Company's risk management and internal control systems and should report to shareholders that they have done so. The Board of Directors is responsible for ensuring that adequate internal controls are in place to safeguard the assets and interests of the Group and considerable importance is placed on maintaining a strong control environment. The review includes controls over the preparation of consolidated accounts. However, any such control system can only give reasonable and not absolute assurance against material misstatement or loss.

The processes and procedures for identifying and managing the risks faced by the Group have been operating fully throughout the year and up to the date of this report. No significant failings or weaknesses were identified during the year under review.

The Group's policies and procedures have been reviewed to ensure compliance with the Bribery Act 2010 which came into force on 1 July 2011.

The key control procedures, which the Directors have established with a view to providing effective internal control, are as follows:

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

The Group does not have an internal audit function because, given the size of the Group, it is not considered necessary. The need for an internal audit function is considered by the Audit Committee annually.

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

Relations with Shareholders

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

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

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

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).

Statement of compliance with the Code

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

- EM Ziff combines the roles of Chairman and Chief Executive. Code Provision A.2.1 requires that a justification for the combination of roles is required. As Chairman and Chief Executive, EM Ziff is responsible for the Board and the Group's business. In view of the current size and complexity of the Group the Directors believe that the benefits of splitting the roles would be outweighed by the cost;
- Code Provision A.3.1 requires that the Chairman is determined independent under the Code at the date of appointment. EM Ziff was previously Chief Executive and therefore was not independent at the date of appointment;
- Under the Articles it is not currently a requirement for the Chairman and Chief Executive and the Executive Directors to retire by rotation as recommended by Code
- Provision B.7.1. The Chairman and Chief Executive and the Executive Directors voluntarily offer themselves for retirement by rotation Details of the re-elections are given in the Notice of AGM
- The Chairman and Chief Executive has a service contract with a notice period greater than one year, such being the recommended limit in Code Provision 0.1.5.

Statement of Directors responsibility

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

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

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

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

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

The Directors' responsibility statement for the year ended 30 June 2017 is set out on page 58 and was approved by the Board on 13 September 2017.

By order of the Board.

Duncan Syers
Company Secretary
13 September 2017

Risk Management

Risk management is an integral part of our daily activities and is fundamental to the Investment Property business.

Shareholder returns are generated by our property portfolio whose ownership is under the control of the Group. The portfolio is in diverse locations and sectors and the income is derived from a well-spread tenancy base. Rents are receivable under long term leases so, other than in tenant failures, income is assured. As such, the Directors consider the business environment to be low risk.

The first line of defence in our risk management process is an active property management system:

- We hold regular meetings of our property management teams and every property is considered and reviewed regularly. Action is taken wherever possible to maximise return and mitigate risk
- That action includes selling properties which are at risk of falling value and purchasing property which have potential for growth in value

The Board meet regularly and review the activities of the property management team. All significant investment and property management decisions are approved by the Board. At our twice yearly audit meetings we review and consider an updated risk register which includes mitigation in respect of all significant risks facing the business.

The risk register is summarised below:

Risk stays the same | Risk increased | Risk decreased

PRINCIPAL RISKS AND THEIR IMPACT	HOW IS RISK MANAGED	RISK EXPOSURE CHANGE IN THE YEAR
PROPERTY AND MARKETS		
MAJOR ECONOMIC DOWNTURN **Potential major downturn in results and performance.**	This risk is probably in every company's risk register. To put this into perspective we have, in the last 10 years, experienced the most significant financial crisis in living history and the group is in good health. This risk is therefore extremely unlikely in the context of this review as it would have to be much worse than the 2008/9 crisis to have a significant long term effect on shareholder returns. It therefore does not merit any further analysis.	Following the Brexit vote the risk of a downturn is theoretically higher. However, the market consensus is that the banks are in a much more stable state now so a major crisis is less likely.
DEVELOPMENT/REFURBISHMENT **Delays and other contractual disputes leading to an increase in costs for the Group.** **Planning constraints leading to delays and cost over-runs.**	Fixed price contracts are agreed wherever possible and have been in respect of the 3 major schemes. The Board is regularly updated with detailed reports of progress, with a focus on sensitivity and exposure analysis.	The 2 hotel developments have now been completed so the current risk exposure relates mainly to Merrion House which is nearing completion. This risk has therefore reduced significantly this year.
MAJOR TENANT FAILURE **Reduction in profits and property values.**	The biggest rent payer organisation are Morrisons at £1.285m and Waitrose at £1.264m. All of these properties would be readily lettable so this risk is low. Leeds City Council are currently paying us £700,000. Merrion House would probably be unlettable in its current state so this is the only tenant failure worth considering in this review. However the likelihood of a failure in a major local authority is extremely small. In general the other major rent payers are in premises which could be re-let and the wide spread of our income over different locations and from different tenants makes this risk low.	Occupier demand remains stable although a sustained recession would increase occupier failures.

PRINCIPAL RISKS AND THEIR IMPACT	HOW IS RISK MANAGED	RISK EXPOSURE CHANGE IN THE YEAR
FINANCIAL		
INTEREST RATE RISES Increased costs.	With £106m of the debt portfolio at a fixed interest rate the protection is appropriate.	Overall debt levels have increased this year and the current likelihood of rises in short term interest rates has increased based on increasing inflation figures. However the consensus expectations are for a series of small incremental increases which would not constitute a major risk for the Group.
BREACH OF FINANCIAL COVENANTS ON BANK BORROWINGS The impact would be high and could lead to withdrawal of facilities.	The Board closely monitors compliance, using multiple financial models which feeds into responsible financial planning.	All major covenants have been complied with and there is sufficient headroom capacity to withstand current expectations of the market downturn.
MAJOR INCIDENT Loss of property income and reputational risk.	This risk only relates to the Merrion Centre as there are no other significant concentrations of property in one location. The financial risk is covered by maintaining appropriate insurance cover and the mitigation is having appropriate health and safety procedures.	
CORPORATE		
HUMAN RESOURCES Failure to retain and attract key staff members could hinder efficiency and decision-making process in the future.	The Group invests significant amounts of capital and time into ensuring a positive and harmonious working atmosphere. Individual and collective staff welfare is of crucial importance to the Board and the lack of layers within the Group means that employees have closer access to the Board than most market competitors.	There are no significant staffing issues to highlight.

Viability Statement

The Board has assessed the prospects of the Group over a longer period than the twelve months covered by the going concern review. The period of the review runs until 30 June 2022. The Board considers the resilience of projected liquidity as well as compliance with secured debt covenants and UK REIT rules, under a range of RPI and property valuation assumptions.

The principal risks and the key assumptions that were relevant to this assessment were as follows:

RISK	ASSUMPTION
Tenant Risk	Tenants continue to comply with their rental obligations over the term of their leases and do not suffer any insolvency events over the term of the review.
Borrowing Risk	The Group continues to comply with all relevant loan contacts.
Liquidity Risk	The Group continues to generate sufficient cash to cover its costs while retaining the ability to make distributions

Based on the work performed, the Board has a reasonable expectation that the Group will be able to continue in business and meet its liabilities as they fall due over approximately a five year period of its assessment.

Directors' Responsibility Statement

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

The Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and

The Chairman and Chief Executive's Statement and Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Approved by the Board

Edward Ziff OBE
Chairman & Chief Executive
13 September 2017

Mark Dilley
Group Finance Director
13 September 2017

Town Centre Securities PLC has in recent years only operated one Annual Bonus Plan which rewards and incentivises the Executive Directors to achieve their goals. The maximum award under this plan is 60% although this level has never been awarded.

Whilst the performance and rewards of most quoted property companies and REITS are studied for comparable data, the Remuneration Committee uses its discretion to assess the annual bonus, if any. The Committee sets the objectives of the Executive Directors and judges the achievements by them.

Awards under the annual bonus plan are made in the context that:

- Salary increases have been limited for many years (the salary of the Chief Executive has only increased by 9% in 5 years)
- Bonus awards have never reached the maximum of 60% and have averaged 18% over the last 5 years
- All final salary related pension commitments have been closed out

It remains, however critical to the Group's future success that the Executive Board are properly rewarded and motivated to continue to produce superior shareholder returns.

The aim of the Group's remuneration policy is to remunerate the Directors fairly for their performance. As a property company the market performance is directly linked to valuation movements and consequently it is Group policy that Directors are not rewarded for market driven changes in the value of the investment portfolio or the share price. It is our view that our approach to remuneration is pragmatic and reflects the aspiration of all shareholders.

During 2016/17 the Directors have made significant progress in moving towards strategic goals set in their annual objectives.

EM Ziff and RA Lewis received a 2% increase in salary in October 2016 and a 2.5% salary increase was approved for the year beginning 1 October 2017.

The salary of M Dilley was agreed by negotiation but with reference to his package in his previous employment.

Discretionary annual bonuses for the Executive Directors as set out in the report below have been agreed for significant achievements.

John a Nettleton.

J A Nettleton
Chairman of the Remuneration Committee
13 September 2017

Policy Report

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

Fixed remuneration

The fixed element of 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.

EM Ziff and RA Lewis receive no pension contributions.

The Group makes payments to a defined contribution scheme for M Dilley of 13% of salary and for CBA 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.

DIRECTORS REMUNERATION REPORT
POLICY REPORT

Service agreements and external appointments

The Chairman and Chief Executive has a service contract that is subject to not less than 2 years notice. RA Lewis has no service contract; M Dilley and CBA 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. Directors are permitted to accept Non-Executive appointments by prior arrangement and provided there is no conflict with the Group's objectives. All Non-Executive positions are listed in the Directors' biographies on page 50; none of the 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 payment schemes and any other benefits.

Remuneration of other employees

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

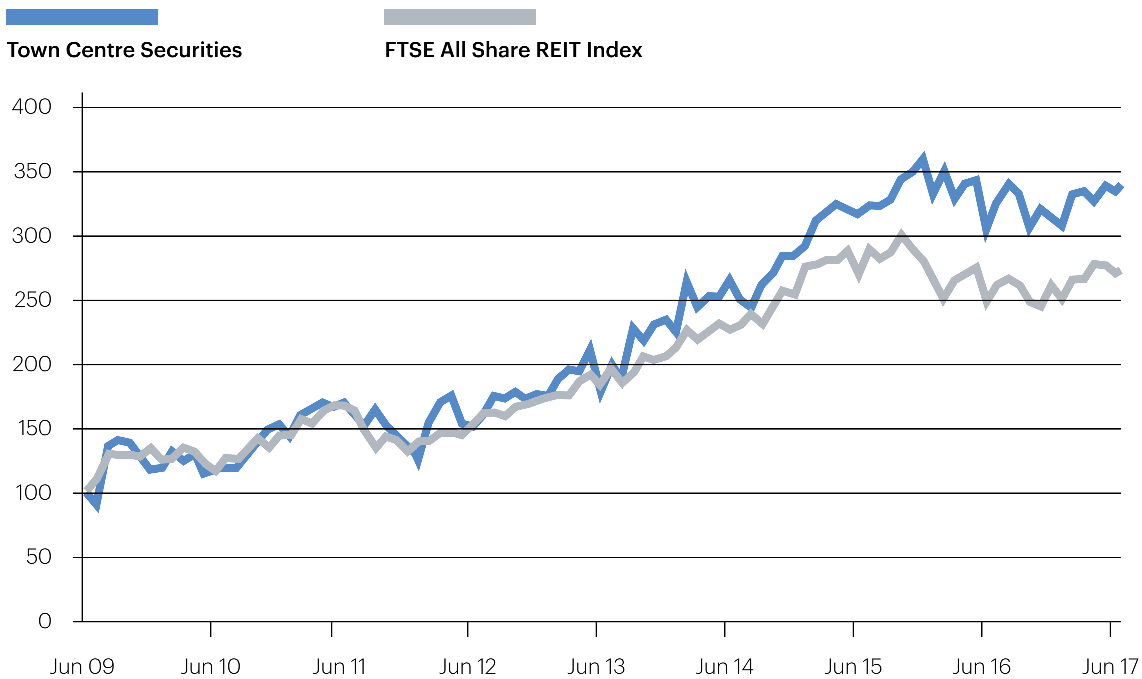
Employees are eligible to participate in the Group bonus scheme and the SIP scheme. The Group makes pension contributions for eligible employees at rates which vary depending on seniority.

Consideration of shareholder views

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

Performance Graph

The following graph shows the Company's TSR performance compared to the FTSE All Share REIT Index, measured in the same way over the eight years ended 30 June 2017. This index has been chosen because the Directors consider it the most appropriate comparison.



Total Shareholder Return (TSR) comprises the total of dividends paid and the increase in net assets per share

Directors Remuneration

	SALARIES & FEES		BONUSES		TAXABLE BENEFITS		SIP SHARES		PENSION CONTRIBUTIONS		TOTAL	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE												
EM ZIFF	**571**	560	**115**	56	**121**	100	**2**	2	**-**	-	**809**	718
EXECUTIVE DIRECTORS												
RA LEWIS	**319**	312	**64**	31	**24**	23	**2**	2	**-**	-	**409**	368
DS SYERS	**223**	210	**-**	22	**20**	26	**-**	2	**22**	21	**265**	281
CBA ZIFF	**123**	78	**33**	25	**11**	6	**2**	1	**16**	10	**185**	120
	1,236	1,160	**212**	134	**176**	155	**6**	7	**38**	31	**1,668**	1,487
NON EXECUTIVE DIRECTORS												
JA NETTLETON	**47**	47	**-**	-	**-**	-	**-**	-	**-**	-	**47**	47
MA ZIFF	**47**	47	**-**	-	**8**	-	**-**	-	**-**	-	**55**	47
P HUBERMAN	**47**	47	**-**	-	**-**	-	**-**	-	**-**	-	**47**	47
I MARCUS	**47**	47	**-**	-	**-**	-	**-**	-	**-**	-	**47**	47
	188	188	**-**	-	**8**	-	**-**	-	**-**	-	**196**	188
	1,424	1,348	**212**	134	**184**	155	**6**	7	**38**	31	**1,864**	1,675

Footnotes

The Directors' service contracts were entered into as follows; EM Ziff 22 May 1985 and CBA Ziff 17 September 2015.

In May 2017 EM Ziff and CBA Ziff accepted an invitation to participate in the SIP by each agreeing to purchase shares to the value of £1,800, paid between June 2017 and November 2017. 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 2017. For illustration, based on the share price as at 30 June 2017, this would equate to each Director receiving 620 partnership shares and 620 matching shares. In November 2016 EM Ziff and RA Lewis received 638 partnership shares and 638 matching shares in respect of the 2016 Share Incentive Plan. The total number of partnership and matching SIP shares beneficially held at 30 June 2017 is shown below.

The increase in the salary of the CEO was 2% compared to the overall increase of 5% in other staff salary costs.
The remuneration of the CEO for the last 5 years is 2013 - £0.60m, 2014 - £0.78m, 2015 - £0.78m, 2016 - £0.72m, 2017 - £0.81m.

Share Incentive Plan

The total number of partnership and matching SIP shares beneficially held at 30 June were:

	2017 NO. OF SHARES	2016 NO. OF SHARES
E M ZIFF	7,044	7,542
R A LEWIS	7,044	7,542
D S SYERS	1,040	1,040
C B A ZIFF	7,044	7,542

Directors Interests in Shares

Details of the interests of the Directors and their connected parties in the ordinary share capital of the Company and movements in Directors' shareholdings during the year are set out overleaf. There have been no movements in Directors' shareholdings between 1 July 2017 and 13 September 2017.

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

EM Ziff , RA Lewis and DS Syers are directors of TCS Trustees Limited, Trustee for the shares that are required for the All Employee Share Incentive Plan. At 30 June 2017, TCS Trustees Limited held 24,490 ordinary shares (2016: 65,700) on behalf of all participants including those share awards of Executive Directors shown below.

The interests of the Directors and their connected parties in the ordinary share capital of the Company are as follows:

Directors' Interest in Shares		30 JUNE 2017 NUMBER OF SHARES
EM ZIFF	BENEFICIAL	5,480,652
	NON-BENEFICIAL	18,456,606
RA LEWIS	BENEFICIAL	325,937
DS SYERS	BENEFICIAL	24,706
CBA ZIFF	BENEFICIAL	171,067
JA NETTLETON	BENEFICIAL	36,000
MA ZIFF	BENEFICIAL	2,609,513
	NON-BENEFICIAL	12,322,675
I MARCUS	BENEFICIAL	-
P HUBERMAN	BENEFICIAL	-

Other Unaudited Disclosures	30 JUNE 2017 £000	30 JUNE 2016 £000
TOTAL EMPLOYEE REMUNERATION	4,622	4,301
TOTAL DIVIDENDS PAID	5,928	5,550

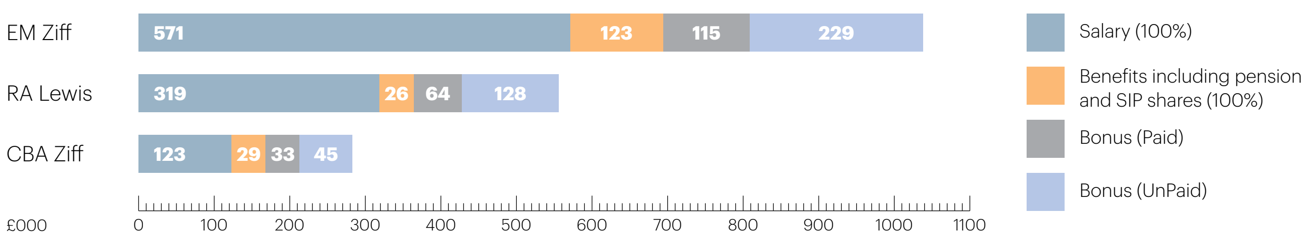
Gender and Diversity

The Board's policy is to treat all employees equally whatever their gender or ethnicity. The total of the Group employees comprises 33 females and 89 males and the Board is wholly male.

Voting at Annual General Meeting

At the Annual General Meeting on 23 November 2016 the prior years' remuneration report was approved unanimously.

Board Remuneration including theoretical maximum bonuses



This report was approved by the Board on 13 September 2017 and signed on its behalf by

John a Nettleton.

J A Nettleton
Chairman of the Remuneration Committee

FINANCIAL STATEMENTS

DIRECTORS REPORT

The Directors have pleasure in presenting the Annual Report & Accounts for the year ended 30 June 2017

Principal activities

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

Results for the year and dividends

The results are set out in the Consolidated Income Statement on page 70.

An interim dividend of 3.25p per share was paid on 23 June 2017 as a PID. The Directors now recommend the payment of a final dividend of 8.25p per share comprising a PID of 7.00p per share and an ordinary dividend of 1.25p per share. The proposed final dividend will be paid on 4 January 2018 to ordinary shareholders on the register at the close of business on 8 December 2017.

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 2017, 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.

Purchase of own shares

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

At the forthcoming Annual General Meeting (AGM) the Company will be seeking to renew its authority to purchase up to 14.99% of the ordinary shares in issue, assuming the remaining authority is fully utilised. Shares will only be purchased if the Board believes it can take advantage of stock market conditions to enhance returns for the remaining shareholders.

Donations

The Group made no political contributions in either year.

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 50. 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 60.

Beneficial and non-beneficial interests of the Directors in the shares of the Company as at 30 June 2017 are disclosed in the Directors' Remuneration Report on page 64. Details of the interests of the Directors in share options and awards of shares can be found within the same report.

In accordance with the Company's Articles of Association EM Ziff and RA Lewis will retire by rotation at the Company's AGM on 28 November 2017. EM Ziff and RA Lewis will offer themselves for re-election.

Directors' indemnity insurance

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

Annual General Meeting

A Notice of Meeting can be found on pages 100 to 103 explaining the business to be considered at the AGM on 28 November 2017. This will include renewal of the Company's authority to purchase, in the market, its own shares and allot shares for cash other than on a pre-emptive basis to existing shareholders.

Disclosure of information to 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 and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

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

Independent 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 Agreement

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 52% of the Company's voting rights.

The Board confirms that, since the entry into the relationship agreement until 13 September 2017, 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

Excluding those of the Directors, the Company had been notified of the following substantial interests in its share capital at 13 September 2017:

	Number of shares	% of issued capital
A L Manning	6,133,931	11.54
New Fortress Finance Holdings Limited	3,736,000	7.03

The Directors' Report was approved by the Board on 13 September 2017

DS Syers
Company Secretary

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 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparing the parent company financial statements is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on page 59 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation 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 58 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 60 in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

To the members of Town Centre Securities PLC

Valuation of the Group's property interests

Risk

The valuation of the Group's property interests (pages 82 to 84) is the key driver of the Group's net asset value and underpins the results for the year.

These interests 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.

This is an area of significant judgement, with all the interests in property listed above being subject to independent revaluation to open market value at each reporting date.

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

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

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

Both of these valuation methods involve a significant amount of judgement and the Directors have engaged third party valuation experts to perform the valuations for each property and development.

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

Response

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

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

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

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

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, 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 £3,900,000 (2016: £3,700,000). This was determined with reference to a benchmark of total non-current assets (of which it represents 1 per cent) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of a property investment group.

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality of £440,000 (2016: £400,000) to apply to all classes of transactions and balances excluding non-current assets, any property revaluation movements and gains or losses on disposal of properties. This lower level of materiality was set with reference to a benchmark of profit before interest and tax, adjusted for property revaluation movements (of which it represents 5%) which we consider to be a key consideration in assessing the financial performance of the business.

Performance materiality was set at 60% of the above materiality levels.

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

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

Financial information relating to the parent company and all other material components of the group was subject to full scope audit by the group audit team.

To the members of Town Centre Securities PLC

Other information

The other information comprises the information included in the annual report including the Strategic Report, the Directors' Report, the Chairman and Chief Executive's Statement, the Corporate Social Responsibility Statement, the Valuers' Reports, the Corporate Governance Report and the Director's Remuneration Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

- Fair, balanced and understandable set out on page 57 – 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 57 – 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 58 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

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

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

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

To the members of Town Centre Securities PLC

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 58, 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

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

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

We consider that the audit procedures we have undertaken 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 misstatement or other irregularities that would not be considered to be material to the financial statements.

Following the recommendation of the audit committee, we were appointed by the shareholders at the company annual general meeting on 23 November 2016 to audit the financial statements for the year ending 30 June 2017. The period of total uninterrupted engagement is 2 years, covering the years ending 2016 and 2017.

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.

Russell Field (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
13 September 2017

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 2017

	Notes	2017 £000	2016 £000
Gross revenue	3	**27,540**	26,265
Property expenses	3	**(8,148)**	(7,661)
NET REVENUE		**19,392**	18,604
Administrative expenses	4	**(6,295)**	(5,493)
Other income	7	**707**	599
Valuation movement on investment properties		**(2,085)**	3,018
Reversal of impairment of car parking assets		**1,000**	500
Profit on disposal of investment properties		**303**	1,140
Share of post tax profits from joint ventures		**1,342**	1,400
OPERATING PROFIT		**14,364**	19,768
Finance costs	8	**(7,639)**	(7,847)
PROFIT BEFORE TAXATION		**6,725**	11,921
Taxation	9	**-**	-
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		**6,725**	11,921
EARNINGS PER SHARE			
Basic and diluted	11	**12.7p**	22.4p
EPRA (non-GAAP measure)	11	**13.2p**	12.4p
DIVIDENDS PER SHARE			
Paid during the year	10	**11.15p**	10.44p
Proposed	10	**8.25p**	7.90p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	2017 £000	2016 £000
Profit for the year	**6,725**	11,921
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS		
Revaluation gains on car parking assets	**100**	500
Revaluation gains on other investments	**324**	108
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,149**	12,529

All profit and total comprehensive income for the year is attributable to owners of the Parent. The Notes on pages 74 to 90 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEET

For the year ended 30 June 2017

	Notes	2017 £000	2016 £000
NON-CURRENT ASSETS			
PROPERTY RENTAL			
Investment properties	12	**326,771**	325,313
Investments in joint ventures	14	**27,852**	25,093
		354,623	350,406
CAR PARK ACTIVITIES			
Freehold and leasehold properties	12	**22,495**	21,075
Goodwill	13	**4,024**	4,024
Investments	15	**1,950**	-
		28,469	25,099
Fixtures, equipment and motor vehicles	12	**1,972**	2,151
TOTAL NON-CURRENT ASSETS		**385,064**	377,656
CURRENT ASSETS			
Investments	15	**2,394**	2,070
Trade and other receivables	16	**3,311**	7,388
Cash and cash equivalents		**3,124**	-
TOTAL CURRENT ASSETS		**8,829**	9,458
TOTAL ASSETS		**393,893**	387,114
CURRENT LIABILITIES			
Trade and other payables	17	**(10,846)**	(11,496)
Financial liabilities	18	**-**	(887)
TOTAL CURRENT LIABILITIES		**(10,846)**	(12,383)
NON-CURRENT LIABILITIES			
Financial liabilities	18	**(191,969)**	(184,874)
TOTAL LIABILITIES		**(202,815)**	(197,257)
NET ASSETS		**191,078**	189,857
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		**600**	500
Retained earnings		**176,429**	175,308
TOTAL EQUITY		**191,078**	189,857
NET ASSET VALUE PER SHARE	21	**359p**	357p

The financial statements on pages 70 to 90 were approved by the Board of Directors on 13 September 2017 and signed on its behalf by:

Edward M Ziff

EM ZIFF OBE
Chairman and Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Retained earnings £000	Total equity £000
BALANCE AT 1 JULY 2015	13,290	200	559	-	168,829	182,878
Comprehensive income for the year						
Profit	-	-	-	-	11,921	11,921
Other comprehensive income	-	-	-	500	108	608
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	500	12,029	12,529
Contributions by and distributions to owners						
Final dividend relating to the year ended 30 June 2015	-	-	-	-	(3,902)	(3,902)
Interim dividend relating to the year ended 30 June 2016	-	-	-	-	(1,648)	(1,648)
BALANCE AT 30 JUNE 2016	13,290	200	559	500	175,308	189,857
Comprehensive income for the year						
Profit	-	-	-	-	6,725	6,725
Other comprehensive income	-	-	-	100	324	424
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	100	7,049	7,149
Contributions by and distributions to owners						
Final dividend relating to the year ended 30 June 2016	-	-	-	-	(4,200)	(4,200)
Interim dividend relating to the year ended 30 June 2017	-	-	-	-	(1,728)	(1,728)
BALANCE AT 30 JUNE 2017	**13,290**	**200**	**559**	**600**	**176,429**	**191,078**

For the year ended 30 June 2017

		2017		2016	
	Notes	£000	£000	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	24	**18,159**		13,559	
Interest paid		**(8,051)**		(7,903)	
Net cash generated from operating activities			**10,108**		5,656
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase and construction of investment properties		**(12,136)**		(8,833)	
Refurbishment of investment properties		**(10,612)**		(4,890)	
Payments for leasehold property improvements		**(498)**		(3,291)	
Purchases of fixtures, equipment and motor vehicles		**(586)**		(1,496)	
Proceeds from sale of investment properties		**21,574**		16,050	
Proceeds from sale of fixed assets		**61**		54	
Payments for acquisition of non-listed investments		**(1,950)**		-	
Loans to joint ventures		**(4,250)**		(4,916)	
Distributions received from joint ventures		**1,031**		567	
Net cash used in investing activities			**(7,366)**		(6,755)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from non-current borrowings		**7,197**		4,247	
Dividends paid to shareholders		**(5,928)**		(5,550)	
Net cash generated from/(used in) financing activities			**1,269**		(1,303)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			**4,011**		(2,402)
Cash and cash equivalents at beginning of the year			**(887)**		1,515
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			**3,124**		(887)

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

	2017 £000	2016 £000
Cash	**3,124**	-
Bank overdraft	**-**	(887)
	3,124	(887)

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

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 2017 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 2017

There are no IFRSs or IFRIC interpretations that are effective for the first time for the period ended 30 June 2017 that have had a material effect on the Group.

b) New standards, amendments to published standards and interpretations issued but not effective for the period ended 30 June 2017 and not early adopted

The effects of IFRS 9, IFRS 15 and IFRS 16 are still being assessed by the Directors, as the adoption of this new standard may have a significant effect on the Group's future financial statements.

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

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

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

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

(b) Joint Arrangements

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

1. ACCOUNTING POLICIES continued

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

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

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.

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 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. The excess depreciation on revalued freehold buildings, over the amount that would have been charged on a historical cost basis, is transferred from the revaluation reserve to retained earnings when freehold land and buildings are expensed through the consolidated statement of comprehensive income (e.g. through depreciation, impairment). 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.

1. ACCOUNTING POLICIES continued

Fair Value

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

Level (1) quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level (2) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level (3) inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Goodwill

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

Impairment of assets

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

Investments

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

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

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

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

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

Operating leases

(a) A Group company is the lessee

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

(b) A Group company is the lessor

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

Unamortised tenant lease incentives

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

Trade receivables

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

Held for sale assets

Held for sale assets are investment properties which are designated as available for sale and not recognised in any of the categories above.

Held for sale assets are held at fair value and are derecognised when the Group has transferred substantially all the risks and rewards of ownership.

1. ACCOUNTING POLICIES continued

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

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

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

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

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

Derivative financial instruments (derivatives) and hedge accounting
The Group occasionally uses interest rate swaps to help manage its interest rate risk. In accordance with its treasury policy, the Group does not hold or issue derivatives for trading purposes.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

All derivatives are initially recognised at fair value at the date the derivative is entered into and are subsequently 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 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Employee benefits
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.

1. ACCOUNTING POLICIES continued

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

(c) Interest income

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

(d) Other income

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

(e) Service charge income

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

Dividend distribution

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

Reserves

Reserves are analysed in the following categories:

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

Financial risk management

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

(a) Credit risk

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

(b) Liquidity risk

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

(c) Cash flow and fair value interest rate risk

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

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

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

At 30 June 2017, 56.4% (2016: 58.6%) 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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3. SEGMENTAL INFORMATION

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

(A) SEGMENT ASSETS

	2017 £000	2016 £000
Property rental	**364,120**	360,422
Car park operations	**29,773**	26,692
	393,893	387,114

(B) SEGMENTAL RESULTS

	2017			2016		
	Property rental £000	Car park operations £000	Total £000	Property rental £000	Car park operations £000	Total £000
Gross revenue	**16,571**	**10,969**	**27,540**	16,147	10,118	26,265
Service charge income	**2,346**	**-**	**2,346**	1,676	-	1,676
Service charge expenses	**(3,284)**	**-**	**(3,284)**	(2,574)	-	(2,574)
Property expenses	**(958)**	**(6,252)**	**(7,210)**	(920)	(5,843)	(6,763)
NET REVENUE	**14,675**	**4,717**	**19,392**	14,329	4,275	18,604
Administrative expenses	**(5,465)**	**(830)**	**(6,295)**	(4,690)	(803)	(5,493)
Other income	**707**	**-**	**707**	594	5	599
Share of post-tax profits from joint ventures	**871**	**-**	**871**	732	-	732
OPERATING PROFIT BEFORE VALUATION MOVEMENTS	**10,788**	**3,887**	**14,675**	10,965	3,477	14,442
Valuation movement on investment properties	**(2,085)**	**-**	**(2,085)**	3,018	-	3,018
Reversal of impairment of car parking assets	**-**	**1,000**	**1,000**	-	500	500
Profit on disposal of investment properties	**303**	**-**	**303**	1,140	-	1,140
Share of post-tax profits from joint ventures	**471**	**-**	**471**	668	-	668
OPERATING PROFIT	**9,477**	**4,887**	**14,364**	15,791	3,977	19,768
Finance costs			**(7,639)**			(7,847)
PROFIT BEFORE TAXATION			**6,725**			11,921
Taxation			**-**			-
PROFIT FOR THE YEAR			**6,725**			11,921

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

The results for the car park operations 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 2017, arising from car park operations, was £2,361,000. After allowing for an allocation of administrative expenses, the operating profit at these sites was £1,946,000.

Continued

4. ADMINISTRATIVE EXPENSES

	2017 £000	2016 £000
Employee benefits	**3,844**	3,479
Depreciation	**318**	205
Charitable donations	**78**	91
Other	**2,055**	1,718
	6,295	5,493

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:

	2017 £000	2016 £000
Audit services:		
– Fees payable to the Group auditors for the audit of the Consolidated Financial Statements	**60**	60
– Audit of the Company's subsidiaries pursuant to legislation	**10**	10
- Other audit related services	**20**	20
Non-audit services:		
– Financial due diligence	**25**	-
– Other non-audit services	**4**	-
TOTAL OTHER SERVICES	**29**	-
TOTAL AUDITORS' REMUNERATION	**119**	90

6. EMPLOYEE BENEFITS

	2017 £000	2016 £000
Wages and salaries (including Directors' emoluments)	**4,002**	3,701
Social security costs	**527**	474
Other pension costs	**93**	126
	4,622	4,301

Employee benefits detailed above are charged to the Consolidated Income Statement through administrative expenses and property expenses. There has been no equity-based remuneration in either year presented.

Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement are included on pages 61 to 64 in the Directors' Remuneration Report and form part of these Consolidated Financial Statements.

The average monthly number of staff employed during the year was 116 (2016: 122).

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.

Continued

7. OTHER INCOME

	2017 £000	2016 £000
Commission received	**169**	140
Dividends received	**27**	26
Management fees receivable	**241**	242
Dilapidations receipts and income relating to lease premiums	**195**	24
Other	**75**	167
	707	599

8. FINANCE COSTS

	2017 £000	2016 £000
Interest expense		
Interest and amortisation of debenture loan stock	**5,698**	5,698
Interest payable on bank borrowings	**1,896**	1,874
Amortisation of arrangement fees	**456**	331
Interest capitalised	**(411)**	(56)
TOTAL FINANCE COSTS	**7,639**	7,847

9. TAXATION

Taxation for the year is lower (2016: lower) than the standard rate of corporation tax in the United Kingdom of 20% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit before taxation	**6,725**	11,921
Profit on ordinary activities multiplied by rate of corporation tax in the United Kingdom of 20% (2016: 20%)	**1,345**	2,384
Effects of:		
– United Kingdom REIT tax exemption on net income before revaluations	**(1,556)**	(1,776)
– United Kingdom REIT tax exemption on revaluations	**217**	(604)
– Profit on joint ventures already taxed	**(6)**	(4)
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.

Continued

10. DIVIDENDS

	2017 £000	2016 £000
2015 final paid: 7.34p per 25p share	**-**	3,902
2016 interim paid: 3.10p per 25p share	**-**	1,648
2016 final paid: 7.90p per 25p share	**4,200**	-
2017 interim paid: 3.25p per 25p share	**1,728**	-
	5,928	5,550

An interim dividend in respect of the year ended 30 June 2017 of 3.25p per share was paid to shareholders on 23 June 2017. This dividend was paid entirely as a Property Income Distribution (PID).

A final dividend in respect of the year ended 30 June 2017 of 8.25p per share is proposed. This dividend, based on the shares in issue at 13 September 2017, amounts to £4.4m which has not been reflected in these accounts and will be paid on 4 January 2018 to shareholders on the register on 8 December 2017. This dividend will comprise a PID of 7.00p per share and an ordinary dividend of 1.25p.

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 (2016: 53,161,950).

	2017		2016	
	Earnings £000	**Earnings per share p**	Earnings £000	Earnings per share p
Profit for the year	**6,725**	**12.7**	11,921	22.4
Valuation movement on investment properties	**2,085**	**3.9**	(3,018)	(5.7)
Reversal of impairment of car parking assets	**(1,000)**	**(1.9)**	(500)	(0.9)
Valuation movement on properties held in joint ventures	**(471)**	**(0.9)**	(668)	(1.3)
Profit on disposal of investment and development properties	**(303)**	**(0.6)**	(1,140)	(2.1)
EPRA EARNINGS AND EARNINGS PER SHARE	**7,036**	**13.2**	6,595	12.4

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

12. NON-CURRENT ASSETS

(A) INVESTMENT PROPERTIES

	Freehold £000	Long leasehold £000	Development £000	Total £000
Valuation at 1 July 2015	274,925	21,776	23,440	320,141
Additions at cost	6,314	-	-	6,314
Other capital expenditure	4,647	118	2,643	7,408
Interest capitalised	56	-	-	56
Disposals	(11,460)	-	(2,000)	(13,460)
(Deficit)/surplus on revaluation	(3,308)	807	5,519	3,018
Movement in tenant lease incentives	1,836	-	-	1,836
Valuation at 30 June 2016	273,010	22,701	29,602	325,313
Additions at cost	4,074	-	-	4,074
Other capital expenditure	12,174	40	8,260	20,474
Interest capitalised	176	-	235	411
Disposals	(18,596)	-	(2,675)	(21,271)
(Deficit)/surplus on revaluation	(6,444)	(132)	4,491	(2,085)
Transfers	12,612	-	(12,612)	-
Movement in tenant lease incentives	(145)	-	-	(145)
VALUATION AT 30 JUNE 2017	**276,861**	**22,609**	**27,301**	**326,771**

(B) FREEHOLD AND LEASEHOLD PROPERTIES - CAR PARK ACTIVITIES	Freehold £000	Long leasehold £000	Total £000
Valuation at 1 July 2015	2,500	14,341	16,841
Additions	-	3,291	3,291
Depreciation	-	(57)	(57)
Surplus on revaluation	-	500	500
Reversal of impairment	(500)	1,000	500
Valuation at 30 June 2016	2,000	19,075	21,075
Additions	-	498	498
Depreciation	-	(178)	(178)
Surplus on revaluation	-	100	100
Reversal of impairment	-	1,000	1,000
VALUATION AT 30 JUNE 2017	**2,000**	**20,495**	**22,495**

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

The Company occupies an office suite in part of the Merrion Centre. 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	4,898	5,558	93,380	5.0%	5.6%
Merrion Centre (excluding offices)	7,304	8,297	106,883	6.5%	7.3%
Offices	1,739	2,145	25,712	6.4%	7.9%
Out of town retail	3,528	3,694	53,950	6.2%	6.5%
Distribution	376	387	5,595	6.4%	6.5%
Residential	536	616	10,690	4.7%	5.5%
	18,381	**20,697**	**296,210**	**5.9%**	**6.6%**
Development Property			27,301		
Car Parks			21,292		
Finance lease adjustments			4,463		
			349,266		

The effect on the valuation of applying a different yield and a different ERV would be as follows:
Valuation in the Consolidated Financial Statements at an initial yield of 6.9% - £304.9m, Valuation at 4.9% - £407.8m.
Valuation in the Consolidated Financial Statements at a reversionary yield of 7.6% - £310.6m, Valuation at 5.6% - £402.5m.

Continued

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	200,970	-	200,970
Externally valued by Jones Lang LaSalle	123,745	15,350	139,095
Investment properties valued by the Property Director	897	-	897
Finance lease obligations capitalised	1,159	3,303	4,462
Leasehold improvements	-	3,842	3,842
	326,771	**22,495**	**349,266**

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

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

(C) FIXTURES, EQUIPMENT AND MOTOR VEHICLES

	Cost £000	Accumulated depreciation £000
At 1 July 2015	4,143	2,929
Additions	1,496	-
Disposals	(1,266)	(1,234)
Depreciation	-	527
At 30 June 2016	4,373	2,222
Net book value at 30 June 2016		2,151
At 1 July 2016	4,373	2,222
Additions	586	-
Disposals	(140)	(103)
Depreciation	-	728
AT 30 JUNE 2017	**4,819**	**2,847**
NET BOOK VALUE AT 30 JUNE 2017		**1,972**

13. GOODWILL

	2017 £000	2016 £000
At the start of the year	**4,024**	-
Additions at cost	**-**	4,024
AT THE 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% (2016: 1%) and a discount rate of 8% (2016: 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

	2017 £000	2016 £000
At the start of the year	**25,093**	19,344
Additions	**-**	-
Investments in joint ventures	**4,250**	4,916
Disposal of joint venture interest	**(1,800)**	-
Dividends and other distributions received in the year	**(1,033)**	(567)
Share of profits after tax	**1,342**	1,400
AT THE END OF THE YEAR	**27,852**	25,093

Investments in joint ventures primarily relate to the Group's interest in the partnership capital of Merrion House LLP. This joint venture owns a long leasehold interest over a property that is let to the Group's joint venture partner, Leeds City Council ('LCC'). The property is currently in the process of a complete refurbishment. Under the arrangement LCC is required to contribute a fixed amount in cash and the Group is required to contribute the property and the balance of refurbishment cost. The net commitment from the Group in relation to this arrangement that has not yet been incurred is £4.9m. 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 share of profits after tax for the year ended 30 June 2016 of £1.4m includes an adjustment of £2.5m in respect of the property transferred to Merrion House LLP in the prior year, less the share of losses in the period of £1.2m.

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

	2017 £000	2016 £000
Non-current assets	**53,860**	35,500
Current assets	**431**	929
Current liabilities	**(1,839)**	(351)
NET ASSETS	**52,452**	36,078

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

	2017 £000	2016 £000
Income	**1,400**	1,400
Expenses	**(109)**	(78)
	1,291	1,322
Valuation movement on investment properties	**941**	(3,665)
NET (LOSS)/PROFIT	**2,232**	(2,343)

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.

The Group's joint ventures, which are registered in England and operate in the United Kingdom, are 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	2017 £000	2016 £000
At the start of the year	**2,070**	1,962
Increase in value of investments	**324**	108
AT THE END OF THE YEAR	**2,394**	2,070

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 (2016: £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.

Continued

Non-current asset investments

	2017 £000	2016 £000
Equity investments	**415**	-
Loans	**1,535**	-
	1,950	-

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

16. TRADE AND OTHER RECEIVABLES

	2017 £000	2016 £000
Trade receivables	**1,810**	3,181
Less: provision for impairment of receivables	**(435)**	(380)
	1,375	2,801
Other receivables and prepayments	**1,936**	4,587
	3,311	7,388

The Directors consider that the carrying amount of net trade receivables approximates their fair value. The credit risk in respect of trade receivables is not concentrated as the Group has many tenants spread across a number of industry sectors. In addition, the tenants' rents are payable in advance.

As at 30 June 2017, 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
2017	**1,375**	**1,050**	**226**	**63**	**36**
2016	2,801	2,548	116	57	80

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

	2017 £000	2016 £000
At the start of the year	**380**	300
Provision for receivables impairment	**48**	158
Receivables written off as uncollectible	**(16)**	(45)
Provision held within acquired subsidiaries	**30**	-
Unused amounts reversed	**(7)**	(33)
AT THE END OF THE YEAR	**435**	380

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
2017	**435**	**8**	**27**	**400**
2016	380	4	45	331

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.

Continued

17. TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Trade payables	**35**	889
Social security and other taxes	**449**	560
Other payables and accruals	**10,362**	10,047
	10,846	11,496

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.

	2017 £000	2016 £000
Non-current		
Bank borrowings	**81,663**	74,561
Finance leases	**4,462**	4,480
5.375% First mortgage debenture stock	**105,844**	105,833
	191,969	184,874
Current		
Bank borrowings	**-**	-
Overdraft	**-**	887
TOTAL BORROWINGS	**191,969**	185,761

The total overdraft facility is based on the Group's right of set off.

The debenture, bank loans and overdrafts are secured by fixed charges on properties, valued at £340,065,000 (2016: £317,970,000) owned by the Company and its subsidiary undertakings.

The Group's remaining contractual non-discounted cashflows for financial liabilities is set out below:

	2017					2016				
	Trade and other creditors £000	**Bank borrowings £000**	**Debenture stock £000**	**Finance leases £000**	**Total £000**	Trade and other creditors £000	Bank borrowings £000	Debenture stock £000	Finance leases £000	Total £000
In one year or less or on demand	**6,553**	**1,654**	**5,698**	**212**	**14,117**	6,064	2,555	5,698	213	14,530
In more than one year but not more than five years	**-**	**83,419**	**22,790**	**836**	**107,045**	-	77,488	22,790	841	101,119
In more than five years	**-**	**-**	**159,159**	**18,008**	**177,167**	-	-	164,857	18,237	183,094
	6,553	**85,073**	**187,647**	**19,056**	**298,329**	6,064	80,043	193,345	19,291	298,743

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:

	2017 £000	2016 £000
Expiring in one year or less	**-**	-
Expiring in more than one year	**26,000**	24,113
	26,000	24,113

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 2017			As at 30 June 2016		
	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**	**14**	106,001	5.375	15
Bank floating rate liabilities	**82,000**	**2.03**	**2**	75,000	2.22	2
Finance leases	**4,462**	**5.0**	**120**	4,480	5.0	121
	192,463			185,481		

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 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 £839,000 (2016: £687,000).

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:

	2017	2016
Bank overdraft facility	**2.25%**	2.5%
Bank borrowings	**2.03%**	2.22%
Debenture loan	**5.375%**	5.375%
Finance leases	**5.0%**	5.0%

Fair value of current borrowings

The fair value of bank borrowings and overdrafts approximate to their carrying value.

Fair value of non-current borrowings

	2017		2016	
	Book value £000	**Fair value £000**	Book value £000	Fair value £000
Debenture stock	**105,844**	**110,176**	105,833	109,762
Non-current borrowings	**81,663**	**81,663**	74,561	74,561

The above debenture stock has been valued as at 30 June 2017 by JC Rathbone Associates on the basis of open market value.

Continued

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:

	2017			2016		
	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	**212**	**212**	**-**	213	213	-
In more than one year but not more than five years	**836**	**836**	**-**	841	841	-
In more than five years	**18,008**	**13,546**	**4,462**	18,237	13,757	4,480
	19,056	**14,594**	**4,462**	19,291	14,811	4,480

21. EPRA NET ASSET VALUE PER SHARE

The Basic and EPRA net asset values are the same, as set out in the table below.

	2017 £000	2016 £000
Net assets at 30 June	**191,078**	189,857
Shares in issue (000)	**53,162**	53,162
Basic and EPRA net asset value per share	**359p**	357p

22. COMMITMENTS

The Group has capital commitments of £nil (2016: £15,703,000) 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:	**2017 £000**	2016 £000
Within one year	**15,838**	15,571
One to five years	**69,086**	51,690
In more than five years	**91,496**	88,209

MINIMUM TOTAL FUTURE LEASE PAYMENTS PAYABLE:	**2017 £000**	2016 £000
Within one year	**1,370**	1,399
One to five years	**5,482**	5,482
In more than five years	**27,619**	28,989

Future lease commitments relate to six car parks operated under lease agreements. The annual rent for these car parks ranges from £50,000 to £400,000 and the remaining term on the leases are all less than 35 years.

23. CALLED UP SHARE CAPITAL

Authorised

The authorised share capital of the company is 164,879,000 (2016: 164,879,000) ordinary shares of 25p each.
The nominal value of authorised share capital is £41,219,750 (2016: £41,219,750).

Issued and fully paid up

	Number of shares 000	Nominal value £000
AT 30 JUNE 2016 AND 30 JUNE 2017	**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. The Company has no share option schemes in current operation and there are no unexercised options outstanding at 30 June 2017.

24. CASH FLOWS FROM OPERATING ACTIVITIES

	2017 £000	2016 £000
Profit for the financial year	**6,725**	11,921
Adjustments for:		
Depreciation	**905**	585
Profit on disposal of fixed assets	**(23)**	(21)
Profit on disposal of investment properties	**(303)**	(1,140)
Finance costs	**7,639**	7,847
Share of post tax profits from joint ventures	**(1,342)**	(1,400)
Movement in valuation of investment properties	**2,085**	(3,018)
Movement in lease incentives	**145**	(1,836)
Reversal of impairment of car parking assets	**(1,000)**	(500)
Decrease in receivables	**4,192**	1,483
Decrease in payables	**(864)**	(362)
Cash generated from operations	**18,159**	13,559

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 63.

	2017 £000	2016 £000
Short-term employee benefits	**1,630**	1,456
Post-employment benefits	**38**	31
	1,668	1,487

COMPANY BALANCE SHEET

As of 30 June 2017

	Notes	2017 £000	2016 £000
FIXED ASSETS			
Investment properties	4	**79,061**	74,021
Property, plant and equipment	4	**698**	557
Investments	5	**250,643**	246,892
		330,402	321,470
CURRENT ASSETS			
Investments	6	**2,394**	2,070
Debtors	7	**114,855**	95,019
		117,249	97,089
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Financial liabilities – borrowings	9	**(13,057)**	(19,498)
Other creditors	8	**(119,251)**	(91,403)
		(132,308)	(110,901)
NET CURRENT LIABILITIES		**(15,059)**	(13,812)
TOTAL ASSETS LESS CURRENT LIABILITIES		**315,343**	307,658
Financial liabilities – borrowings	9	**(187,507)**	(180,394)
NET ASSETS		**127,836**	127,264
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		**33,730**	33,158
TOTAL SHAREHOLDERS' FUNDS		**127,836**	127,264

COMPANY NUMBER: 623364

As permitted by Section 408 of the Companies Act 2006, the Parent Company's Profit and Loss Account has not been included in these financial statements. The profit shown in the financial statements of the Parent Company was £6,500,000 (2016: £11,484,000).

The financial statements on pages 91 to 99 were approved by the Board of Directors on 13 September 2017 and signed on its behalf by

EM ZIFF OBE

Chairman and Chief Executive

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Called up share capital £000	Share premium account £000	Capital redemption reserve £000	Other reserve £000	Retained earnings £000	Total equity £000
BALANCE AT 1 JULY 2015	13,290	200	559	80,057	27,224	121,330
Comprehensive income for the year						
Profit	-	-	-	-	11,484	11,484
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	11,484	11,484
Contributions by and distributions to owners						
Final dividend relating to the year ended 30 June 2015	-	-	-	-	(3,902)	(3,902)
Interim dividend relating to the year ended 30 June 2016	-	-	-	-	(1,648)	(1,648)
BALANCE AT 30 JUNE 2016	13,290	200	559	80,057	33,158	127,264
Comprehensive income for the year						
Profit	-	-	-	-	6,500	6,500
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	-	6,500	6,500
Contributions by and distributions to owners						
Final dividend relating to the year ended 30 June 2016	-	-	-	-	(4,200)	(4,200)
Interim dividend relating to the year ended 30 June 2017	-	-	-	-	(1,728)	(1,728)
BALANCE AT 30 JUNE 2017	**13,290**	**200**	**559**	**80,057**	**33,730**	**127,836**

For the year ended 30 June 2017

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 in accordance with the Companies Act 2006 and applicable law.

In the prior year, one of the company's development properties with a value of £4.5m was transferred to another group company, however this disposal was not reflected in the accounts of the company. An adjustment to the prior year fixed asset and debtors figures has been made to reflect this disposal.

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 2017 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.

Depreciation

In accordance with FRS102, no depreciation or amortisation is provided in respect of freehold and long leasehold investment properties, including fixed plant, which is included in properties. The requirement of the Companies Act 2006 (the Act) is to depreciate all properties but that requirement conflicts with FRS102. The Directors consider that this accounting policy is necessary for the accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in the accounts' valuation and the amount attributable to this factor cannot be separately identified or quantified. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation.

Investments

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

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

Investment Income

Income from investments is accounted for on the payment date of the dividends.

Investments in Subsidiary Undertakings

Investments in subsidiary undertakings are stated in the balance sheet of the Company at cost less impairment.

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.

For the year ended 30 June 2017

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

	2017 £000	2016 £000
Wages and salaries (including Directors' emoluments)	**2,663**	2,241
Social security costs	**450**	391
Other pension costs	**69**	108
	3,182	2,740

Employee benefits are charged to the Profit and Loss account through administrative expenses.

The aggregate remuneration of the Directors of the Company was £1,864,000 (2016: £1,675,000).

The average monthly number of staff employed during the year was 70 (2016: 73). Disclosures required by the Companies Act 2006 on Directors' remuneration, including salaries, share options, pension contributions and pension entitlement, are included on page 63 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 2017 is included in note 5 to the Consolidated Financial Statements.

4. TANGIBLE ASSETS

INVESTMENT PROPERTIES	Freehold £000	Long leasehold £000	Development £000	Total £000
Valuation at 1 July 2016	45,681	7,340	21,000	74,021
Additions	2,670	16	434	3,120
Disposals	(1,494)	-	(2,675)	(4,169)
Valuation movement	235	(16)	5,991	6,210
Movement in tenant lease incentives	(121)	-	-	(121)
VALUATION AT 30 JUNE 2017	**46,971**	**7,340**	**24,750**	**79,061**

The above freehold and long leasehold properties have been valued as at 30 June 2017 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.

In the prior year, one of the company's development properties with a value of £4.5m was transferred to another group company, however this disposal was not reflected in the accounts of the company. An adjustment to the prior year fixed asset and debtors figures has been made to reflect this disposal.

Continued

FIXTURES, EQUIPMENT AND MOTOR VEHICLES

	Cost £000	Accumulated depreciation £000
Balance at 1 July 2016	2,718	2,161
Additions	409	-
Disposals	(140)	(101)
Depreciation	-	229
BALANCE AT 30 JUNE 2017	**2,987**	**2,289**
NET BOOK VALUE AT 30 JUNE 2017		**698**
Net book value at 30 June 2016		557
TOTAL TANGIBLE ASSETS		
AT 30 JUNE 2017		**79,759**
At 30 June 2016		74,578

5. FIXED ASSET INVESTMENTS

	2017 £000	2016 £000
SHARES IN GROUP UNDERTAKINGS		
At 1 July	**245,092**	245,092
Additions	**3,601**	-
AT 30 JUNE	**248,693**	245,092
OTHER INVESTMENTS		
At 1 July	**-**	-
Additions	**1,950**	-
AT 30 JUNE	**1,950**	-
INTEREST IN JOINT VENTURES		
At 1 July	**1,800**	1,779
Share of profits after tax	**129**	21
Dividends Received	**(129)**	-
Transfer to shares in group undertakings	**(1,800)**	-
AT 30 JUNE	**-**	1,800
TOTAL FIXED ASSET INVESTMENTS	**250,643**	246,892

As permitted by Section 615 of the Companies Act 2006, where the relief afforded under Section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of any other consideration given to acquire the share capital of the subsidiary undertakings.

6. LISTED INVESTMENTS

	2017 £000	2016 £000
At 1 July	**2,070**	1,962
Increase in value of investments	**324**	108
AT 30 JUNE	**2,394**	2,070

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 (2015: £889,130).

Continued

7. DEBTORS

	2017 £000	2016 £000
Trade debtors	**229**	333
Less: provision for impairment of debtors	**(30)**	(16)
	199	317
Amounts owed by subsidiary undertakings	**109,161**	86,669
Other debtors and prepayments	**5,495**	8,033
	114,855	95,019

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

8. OTHER CREDITORS

	2017 £000	2016 £000
Trade creditors and accruals	**3,102**	2,875
Taxation and social security	**358**	16
Amounts owed to subsidiary undertakings	**115,791**	88,512
	119,251	91,403

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.

	2017 £000	2016 £000
Non-current		
Bank borrowings	**81,663**	74,561
5.375% First mortgage debenture stock	**105,844**	105,833
	187,507	180,394
Current		
Bank borrowings	**13,057**	19,498
TOTAL BORROWINGS	**200,564**	199,892

The debenture, bank loans and overdrafts are secured by fixed charges on properties, valued at £340,065,000 (2016: £317,970,000) 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.

Continued

The Company had undrawn committed floating rate bank facilities as set out below:

	2017 £000	2016 £000
Expiring in one year or less	-	-
Expiring in more than one year	26,000	24,113
	26,000	24,113

Included within facilities expiring in one year or less are overdraft facilities subject to annual review. There are net cash balances of £15,853,000 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 2017			As at 30 June 2016		
	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	14	106,001	5.375	15
Bank floating rate liabilities	95,057	2.03	2	94,498	2.52	2
	201,058			200,499		

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% 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:

	2017	2016
Bank overdraft facility	2.25%	2.5%
Bank borrowings	2.03%	2.22%
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

	2017		2016	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Debenture stock	105,844	110,176	105,833	109,762
Long-term bank borrowings	81,663	81,663	74,561	74,561

Continued

10. CALLED UP SHARE CAPITAL

AUTHORISED

164,879,000 (2015: 164,879,000) ordinary shares of 25p each.

ISSUED AND FULLY PAID

	Number of shares 000	Nominal value £000
AT 30 JUNE 2016 AND 30 JUNE 2017	**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.

11. SUBSIDIARY COMPANIES

The Company's wholly owned active subsidiary undertakings at 30 June 2017, registered in England or Scotland and operating in the United Kingdom, are as follows:

	Company No.	Activity
Held directly		
TCS Holdings Limited	2271353	Property investment
Apperley Bridge Limited	6879596	Property investment
Dundonald Property Investments Limited	3672365	Property investment
Buckley Properties (Leeds) Limited	647309	Property investment
TCS Park Row Limited	8077103	Property investment
Citipark PLC	8837214	Car park operations
Citipark UK Limited	8837203	Car park operations
TCS (Merrion House JVC02) Limited*	8561356	Property investment
TCS Development Management (Merrion) Limited	8696141	Property investment
TCS (Residential Conversions) Limited	3946495	Management company
Tassgander Limited	4077297	Property investment
Caledonia Management Limited*	SC449689	Management company
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
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

Continued

	Company No.	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
Dundonald (Cumbernauld) Limited	5983938	Property investment
TCS (Merrion House JVC01) Limited	8561354	Property investment
TCS (Bothwell Street) Limited	4240551	Property investment
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 asterix 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 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:

Bay Sentry Limited
Town Centre House
The Merrion Centre
Leeds
LS2 8LY

Belgravia Living Group Limited
Middleton House
Westland Road
Leeds
LS11 5UH

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the fifty-seventh Annual General Meeting of Town Centre Securities PLC ("Company") will be held at Town Centre House, The Merrion Centre, Leeds LS2 8LY on Tuesday 28 November 2017 at 10.30am for the following purposes:

TO CONSIDER AND, IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTIONS AS ORDINARY RESOLUTIONS:

1. To receive the Company's Annual Accounts, Strategic Report and Directors' and Auditors' Reports for the year ended 30 June 2017.
2. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) for the year ended 30 June 2017.
3. To approve the Directors Remuneration Policy contained in the Directors Remuneration Report
4. To declare a final dividend for the year ended 30 June 2017 of 8.25p per ordinary share in the capital of the Company, to be paid on 4 January 2017, to shareholders whose names appear on the register at the close of business on 8 December 2017.
5. To re-appoint MA Ziff, who retires by rotation, as a Director of the Company.
6. To re-appoint I Marcus, who retires by rotation, as a Director of the Company.
7. To appoint MJ Dilley, who has been appointed by the Board since the last Annual General Meeting as a Director of the Company.
8. To re-appoint BDO as auditors of the Company.
9. To authorise the Directors to determine the remuneration of the auditors.

10 That, pursuant to section 551 of the Companies Act 2006 ("Act") the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any securities into shares in the Company up to an aggregate nominal amount of £4,430,162, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 27 February 2019 (whichever is the earlier), save that the Company may make an offer or agreement before the expiry of this authority which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired.

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

TO CONSIDER AND, IF THOUGHT FIT, TO PASS THE FOLLOWING RESOLUTIONS AS SPECIAL RESOLUTIONS:

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

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

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

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

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

11.2 otherwise than pursuant to paragraph 11.1 of this resolution shares may be issued upto a total aggregate nominal value of £664,524

These authorities (unless previously revoked, carried or renewed) shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 27 February 2019 (whichever is earlier), save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

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

12. That, subject to the passing of resolution 10, the directors be and are generally empowered in addition to any authority granted under resolution 11 to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authorities granted by resolution 10 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

Continued

12.1 Up to an aggregate nominal amount of £664,524; and

12.2 used only for the purposes of financing (or refinancing, if such refinancing occurs within six months of the original transaction) a transaction which the directors determine 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,

and this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 27 February 2019 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

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

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

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

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

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

13.3.2 an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out.
This authority (unless previously revoked, varied or renewed) shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 27 February 2019 (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after such expiry and may make a purchase of Shares pursuant to any such contracts as if the authority conferred by this resolution had not expired.

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

By order of the Board

DS SYERS

Company Secretary
13 September 2017

Registered Office:
Town Centre House, The Merrion Centre, Leeds LS2 8LY

Registered in England and Wales No. 00623364

NOTES

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6.00pm on 24 November 2017 (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 PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or you may photocopy the proxy form. You will need to state clearly on each proxy form the number of shares in relation to which the proxy is appointed. A failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the number of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

   The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.
4. A Form of Proxy is enclosed. To be valid, it must be completed, signed and sent to the offices of the Company's registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive no later than 10.30am on Friday 24 November 2017 (or, in the event that the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).
5. As an alternative to completing the hard copy Form of Proxy, a shareholder can appoint proxies electronically by logging onto www.capitashareportal.com where full instructions are given. For an electronic proxy appointment to be valid, the appointment must be received by the Company's registrar by no later than 10.30am on Friday 24 November 2017 (or in the event that the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

   Any electronic communication sent by a member to the Company or the Company's registrar which is found to contain a virus will not be accepted by the Company but every effort will be made by the Company to inform said member of the rejected communication.
6. A shareholder or shareholders having a right to vote at the meeting and holding at least 5 per cent of the total voting rights of the Company (see Note 8 below), or at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid share capital, may require the Company to publish on its website a statement setting out any matter that such shareholder(s) propose to raise at the meeting relating to either the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting of the Company in accordance with Section 527 of the Act.

   Any such request must:

6.1 identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement which is being supported;

6.2 comply with the requirements set out in Note 7 below; and

6.3 be received by the Company at least one week before the meeting.

Where the Company is required to publish such a statement on its website:

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

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

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

7. Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in Note 6 above:

7.1 may be made either:

7.1.1 in hard copy, by sending it to the Company Secretary, Town Centre House, The 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 12 September 2017 (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 12 September 2017 are 53,161,950.

Continued

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 50 and 51 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:

Capita 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 8.30am - 5.30pm, Monday to Friday.)
Telephone outside United Kingdom:	+44 (0) 371 664 0300
Email:	shareholder.services@capitaregistrars.com
Website:	www.capitaassetservices.com

Dividends

Interim dividend:	3.25p per share paid on 23 June 2017 to shareholders on the register on 26 May 2017
Final dividend:	8.25p per share to be paid on 4 January 2018 to shareholders on the register on 8 December 2017

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

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

Solicitors
DLA Piper UK LLP
Leslie Wolfson
Bond Dickinson LLP

Principal Valuers
Jones Lang LaSalle
CBRE

Corporate public relations
MHP Communications

CONTACT INFORMATION

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Town Centre House
The Merrion Centre
Leeds LS2 8LY

Registered number
623364 England

Email
info@tcs-plc.co.uk

Website
www.tcs-plc.co.uk

Registrar and transfer office
Capita Asset Services

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

Town Centre Securities

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