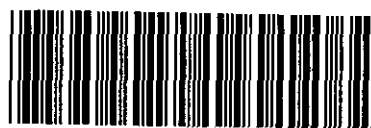


**TCS Leasehold Investments Limited**  
**Annual report and accounts**  
**for the year ended 30 June 2006**

Registered Number 3684827

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**TCS Leasehold Investments Limited**  
**Annual report and accounts**  
**for the year ended 30 June 2006**

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# **TCS Leasehold Investments Limited**

## **Directors and advisors for the year ended 30 June 2006**

### **Directors**

E M Ziff  
T J Crawford  
R A Lewis  
R H Bigley  
K Prior

### **Secretary**

K Prior

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Benson House  
33 Wellington Street  
Leeds  
LS1 4JP

### **Bankers**

Lloyds TSB Bank Plc  
The Royal Bank of Scotland

### **Registered Office**

Town Centre House  
The Merrion Centre  
Leeds  
LS2 8LY

### **Registered Number**

3684827

# **TCS Leasehold Investments Limited**

## **Directors' report for the year ended 30 June 2006**

The directors have pleasure in submitting the annual report and accounts of the company for the year ended 30 June 2006

### **Principal activities**

The principal activity of the company is that of investment in property.

### **Results and dividends**

The profit for the year after taxation is £1,160,508 (2005: £305,948). Payment has been made of a dividend of £505,403 (2005: £293,893).

### **Directors and their interests**

The directors of the company during the year were as follows:

E M Ziff

T J Crawford

R A Lewis

R H Bigley (Appointed 1.12.05)

J T Sutcliffe (Resigned 29.09.06)

K Prior (Appointed 2.10.06)

All directors at the year end are directors of Town Centre Securities PLC, the parent undertaking, and their interests in the share capital of group companies are disclosed in that company's directors' report.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2006 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware.

The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Independent auditors**

The independent auditors PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

### **By order of the Board**



K Prior

Secretary

22 November 2006

# **TCS Leasehold Investments Limited**

## **Independent auditors' report to the members of TCS Leasehold Investments Limited**

We have audited the financial statements of TCS Leasehold Investments Limited for the year ended 30 June 2006 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Leeds  
22 November 2006

# TCS Leasehold Investments Limited

## Profit and loss account for the year ended 30 June 2006

|  | Note | 2006<br>£        | 2005<br>£        |
|--|------|------------------|------------------|
| Rental income                              |      | 1,857,195        | 1,656,852        |
| Property expenses                          |      | (17,359)         | (39,680)         |
| <b>Operating profit</b>                    | 2    | <b>1,839,836</b> | <b>1,617,172</b> |
| Income from shares in group undertakings   |      | -                | 183,413          |
| <b>Profit before interest and taxation</b> |      | <b>1,839,836</b> | <b>1,800,585</b> |
| Interest payable                           | 3    | (101,827)        | (2,234,405)      |
| <b>Profit/(loss) before taxation</b>       |      | <b>1,738,009</b> | <b>(433,820)</b> |
| Taxation                                   | 4    | (577,501)        | 739,768          |
| <b>Profit for the financial year</b>       |      | <b>1,160,508</b> | <b>305,948</b>   |
| Equity dividends - Final paid              |      | (505,403)        | (293,893)        |
| <b>Retained profit for the year</b>        |      | <b>655,105</b>   | <b>12,055</b>    |

## Statement of total recognised gains and losses for the year ended 30 June 2006

|   |    | 2006<br>£        | 2005<br>£        |
|---|----|------------------|------------------|
| Profit for the financial year                               |    | 1,160,508        | 305,948          |
| Unrealised gain on the revaluation of investment properties | 13 | 3,462,698        | 2,743,185        |
| <b>Total recognised gains since the last annual report</b>  |    | <b>4,623,206</b> | <b>3,049,133</b> |

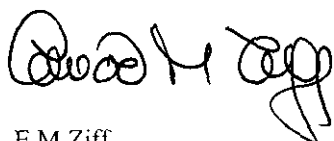
There is no material difference between the reported profit and that calculated on an historical cost basis.

# TCS Leasehold Investments Limited

## Balance sheet as at 30 June 2006

|   | Note | 2006<br>£          | 2005<br>£          |
|---|------|--------------------|--------------------|
| <b>Fixed assets</b>                                   |      |                    |                    |
| Tangible assets                                       | 5    | 28,700,000         | 25,224,990         |
| Investments   | 6    | 4                  | 4                  |
|   |      | <b>28,700,004</b>  | <b>25,224,994</b>  |
| <b>Current assets</b>                                 |      |                    |                    |
| Debtors   | 7    | 23,653             | 359,132            |
| Cash at bank and in hand                              |      | 2,698,400          | 888,769            |
|   |      | <b>2,722,053</b>   | <b>1,247,901</b>   |
| <b>Creditors: amounts falling due within one year</b> | 8    | <b>(5,677,802)</b> | <b>(4,771,349)</b> |
| <b>Net current liabilities</b>                        |      | <b>(2,955,749)</b> | <b>(3,523,448)</b> |
| <b>Total assets less current liabilities</b>          |      | <b>25,744,255</b>  | <b>21,701,546</b>  |
| <b>Creditors: amounts falling due after one year</b>  |      |                    |                    |
| Loan capital (unsecured)                              | 9    | (12,129,792)       | (12,262,979)       |
| <b>Provisions for liabilities and charges</b>         | 10   | <b>(366,253)</b>   | <b>(308,160)</b>   |
| <b>Net assets</b>                                     |      | <b>13,248,210</b>  | <b>9,130,407</b>   |
| <b>Capital and reserves</b>                           |      |                    |                    |
| Called up share capital                               | 11   | 3,549,001          | 3,549,001          |
| Preference shares                                     | 11   | 20,000             | 20,000             |
| Revaluation reserve                                   | 12   | 9,012,049          | 5,549,351          |
| Profit and loss account                               | 12   | 667,160            | 12,055             |
| <b>Total shareholders' funds</b>                      | 13   | <b>13,248,210</b>  | <b>9,130,407</b>   |
| <b>Analysis of shareholders' funds:</b>               |      |                    |                    |
| Equity  |      | 13,228,210         | 9,110,407          |
| Non-equity  |      | 20,000             | 20,000             |
| <b>Total shareholders' funds</b>                      |      | <b>13,248,210</b>  | <b>9,130,407</b>   |

The financial statements on pages 4 to 12 were approved by the board of directors on 22 November 2006 and were signed on its behalf by:



E M Ziff  
Director

# **TCS Leasehold Investments Limited**

## **Notes to the financial statements for the year ended 30 June 2006**

### **1 Accounting policies**

#### **Basis of preparation**

The Accounts are prepared under the historical cost convention as modified by the revaluation of properties and fixed asset investments and in accordance with the Companies Act 1985 and applicable accounting standards.

The principle accounting policies, which have been applied consistently, are as follows:

#### **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.

#### **Profit available for distribution**

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

#### **Deferred taxation**

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **Properties**

Long leasehold properties are included in the accounts at open market values based on a valuation as at 30 June each year. Short leasehold properties are held at cost and are amortised over the life of the lease.

#### **Depreciation and amortisation**

In accordance with SSAP 19 "Accounting for Investment Properties", no depreciation or amortisation is provided in respect of freehold and long leasehold investment properties, including fixed plant, which is included in properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that this accounting policy is necessary for the Accounts to give a true and fair view. Depreciation or amortisation is only one of the factors reflected in the accounts' valuation and the amount attributable to this factor cannot be separately identified or quantified. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation.

#### **Cash flow statement**

The company is a wholly-owned subsidiary of Town Centre Securities PLC and the results and cash flows of the company are included in the consolidated financial statements of that company. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

### **2 Operating Profit**

None of the directors received any emoluments in respect of their services to the company during the year. (2005: £nil). The company had no other employees in the year to 30 June 2006.

Auditors' remuneration was borne by the ultimate parent undertaking.



# TCS Leasehold Investments Limited

## Notes to the financial statements for the year ended 30 June 2006 (continued)

### 3 Interest payable

|                                | 2006<br>£ | 2005<br>£ |
|--------------------------------|-----------|-----------|
| Inter-company interest payable | 101,827   | 2,234,405 |

### 4 Taxation

|   | 2006<br>£ | 2005<br>£ |
|---|-----------|-----------|
| <b>Current year:</b>  |           |           |
| Corporation tax on profit for the year at 30% (2005: 30%)   | 396,424   | (815,779) |
| Deferred taxation (note 10)                                 | 50,952    | 59,564    |
|   | 447,376   | (756,215) |
| <b>Prior year:</b>  |           |           |
| Corporation tax on profit for the year at 30% (2005: 30%)   | 122,984   | 62,165    |
| Deferred taxation (note 10)                                 | 7,141     | (45,718)  |
| Tax charge/(credit) on profit/(loss) on ordinary activities | 577,501   | (739,768) |

The current tax credit for the year differs to the standard rate of corporation tax in the UK (30%). The differences are explained below:

|  | 2006<br>£ | 2005<br>£ |
|--|-----------|-----------|
| Profit/(loss) on ordinary activities before tax  | 1,738,009 | (433,820) |
| Profit/(loss) on ordinary activities multiplied by the standard rate in the UK 30% (2005: 30%) | 521,403   | (130,146) |
| <b>Effects of:</b>   |           |           |
| Group relief   | (71,331)  | (571,045) |
| Adjustment in respect of prior periods   | 122,984   | 62,165    |
| UK dividend income received  | -         | (55,024)  |
| Capital allowances in excess of depreciation   | (50,952)  | (59,564)  |
| Permanent differences  | (2,696)   | -         |
| Current tax charge/(credit) for the year   | 519,408   | (753,614) |

# TCS Leasehold Investments Limited

## Notes to the financial statements for the year ended 30 June 2006 (continued)

### 5 Tangible assets

| Long leasehold properties      | 2006              | 2005              |
|--------------------------------|-------------------|-------------------|
|                                | £                 | £                 |
| Balance at 1 July 2005         | 25,224,990        | 22,344,990        |
| Expenditure                    | 12,312            | 136,815           |
| Revaluation surplus            | 3,462,698         | 2,743,185         |
| <b>Balance at 30 June 2006</b> | <b>28,700,000</b> | <b>25,224,990</b> |

Long leasehold investment properties were revalued as at 30 June 2006 on the basis of open market value. In arriving at the total valuation each property has been valued individually and no allowance has been made for expenses of realisation or for taxation, which may arise in the event of a disposal. The valuation was carried out by Jones Lang LaSalle.

### 6 Investments

|   | 2006 | 2005 |
|---|------|------|
|   | £    | £    |
| Shares in subsidiary undertakings – at cost | 4    | 4    |

### 7 Debtors

|   | 2006          | 2005           |
|---|---------------|----------------|
|   | £             | £              |
| Trade debtors                           | 23,653        | 117,048        |
| Amounts owed by subsidiary undertakings | -             | 183,413        |
| Amounts owed by group undertakings      | -             | 16,011         |
| Amounts owed by parent undertaking      | -             | 42,660         |
|   | <b>23,653</b> | <b>359,132</b> |

# TCS Leasehold Investments Limited

## Notes to the financial statements for the year ended 30 June 2006 (continued)

### 8 Creditors – Amounts falling due within one year

|  | 2006      | 2005      |
|--|-----------|-----------|
|  | £         | £         |
| Trade creditors and accruals               | 404,248   | 425,121   |
| Corporation tax                            | 819,409   | 300,000   |
| Amounts owed to subsidiary undertakings    | 2         | 2         |
| Amounts owed to group undertakings         | 20,830    | -         |
| Amount owed to parent undertaking          | 235,089   | -         |
| Amount owed to ultimate parent undertaking | 4,198,224 | 4,046,226 |
|  | 5,677,802 | 4,771,349 |

### 9 Creditors – Amounts falling due after one year

|  | 2006       | 2005       |
|--|------------|------------|
|  | £          | £          |
| Amount owed to subsidiary undertaking – loan stock | 12,129,792 | 12,262,979 |

In the period up to 27 June 2006, the convertible unsecured loan stock may have been converted at the option of the note holder into preference shares of £1 on any interest payment date, being 19 June each year if the loan note had not previously been redeemed or converted, at the rate of 102 preference shares for every £100 of convertible stock. Full conversion of the outstanding rights would have resulted in the issue of 8.4 million preference shares. If the option to convert was not exercised, then the note was redeemable from 19 June 2006 onwards at the option of the Company or otherwise on 19 June 2011. If the Company gave notice of early redemption, the note holder may have exercised his option to convert on the terms stated above. The cash amount payable on redemption would be £8.3 million x X/Y where X is the market value of 100 preference shares of the Company (see note 11) on the day of redemption and Y is the value of 100 preference shares on 19 June 2001, the date of issue of the note.

On 27 June 2006, the terms and conditions of the note were amended to remove the conversion rights within the conditions of the note and to make all necessary amendments to the other conditions in so far as they refer to the rights of conversion.

The other redemption terms of the note were not amended and remain as outlined above.

# TCS Leasehold Investments Limited

## Notes to the financial statements for the year ended 30 June 2006 (continued)

### 10 Provisions for liabilities and charges

|   | 2006           | 2005           |
|---|----------------|----------------|
|   | £              | £              |
| <b>Deferred taxation</b>                |                |                |
| <b>Tax effect on timing differences</b> |                |                |
| Accelerated capital allowances          | 366,253        | 308,160        |
| <b>Total deferred tax liability</b>     | <b>366,253</b> | <b>308,160</b> |

#### Movement on deferred tax liability

|   |                |                |
|---|----------------|----------------|
| At 1 July 2005  | 308,160        | 294,314        |
| Deferred tax charge in profit and loss account (note 4) | 58,093         | 13,846         |
| <b>At 30 June 2006</b>                                  | <b>366,253</b> | <b>308,160</b> |

### 11 Share capital

|  | 2006      | 2005      |
|--|-----------|-----------|
|  | £         | £         |
| Authorised ordinary shares of £1 each                | 4,000,000 | 4,000,000 |
| Allotted and fully paid ordinary shares of £1 each   | 3,549,001 | 3,549,001 |
| Authorised preference shares of £1 each              | 9,000,000 | 9,000,000 |
| Allotted and fully paid preference shares of £1 each | 20,000    | 20,000    |

The redeemable preference shares have the following rights:

- (i) to receive first out of profits a dividend equal to the redemption yield on the 2016 2½% Index Linked Gilt plus 2.425% increased each year in line with the Retail Prices Index from the date of issue of the initial preference shares of 19 June 2001;
- (ii) to attend and vote on any resolution at a general meeting of the company only on the question of abrogating, varying or modifying any of the rights or privileges of their holders;
- (iii) in a winding up, to receive payment of capital in preference to all other classes of share;
- (iv) the shares are redeemable on 19 June 2016 for £1.927 per share uplifted in line with the Retail Prices Index starting on the date of issue of the initial preference shares and ending 15 years thereafter.

## TCS Leasehold Investments Limited

### Notes to the financial statements for the year ended 30 June 2006 (continued)

#### 12 Reserves

|  | Property<br>revaluation<br>reserve | Profit and<br>loss<br>account |
|--|------------------------------------|-------------------------------|
|  | £                                  | £                             |
| At 1 July 2005                             | 5,549,351                          | 12,055                        |
| Retained profit for the year               | -                                  | 655,105                       |
| Surplus arising on valuation of properties | 3,462,698                          | -                             |
| <b>Balance at 30 June 2006</b>             | <b>9,012,049</b>                   | <b>667,160</b>                |

#### 13 Reconciliation of movements in shareholders' funds

|   | 2006<br>£         | 2005<br>£        |
|---|-------------------|------------------|
| Profit for the financial year                   | 1,160,508         | 305,948          |
| Dividend  | (505,403)         | (293,893)        |
|   | 655,105           | 12,055           |
| Surplus on revaluation of investment properties | 3,462,698         | 2,743,185        |
| Increase in shareholders' funds                 | 4,117,803         | 2,755,240        |
| Opening shareholders' funds                     | 9,130,407         | 6,375,167        |
| <b>Closing shareholders' funds</b>              | <b>13,248,210</b> | <b>9,130,407</b> |

#### 14 Capital and other commitments

The company had no capital or other commitments not provided for at the 30 June 2006.

#### 15 Guarantees

The company, together with its fellow subsidiary companies, has entered into an unlimited joint and several guarantee, securing the indebtedness of Town Centre Securities PLC and subsidiary companies to two of the groups bankers. The Town Centre Securities PLC group had indebtedness at 30 June 2006 amounting to £93,053,108 (2005: £58,757,000) in relation to this arrangement.

# **TCS Leasehold Investments Limited**

## **Notes to the financial statements for the year ended 30 June 2006 (continued)**

### **16 Ultimate parent undertaking and related party transactions**

The company's ultimate parent undertaking and controlling party is Town Centre Securities PLC, a company incorporated in England and which prepares group accounts. The company has exercised the exemption under FRS 8 for transactions between the company and other undertakings in the Town Centre Securities PLC group not to be disclosed. Copies of the group accounts can be obtained by writing to:

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