

TCS Leasehold Investments Limited
Annual report and accounts
for the year ended 30 June 2005

Registered Number 3684827



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for the year ended 30 June 2005

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TCS Leasehold Investments Limited

Directors and advisors for the year ended 30 June 2005

Directors

E M Ziff

T J Crawford

R A Lewis

J T Sutcliffe

Secretary

J T Sutcliffe

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 2005

The directors have pleasure in submitting the annual report and accounts of the company for the year ended 30 June 2005

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 £305,948 (2004 £509,016). Payment of a final dividend of £293,893 is proposed (2004: £509,016).

Directors and their interests

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

E M Ziff

T J Crawford

R A Lewis

J T Sutcliffe

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 2005 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.

TCS Leasehold Investments Limited

Directors' report for the year ended 30 June 2005 (continued)

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

A handwritten signature in black ink, appearing to read 'J T Sutcliffe', written in a cursive style.

J T Sutcliffe

Secretary

23 November 2005

TCS Leasehold Investments Limited

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

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of the company's affairs at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
23 November 2005

TCS Leasehold Investments Limited

Profit and loss account for the year ended 30 June 2005

	Note	2005 £	2004 £
Rental income		1,656,852	1,344,473
Property expenses		(39,680)	(42,486)
Operating profit	2	1,617,172	1,301,987
Income from shares in group undertakings		183,413	301,609
Profit before interest and taxation		1,800,585	1,603,596
Interest payable	3	(2,234,405)	(1,704,792)
Loss before taxation		(433,820)	(101,196)
Taxation	4	739,768	610,212
Profit for the financial year		305,948	509,016
Equity dividends - Final proposed		(293,893)	(509,016)
Retained profit for the year		12,055	-

Statement of total recognised gains and losses for the year ended 30 June 2005

		2005 £	2004 £
Profit for the financial year		305,948	509,016
Unrealised gain on the revaluation of investment properties	13	2,743,185	1,814,010
Total recognised gains since the last annual report		3,049,133	2,323,026

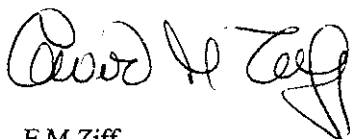
There is no material difference between the reported profit and that calculated on an historical cost basis.

TCS Leasehold Investments Limited

Balance sheet as at 30 June 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	5	25,224,990	22,344,990
Investments	6	4	4
		25,224,994	22,344,994
Current assets			
Debtors	7	359,132	5,399,342
Cash at bank and in hand		888,769	-
		1,247,901	5,399,342
Creditors: amounts falling due within one year	8	(4,771,349)	(10,623,679)
Net current liabilities		(3,523,448)	(5,224,337)
Total assets less current liabilities		21,701,546	17,120,657
Creditors: amounts falling due after one year			
Loan capital (unsecured)	9	(12,262,979)	(10,451,176)
Provisions for liabilities and charges	10	(308,160)	(294,314)
Net assets		9,130,407	6,375,167
Capital and reserves			
Called up share capital	11	3,549,001	3,549,001
Preference shares	11	20,000	20,000
Revaluation reserve	12	5,549,351	2,806,166
Profit and loss account	12	12,055	-
Total shareholders' funds	13	9,130,407	6,375,167
Analysis of shareholders' funds:			
Equity		9,110,407	6,355,167
Non-equity		20,000	20,000
Total shareholders' funds		9,130,407	6,375,167

The financial statements on pages 5 to 13 were approved by the board of directors on 23 November 2005 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 2005

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. (2004: £nil). The company had no other employees in the year to 30 June 2005.

Auditors' remuneration was borne by the ultimate parent undertaking.

TCS Leasehold Investments Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

3 Interest payable

	2005	2004
	£	£
Inter-company interest payable	2,234,405	1,704,792

4 Taxation

	2005	2004
	£	£
Current year:		
Corporation tax on profit for the year at 30% (2004: 30%)	(815,779)	(728,530)
Deferred taxation (note 10)	59,564	97,716
	(756,215)	(630,814)
Prior year:		
Corporation tax on profit for the year at 30% (2004: 30%)	62,165	(1,116)
Deferred taxation (note 10)	(45,718)	21,718
Tax credit on loss on ordinary activities	(739,768)	(610,212)

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

	2005	2004
	£	£
Loss on ordinary activities before tax	(433,820)	(101,196)
Loss on ordinary activities multiplied by the standard rate in the UK 30% (2004: 30%)	(130,146)	(30,359)
Effects of:		
Group relief	(571,045)	-
Adjustment in respect of prior periods	62,165	(1,116)
UK dividend income received	(55,024)	(90,483)
Capital allowances in excess of depreciation	(59,565)	(97,716)
Permanent differences	-	(509,972)
Current tax credit for the year	(753,615)	(729,646)

TCS Leasehold Investments Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

5 Tangible assets

Long leasehold properties	2005	2004
	£	£
Balance at 1 July	22,344,990	12,350,000
Expenditure	136,815	8,180,980
Revaluation surplus	2,743,185	1,814,010
Balance at 30 June	25,224,990	22,344,990

Long leasehold investment properties were revalued as at 30 June 2005 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

	2005	2004
	£	£
Shares in subsidiary undertakings – at cost	4	4

7 Debtors

	2005	2004
	£	£
Trade debtors	117,048	16,949
Amounts owed by subsidiary undertakings	183,413	316,963
Amounts owed by group undertakings	16,011	-
Amounts owed by parent undertaking	42,660	-
Amounts owed by ultimate parent undertaking	-	5,065,430
	359,132	5,399,342

TCS Leasehold Investments Limited

Notes to the financial statements for the year ended 30 June 2005 (continued)

8 Creditors – Amounts falling due within one year

	2005	2004
	£	£
Bank loans and overdraft	-	4,177,187
Trade creditors and accruals	425,121	386,978
Corporation tax	300,000	300,000
Amounts owed to subsidiary undertakings	2	2
Amounts owed to group undertakings	-	5,573
Amount owed to parent undertaking	-	912,595
Amount owed to ultimate parent undertaking	4,046,226	4,841,344
	4,771,349	10,623,679

9 Creditors – Amounts falling due after one year

	2005	2004
	£	£
Amount owed to subsidiary undertaking – loan stock	12,262,979	10,451,176

In the period up to 27 June 2005, 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 2005, 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 2005 (continued)

10 Provisions for liabilities and charges

	2005	2004
	£	£
Deferred taxation		
Tax effect on timing differences		
Accelerated capital allowances	308,160	294,314
Total deferred tax liability	308,160	294,314

Movement on deferred tax liability

At 1 July	294,314	174,880
Deferred tax charge in profit and loss account (note 4)	13,846	119,434
At 30 June	308,160	294,314

11 Share capital

	2005	2004
	£	£
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 2005 (continued)

12 Reserves

	Property revaluation reserve	Profit and loss account
	£	£
At 1 July 2004	2,806,166	-
Retained profit for the year	-	12,055
Surplus arising on valuation of properties	2,743,185	-
Balance at 30 June 2005	5,549,351	12,055

13 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	305,948	509,016
Dividend	(293,893)	(509,016)
	12,055	-
Surplus on revaluation of investment properties	2,743,185	1,814,010
Increase in shareholders' funds	2,755,240	1,814,010
Opening shareholders' funds	6,375,167	4,561,157
Closing shareholders' funds	9,130,407	6,375,167

14 Capital and other commitments

The company had no capital or other commitments not provided for at the 30 June 2005.

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 2005 amounting to £58,757,000 (2004: £35,576,000) in relation to this arrangement.

TCS Leasehold Investments Limited

Notes to the financial statements for the year ended 30 June 2005 (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 Merriion Centre
Leeds
LS2 8LY