

Town Centre Securities PLC

Improving shareholder value

# Property Portfolio

principal properties

Shopping centres	Tenure	Area sq ft
<b>Leeds</b>		
THE MERRION CENTRE	F/H	500,000
An island site which comprises a covered shopping centre, offices, multi-storey car park and hotel. Major tenants include Morrisons and Leeds City Council.		
<b>Salisbury</b>		
THE MALTINGS	L/H	87,000
The scheme comprises a supermarket, 24 retail units, public house, flats and car park. The principal tenant is Sainsbury's.		
<b>Retail warehouses and food stores</b>		
<b>Derby</b>		
KINGSWAY RETAIL PARK	F/H	20,000
The property comprises a prominent retail unit adjoining a food store and non-food retail park. The property is let to Currys.		
<b>Glasgow</b>		
363/381 BYRES ROAD & 9/19 GROSVENOR LANE	F/H	32,000
The premises form a supermarket and multistorey car park let to Somerfield.		
<b>Kings Lynn</b>		
PIERPOINT RETAIL PARK	F/H	66,000
The property comprises a retail warehouse park forming four units with an open A1 non-food planning consent. The tenants are Homebase, DFS, Comet and Next. We also own an adjacent five acre development site.		
<b>Rochdale</b>		
CENTRAL RETAIL PARK	F/H	143,000
The property forms a mid 1980's retail park leased to Instore, Focus, Halfords, MFI and a new development let to Matalan. The park benefits from an open A1 non-food planning consent.		

Offices	Tenure	Area sq ft
<b>Glasgow</b>		
33 BOTHWELL STREET	F/H	26,841
The property comprises a modern office block on six storeys with a basement floor providing 12 car parking spaces. It enjoys a prominent City Centre site. Tenants include Starbucks, Turner & Townsend, Bovis Lend Lease and Tods Murray.		
<b>Nottingham</b>		
PHOENIX HOUSE, COLLIERS WAY	F/H	17,180
The property comprises a modern fully air conditioned office building on two floors prominently situated on a leading business park with 89 car parking spaces. The property is let to computer software company, Digica.		
<b>Uddingston</b>		
TANNOCHSIDE BUSINESS PARK	L/H	30,500
A modern two storey campus style office building with parking for 129 cars. The property is let to Jacobs Engineering and Core Utility Solutions.		
<b>High street shops</b>		
<b>Blackpool</b>		
6/24 ABINGDON ST & ABINGDON ST MARKET	F/H	29,000
The property comprises three shop units with offices above and a long established covered market. Tenants include Specsavers, John Waddington Cards and Lloyds Pharmacy.		
<b>Blackpool</b>		
18/22 VICTORIA STREET	F/H	8,000
The property forms a two storey shop development let to Arcadia.		
<b>Crewe</b>		
60/66A MARKET STREET & 1 EARLE STREET	F/H	13,000
The property comprises a parade of eight shops. Tenants include Orange, Select, Claire's Accessories and Dolland and Aitchinson.		

# Property Portfolio

principal properties

**High street shops (continued)**

## Edinburgh

1/23, 35/47 & 63/65  
SHANDWICK PLACE F/H 24,000

The property comprises a series of period buildings, forming retail premises with offices above. Tenants include C&J Clark, Newcastle Building Society and Costa Coffee.

## Glasgow

101/107 BUCHANAN STREET F/H 10,500

The property provides retail accommodation on basement, ground and first floors with ancillary accommodation above. The tenants are Dune and Black and Lizars.

## Glasgow

EMPIRE HOUSE, WEST NILE,  
59 SAUCHIEHALL &  
108/112 RENFIELD STREET F/H 69,000

The property forms an island site comprising nine retail units with four floors of offices above. Tenants include Starbucks, Body Shop, Gold Group International, Pizza Hut and KFC.

## Manchester

118/124 DEANS GATE F/H 39,700

The property comprises a corner site, adjacent to Kendals Department Store let to Chelsea Stores Ltd, trading as Daisy and Tom.

## Leeds

93/97 ALBION STREET F/H 21,500

The property comprises a single retail unit on ground and two upper floors let in its entirety to Waterstones.

## Leeds

50/54 ALBION STREET &  
35 ALBION PLACE F/H 18,000

The property forms a Grade 2 listed building currently occupied as two retail premises together with upper parts, and a basement wine bar. The property is leased to Austin Reed, Game Retail and West Midlands Taverns.

## Leeds

24/29 BOAR LANE F/H 18,000

The property forms two retail units with ancillary accommodation, the principal tenants are Yates and Ladbroke's.

## Leeds

5/7 LANDS LANE &  
30/34 ALBION PLACE F/H 25,000

A retail unit on ground and three upper floors together with an adjoining three storey period office property. The property is leased to WH Smith and Pertemps Group.

## Leeds

55/69 THE HEADROW &  
38 LANDS LANE F/H 14,000

A three storey building with basement comprising seven shop units with two floors of residential above. Tenants include Planet and Whittards.

## Leeds

76/82 VICAR LANE F/H 39,000

The property comprises a five storey building principally used for retail purposes. The main tenants are Flannels and Fired Earth.

## Wrexham

26, 28/31 HOPE STREET,  
3A/3B & 5 PRIORY STREET F/H 25,000

Following demolition after extensive fire damage, the property forms a cleared site pending redevelopment.

## York

50/52A CONEY STREET &  
4/6 MARKET STREET F/H 11,000

The property comprises four retail units with ancillary accommodation above on a prominent corner position. The tenants are T Mobile, Millets and Fraser Hart.

## York

2/8 PAVEMENT &  
5/9 PICCADILLY F/H 14,000

The property comprises two retail premises on ground and two upper floors let to Lloyds TSB and Oddbins.

## York

14/17 PARLIAMENT STREET,  
4/12 FEASEGATE &  
22/30 MARKET STREET F/H 26,000

The property comprises seven retail units on ground and basement floors with ancillary accommodation above. Tenants include Disney, Optical Express, Early Learning Centre and Clintons Cards.

# Corporate Statement

Town Centre Securities PLC is a property investment and development company. We aim to maximise shareholder returns over the long-term through the acquisition and active management of investments and developments, with secure and improving income in good locations.

## Contents

Corporate Statement	23 Directors' Remuneration Report
Contents	30 Independent Auditors' Report
Property Portfolio	32 Consolidated Profit and Loss Account
01 Highlights	33 Statement of Group Total Recognised Gains and Losses
03 Chairman and Chief Executive's Report	33 Note of Group Historical Cost Profits and Losses
11 Ten Year Record	34 Consolidated Balance Sheet
12 Board of Directors	35 Company Balance Sheet
13 Senior Management Team and Company Advisers	36 Consolidated Cash Flow Statement
14 Corporate Social Responsibility Statement	37 Notes to the Accounts
16 Directors' Report	52 Valuers' Report
18 Corporate Governance	IBC Calendar of Events

# Highlights

- Net assets per share up 25% to 431p (2004: 344p), benefiting from the revaluation of the investment property portfolio and share buy-backs; “triple” net asset value per share\* up 21% to 346p (2004: 286p).
- Net asset value uplift expressed on a per share basis: revaluation of property portfolio and other investments 72p, retained earnings and other recognised gains 7p and the year-on-year impact of the share buy-back programme 8p.
- Statutory profit before tax increased 29% to £8.5m (2004: £6.6m).
- Underlying profit before tax, excluding disposals and exceptional costs, increased 2.5% to £8.2m (2004: £8.0m).
- Basic earnings per share increased 96% to 15.9p (2004: 8.1p), benefiting from profits on disposal and a tax credit. Underlying earnings per share up 13% to 11.1p (2004: 9.8p).
- Proposed final dividend of 4.3p (2004: 4.1p) making a total ordinary dividend per share of 6.2p (2004: 5.9p), an increase of 5.1% and a special dividend of 2.0p (2004: £nil) making a total dividend payment for the year of 8.2p.
- 3.7 million shares repurchased during the year at a cost of £11.7m helping to boost both earnings and net assets per share.

\* after taking into account the fair value adjustments on long-term debt, and capital gains tax.

		2005	2004
Profit before tax <sup>^</sup>		£8.5m	£6.6m
Underlying profit before tax		£8.2m	£8.0m
Earnings per share	– basic	15.9p	8.1p
	– diluted	15.7p	8.0p
Underlying earnings per share <sup>^</sup>	– basic	11.1p	9.8p
	– diluted	10.9p	9.7p
Dividends per share	– ordinary	6.2p	5.9p
	– special	2.0p	—
Net assets per share		431p	344p
Gearing		59%	64%

<sup>^</sup> underlying profit and earnings per share represent reported earnings per share adjusted for the exceptional profit (2004: loss) on disposal of properties (net of taxation) and in respect of the year ended 30 June 2005, exceptional pension accruals.

# Chairman and Chief Executive's Report

Edward Ziff CHAIRMAN AND CHIEF EXECUTIVE

## Results

I am pleased to report another successful year for the Group after further strong performance from our investment property portfolio, resulting in a substantial year end revaluation surplus of £43m, an increase of 13.4%. We now own investment properties and developments in progress valued at £394m (2004: £352m). Our net assets increased to £240m, up 18.1% on last year, resulting in net assets per share increasing 25.3% to 431p (2004: 344p). Triple net asset value per share, after taking into account the fair value adjustment on long-term debt and estimated capital gains tax on the disposal of all properties, increased 21.0% to 346p (2004: 286p).

We have commenced two major developments, in Leeds and Manchester, estimated to cost in the region of £45m, which are largely pre-let. These are expected to be completed during the first half of 2006.

## Profit and loss

Turnover for the year to 30 June 2005 was marginally lower than last year at £24.2m (2004: £24.4m). Pre-tax profit was 29% higher at £8.5m (2004: £6.6m). Property disposal profits were £2.3m (2004: a loss of £1.5m). During the year, the Remuneration Committee conducted a review of the pension arrangements in consultation with the Company's advisers, Watson Wyatt, which has resulted in an exceptional pension accrual of £2.0m being made in respect of three Executive Directors.

Internally, the Board's preferred measure of profit is underlying profit before tax, which excludes all exceptional items and disposal profits. This measure was 2.5% higher at £8.2m (2004: £8.0m) helped by reduced property related costs.

Earnings per share were 96% higher at 15.9p (2004: 8.1p per share) due to the higher disposal profits and a tax credit of £0.5m (2004: tax charge £1.7m). Excluding disposal profits, exceptional pension costs and the lower tax charge, underlying earnings per share increased by 13% to 11.1p (2004: 9.8p) benefiting from the lower average number of shares in issue during the year.

## Financing and gearing

Net interest costs increased 2.7% to £11.3m (2004: £11.0m). Interest cover, expressed as the ratio of total operating profits (excluding the exceptional pension cost) to interest was 1.72 times (2004: 1.73), reflecting the Group's continuing prudent financial position. Interest amounting to £0.25m has been capitalised on major developments that commenced during the year.

Year end borrowings were 8.6% higher at £140.8m (2004: £129.6m) following the investment in the development programme. However, taking into account the increase in shareholders' funds, gearing has fallen to 58.5% (2004: 63.6%). Of total borrowings, long-term fixed interest debt constitutes 60%, with the balance on floating rates. At 30 June 2005 our weighted average cost of debt was 8.53% (2004: 8.85%). The £85m 10.5% mortgage debenture matures in 2021 and at 30 June 2005 had a fair value of £124.8m (2004: £106.4m). The increase in the market value of the debenture results from lower comparative long-term interest rates and institutional demand for high yielding debt securities. Total borrowings compared to total property assets stood at 35.7% (2004: 36.8%).

## Chairman and Chief Executive's Report CONTINUED

### Results (continued)

#### Taxation

The profit and loss account tax result for the year is a credit of £0.5m (2004: charge of £1.7m). This credit arises from deferred tax provision releases in respect of capital allowance timing differences after the disposal of certain investment properties, revisions to prior year capital allowance estimates and the utilisation of capital losses and indexation relief in respect of the profits made on investment property disposals. These adjustments are not expected to recur on an annual basis.

It is estimated that a capital gains tax liability of £21m would arise if all the Group's assets were disposed of at the amounts stated in the accounts.

#### Cash flow

Total borrowings increased by £11.2m during the year. Operating cash flow less interest was £6.3m, whilst property sales generated £31.5m. These inflows were offset by property acquisitions of £13.2m and capitalised development costs of £14.4m. During the year, we purchased 3.7 million shares for cancellation at an average price of 313p per share resulting in a cash outflow of £11.7m. We continue to operate well within our agreed banking facilities, which currently total £204m, having successfully completed arrangements to increase certain facilities during the year.

#### Dividends

The Directors propose the payment of an increased final dividend of 4.3p per share (2004: 4.1p), making a total ordinary dividend for the year of 6.2p per share (2004: 5.9p), an increase of 5.1%. Furthermore, in view of the year's beneficial tax result, the Directors recommend a special dividend payment of 2.0p per share, making a total dividend for the year of 8.2p. These dividends will be paid on 3 January 2006 to shareholders on the register on 2 December 2005.

### International Financial Reporting Standards (IFRS)

We will adopt IFRS for the financial year ending 30 June 2006 and will present our restated results for the year ended 30 June 2005 under IFRS in advance of the release of the half year results in March 2006. The two most significant impacts that IFRS will have on the Company are that investment property revaluation gains and losses will be included in the income statement, and the contingent tax that may arise on the disposal of investment property will be deducted from shareholders' funds. Furthermore, IFRS only permits recognition of the liability to pay a final dividend when this has been approved by shareholders. A project plan is in place to enable the transition to IFRS within the required timeframe.

### Performance benchmarking and total shareholder returns (TSR)

The Deutsche Bank FTSE Real Estate Index, for the year to 30 June 2005, showed us ranked 11th out of 30 (TSR 44%) over one year, 4th out of 30 (TSR 183%) over three years and 2nd out of 30 (TSR 407%) over five years.

The Board's internal measure of performance is the creation of total shareholder value (TSV), calculated as the increase in net asset value plus dividends per share. For the year ended 30 June 2005 TSV was 95p per share (2004: 80p), equating to a 27.6% (2004: 29.6%) return on opening net assets.

### Directors

The Board is delighted to announce that Robert Bigley will be joining us later this year as Corporate Development Director. He brings a wealth of experience having been a partner within KPMG Corporate Finance and prior to that, a Corporate Finance Director with S G Hambros.

Furthermore, I am pleased to report that John Sutcliffe will be staying as Finance Director reversing the earlier announcement that he would be leaving the Group at the end of this calendar year. With these, and previous appointments made, I now consider that the Board is back to full strength following the passing of the Group's founder, my father, Arnold Ziff in July 2004.

# Chairman and Chief Executive's Report CONTINUED

## Annual operating review

We continue to focus on our core strategic goals. Earnings and cash flow remain crucial to the future success of this Group. I reported last year that, given the bullish nature of the property market, we have found it difficult to find new opportunities that matched our objectives. Since then demand for the type of property we aspire to own within the regional retail shop market has continued to grow unabated and this continued investment strength is a concern to us. However, our investments are in good quality locations in prime retail centres meaning that we are as well insulated as we can be against market valuation changes.

We have made significant progress on two major developments with a significant pre-let element which will be completed before the end of the 2006 financial year. We are also beginning to take strategic shareholdings in other companies offering useful alternative opportunities to direct property investment.

## Property revaluation

	Valuation 2005 £'000	Valuation movement 2005 %	Valuation 2004 £'000	Valuation movement 2004 %
Shopping centres	122,400	13.6	107,500	16.2
Retail warehouses and foodstores	50,500	14.8	42,975	11.5
Shops	167,035	12.9	151,693	11.8
<b>Total retail</b>	<b>339,935</b>	<b>13.4</b>	<b>302,168</b>	<b>13.3</b>
Offices and residential	23,705	11.6	34,833	3.3
<b>Total investment properties</b>	<b>363,640</b>	<b>13.3</b>	<b>337,001</b>	<b>12.2</b>

## Property investment

### Portfolio performance

The annual independent valuation of our investment portfolio, carried out once again by Jones Lang LaSalle, resulted in a revaluation surplus of £43m, an increase of 13.4%. This excludes £7.0m Stamp Duty Land Tax, following legislation changes, which was included in last year's valuation. The underlying performance of our portfolio beat that of the previous year and pleasingly all our business areas again performed strongly. Our Shopping Centres increased in value by 13.6%, High Street Shops by 12.9%, Retail Warehouses and Food Stores by 14.8% and Offices by 13.7%. Added together with the net income return generated from our portfolio our properties achieved a total return of 20%.

### Disposals and acquisitions

We sold four principal investment properties; The Eagle Building on Bothwell Street in Glasgow, Clifton Arcade in Blackpool, Market Avenue in Huddersfield and a single shop unit on King Street in Manchester, the proceeds of which, when added together with minor properties sold, totalled £32m. This figure included our remaining show homes which were sold with vacant possession, following the expiry of the leases to the original house builder.

Our principal acquisition was a 40,000 sq ft store on Deansgate, Manchester currently leased to Daisy & Tom, a subsidiary of Chelsea Stores Limited. This property is situated between Spinningfields and the main retail district within the city centre. We acquired a 50% interest in a retail warehouse redevelopment opportunity in Kilmarnock and also acquired two smaller properties to assist with our longer-term redevelopment proposals in York and Rochdale. The cost of these acquisitions was £11.7m, a relatively modest sum compared to our aspirations reflecting the difficulty in acquiring suitable investment stock on satisfactory terms.



## Chairman and Chief Executive's Report CONTINUED

### Property investment (continued)

#### Asset management

Our occupancy rate remains above 97%, a similar level to last year, whilst irrecoverable costs have also been maintained at a similarly low level to last year.

Once again, substantial value has been extracted from concluded rent reviews and lease renewals in prime positions such as Victoria Street Blackpool, Abingdon Street Blackpool, Boar Lane Leeds, The Headrow Leeds, Northumberland Street Newcastle and Byres Road Glasgow. In total our like for like rental income has increased by 3% to £20.6m this year, and the rental value of the entire portfolio has increased by 7% to £24.3m.

Key transactions from which we expect to derive future benefit include the letting of redundant space in the Merrion Centre to Luminar Leisure which, when added to their existing accommodation, will provide a leisure destination for 2,500 people, and the letting of a retail warehouse unit of 8,500 sq ft to Next in Kings Lynn.

Our portfolio has significant long-term asset management opportunities and I look forward to reporting the progress made on these many initiatives in future reports to shareholders.

### Property development

It is many years since we have undertaken and reported on so much pre-let development. We see this business activity increasing in the future as we begin to build on the prime development sites we own. During the last year we have moved into the construction phase on part of our development sites in Leeds and Manchester.

#### Manchester – Piccadilly Basin

The construction of a fully pre-let retail warehouse unit for Danish retailer ILVA, of 120,000 sq ft in total, commenced during the first half of the financial year. Completion is expected towards the end of this calendar year with a view to ILVA commencing trading soon thereafter. Adjoining the retail unit, work has commenced on a multi storey car park for 242 spaces due for completion later this calendar year. We have received a detailed planning consent for a 33,000 sq ft office building, and hope to report on progress in the near future.

#### Leeds – Whitehall Riverside

The first major office building at this location, of 128,000 sq ft, is on schedule to complete during the first half of 2006. We have added to the first pre-letting to Russell Mellon Europe with a further substantial letting of over 50,000 sq ft to Cobbetts Solicitors, such that almost two thirds of this building is now pre-let.

#### Leeds – Eastgate and Harewood Quarter

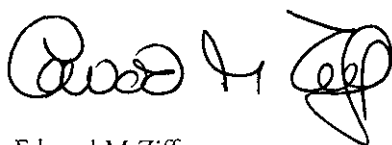
Together with our joint venture partner, Hammerson plc, we have made significant progress towards the target of submitting a planning application later this year. The retail led, mixed use, urban regeneration scheme on a 20 acre site, includes over one million sq ft of retail space alongside leisure and residential uses. This scheme should take another major step forward following the completion of negotiations to agree the pre-letting of the main anchor store.

## Chairman and Chief Executive's Report *CONTINUED*

### Outlook

The results achieved this year demonstrate that our strategy for delivering growth in shareholder value continues to be successful. The combination of active asset management, the portfolio of development opportunities and our strong and committed management team should enable us to drive the business forward and continue to deliver growth in shareholder value from strong foundations.

Finally, I would like to express my sincere thanks to all my colleagues and staff. Their commitment and effort has enabled us to achieve great things over recent years and I am sure that with their continued enthusiasm and support, allied to all the opportunities we possess to develop the business, we can all have great confidence in our future prospects.

A handwritten signature in black ink, appearing to read 'Edward M Ziff', with a stylized flourish at the end.

Edward M Ziff  
Chairman and Chief Executive  
9 September 2005

# Ten Year Record

Underlying profit before tax £'000

Underlying earnings per share  
PenceNet assets per share  
PenceDividends per share  
PenceEarnings per share  
Reported penceTurnover  
£'000Net assets  
£'000Gearing  
%Properties  
£'000Borrowings  
£'000

## Notes:

1. Dividends, earnings and net assets per share have been restated to take account of the reorganisation of share capital in 1998.
2. Underlying profit before tax and underlying earnings per share have been adjusted to exclude exceptional items, profits or losses on disposal of investment properties and prior year tax adjustments.
3. The results for the year ended 30 June 2001 have been restated for FRS 19 "Deferred Tax".
4. The results for the year ended 30 June 2003 have been restated for UITF 38 "Accounting for ESOP Trusts".
5. The dividend per share for the year ended 30 June 2005 includes a 2.0p special dividend.

## Board of Directors

From left to right:  
Standing: Richard Lewis, John Nettleton,  
Clive Lewis, John Sutcliffe  
and James Crawford.  
Seated: Robin Smith, Edward Ziff  
and Michael Ziff.

### Chairman and Chief Executive

Edward Ziff, age 45, joined the Company in 1980. He was appointed to the Board in 1985 and served as Managing Director from 1993. He was appointed Chief Executive Officer in February 2001 and Chairman in July 2004.

### Executive Directors

James Crawford MRICS, age 43, joined the Company in 1994 and was appointed to the Board in 1996. He is a chartered surveyor and is responsible for all the Group's property investment portfolio and health and safety matters.

Richard Lewis FRICS, age 50, joined the Company in April 2000 and was appointed to the Board in February 2001 as Director responsible for the Group's property development activities and environmental matters. He is a chartered surveyor and previously worked for First Group plc.

John Sutcliffe ACA, age 46, joined the Board in May 2002 when he was appointed Finance Director. He is a chartered accountant and previously worked as Finance Director for Abbeycrest Plc. He is responsible for all financial, treasury and company secretarial matters.

### Deputy Chairman

Robin Smith TD LL.B DL, age 62, joined the Company in 1999 as a Non-executive Director and was appointed Deputy Chairman in July 2004. A former senior partner of DLA and past President of the Leeds Law Society, he also serves as a Non-executive Director of Leeds Building Society and is the Yorkshire Regional Chairman of Coutts & Co.

### Non-executive Directors

Clive Lewis Hon D Litt FRICS, age 69, joined the Company in 1994. A past President of the Royal Institution of Chartered Surveyors, he also served as a Non-executive Director of Freeport plc and was, until July 2002, the Chairman of the Bank of England property forum.

John Nettleton, BSc FRICS ACI Arb, age 57, joined the Board in July 2004. A chartered surveyor and arbitrator specialising in retail property and development, he was from 1997, Senior Partner of Donaldsons chartered surveyors, until his retirement in June 2004.

Michael Ziff, age 52, joined the Company in July 2004. He is the Chairman and Chief Executive of Stylo plc, for whom he has worked for 27 years. He became Chief Executive of Stylo plc in 1991 and Chairman and Chief Executive in 2000.

## Company Advisers

**Registered office**

Town Centre House  
The Merlion Centre  
Leeds LS2 8LY

**Registered number**

623364 England

**Email**

info@tcs-plc.co.uk

**Website**

www.tcs-plc.com

**Bankers**

Lloyds TSB Bank plc  
The Royal Bank of Scotland

**Brokers**

Deutsche Bank AG London

**Trustees to mortgage debenture holders**

Capita IRG Trustees

**Auditors**

PricewaterhouseCoopers LLP

**Solicitors**

DLA Piper Rudnick Gray Cary UK LLP

**Financial advisers**

KPMG Corporate Finance

**Valuers**

Jones Lang LaSalle

**Corporate public relations**

Smithfield

**Registrar and transfer office**

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield HD8 0LA

## Corporate Social Responsibility Statement

### Corporate social responsibility

The Group has been a member of the FTSE4 Good Index Series since March 2004. As such, it meets the minimum criteria for systems and corporate policies for the management of social, ethical and environmental risks posed by our trading activities.

### Environmental responsibility

The Group is committed to minimising the environmental impacts arising from its property acquisition, management and development activities. The Group recognises the importance which the environment and issues of sustainability have to the community and the impact they can have upon financial operations. It has implemented policies designed to continuously improve its environmental performance, to achieve anticipated future best practice and to comply with UK and EU legislation.

Potentially, the Group's greatest environmental impact is from its property development activities. It is fully committed to sustainable development in the built environment and the highest BREEAM ratings are actively sought. The Group is committed to helping reduce energy consumption and harmful emissions through design solutions which minimise the energy requirements of the construction process and the finished building. It is also policy to appoint a project team who have achieved the necessary accreditation for environmental systems and policies which promote sustainable developments.

To address property acquisition and management activities, an environmental forum has been established which is responsible for identifying areas where operational improvements may be made in order to:

- prevent harmful emissions from our buildings;
- reduce waste through the encouragement of recycling;
- reduce energy and water consumption by improving energy efficiency and the usage of renewable energy sources where possible; and
- promote healthy, comfortable and efficient working environments through communication with tenants and employees.

The responsibility for the environmental policy ultimately remains with the Board of Directors, who review the policy on an annual basis.

### Social responsibility

The Group recognises the importance of being a good corporate citizen to all its stakeholders, including the local community, our employees, suppliers and occupiers. To this end, a number of initiatives and corporate policies are in place and are reviewed on an annual basis.

### Local community

Community consultation exercises are undertaken for all major development projects. In respect of our charitable contribution to the community, total financial contributions this year amounted to £44,000 (2004: £30,000).

In particular we focus our support towards four major causes which benefit the local and wider community; the Leeds Jewish Welfare Board, the NSPCC, Lionheart and the Variety Club of Great Britain. This is achieved through donations and the organisation and sponsorship of numerous charitable fund raising events.

During the year, the Marjorie and Arnold Ziff Community Centre was opened. Although the Company did not contribute to this project specifically, we do raise over £25,000 per annum towards the Welfare Board's activities. The Community Centre is the showpiece of a two part complex built by the Leeds Jewish Housing Association. Attached to the rear of the centre is Skyte House, a complex of 42 flats offering sheltered accommodation to elderly people. The Marjorie and Arnold Ziff Community Centre itself is operated by the Leeds Jewish Welfare Board of which E M Ziff is Vice President. Home to several communal organisations, the building also houses a crèche facility, meeting rooms and craft/seminar rooms, a synagogue, hall equipped for theatrical performances, two restaurants and a gym. E M Ziff is also a Governor of The Grammar School at Leeds and is a member of the Advisory Board of the Leeds University Business School.

**Local community (continued)**

J T Sutcliffe is a committee member of the Yorkshire region of Variety Club and helps organise the Variety Club Yorkshire Property Awards Dinner, which raised £160,000 this year. These funds are to be used to provide a scanner for the Leeds NHS Trust and facilities for disabled and disadvantaged children in the region.

The Lionheart Yorkshire Property Quiz and the York Dragon Boat Race, raised a further £20,000 last year. These funds are used to provide financial assistance to members of RICS and their dependants suffering hardship. In support of this charity, R A Lewis is the volunteer Area Representative for Yorkshire and a Trustee of Lionheart.

The Group, led by T J Crawford, supported and was involved in the organisation of a Christmas Charity Fair at Castle Howard and a Leeds Property Investment Golf Day which together raised in excess of £35,000 for the NSPCC. These funds will be used to help stop cruelty against children in the Yorkshire region.

The Group has also been involved with financially supporting publications and with student sponsorships in association with Leeds Metropolitan University and Leeds University. We would like to thank Hannah Marshall, a photography student at Leeds Metropolitan University, who has taken some of the photographs used in the Report and Accounts this year.

**Employees**

Staff at every level are encouraged to make their fullest contribution to the Group's performance and this is encouraged through savings related and other share option schemes. The Group's selection and promotion policies ensure equal opportunities for all employees regardless of disability, gender, marital status, race, age or sexual orientation. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment continues and appropriate training is arranged if necessary. The Group actively encourages the formal training and career development of all its employees.

**Health and safety**

The Group recognises that under the Health & Safety at Work Act 1974 and other relevant statutory legislation we have duties to our employees, those not of our employment and the environment.

We are committed to high standards of health, safety and welfare for all our employees and anyone affected by our actions or those of our employees. This is achieved by ensuring that all employees play an active part in the health and safety policies of the Group and by providing adequate information, instruction, training and supervision for them to understand their role within the Group. T J Crawford is the Board member responsible for health and safety matters and is supported by specialist external health and safety advisors.

**Supplier relations**

The Group seeks to establish strong relationships with its suppliers and to this end, it is the Group's policy to agree terms with suppliers, to ensure that suppliers are made aware of these terms and to abide by them.

**Tenant relations**

The Group seeks to provide quality, safe and secure accommodation which meets the changing needs of our tenants and to establish good long-term relationships with them. This is achieved through regular meetings and ongoing communication.

## Directors' Report

The Directors have pleasure in presenting the Annual Report and Accounts for the year ended 30 June 2005. A review of the performance of the Group and its results for the year together with its future prospects is contained on pages 3 to 10, which should be read in conjunction with this report.

### Principal activities

The principal activities of the Company and its subsidiary undertakings (the Group) during the financial year remained those of property investment, development and trading.

### Results for the year and dividends

The results are set out in the Consolidated Profit and Loss Account on page 32.

An interim dividend of 1.9p per share was paid on 30 June 2005 and the Directors now recommend the payment of a final ordinary dividend of 4.3p per share and a special dividend of 2.0p per share. The proposed final and special dividend will be paid on 3 January 2006 to ordinary shareholders on the register at the close of business on 2 December 2005.

### Fixed assets

Details of movements in fixed assets are set out in Notes 11 and 12 to the Accounts.

Properties held for trading and development are valued at cost or at Directors' previous valuation. All other freehold and long leasehold investment properties have been revalued by Jones Lang LaSalle, 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 nor for taxation which may arise in the event of disposal.

### Share capital

Detailed changes in the Company's issued share capital during the year are set out in Note 18 to the Accounts.

### Purchase of own shares

During the year the Company purchased in the market, a total of 3,732,339 ordinary shares, with a nominal value of £933,084, representing 6.7% of the current issued share capital for a total consideration of £11,699,231. These shares were subsequently cancelled.

At the forthcoming Annual General Meeting (AGM) the Company will be seeking to renew its authority to purchase up to 14.9% of the ordinary shares in issue, assuming the remaining authority is fully utilised. Authority was previously granted to acquire 7,263,070 ordinary shares at the AGM in December 2004 and since then 469,000 shares have been acquired leaving 6,794,070 unutilised. Shares will only be purchased if the Board believes it can take advantage of Stock Market conditions to enhance returns for the remaining shareholders.

### Derivatives and other financial instruments

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and debenture stock. The Group seeks to minimise the risk of fluctuating interest rates by using long-term fixed debt to match its property ownerships and commitments. The Board constantly reviews its interest rate exposure and uses swaps and other instruments for hedging purposes as it considers appropriate. Detailed disclosure in respect of derivatives and financial instruments, in accordance with FRS 13, is set out in Note 17 to the Accounts.

### Supplier payment policy

It is the Company's and Group's policy to agree payment terms with suppliers when entering into each transaction or series of transactions to ensure that suppliers are made aware of these terms and to abide by them. Creditor days at the end of the year for the Group were 8 days (2004: 15 days), and for the Company were 5 days (2004: 9 days).



**Donations**

Charitable donations during the year amounted to £44,000 (2004: £30,000). Details of charities supported by the Group are set out on page 14. The Group has made no political contributions in either year.

**Taxation status**

The Company is not a close company.

**Impact of International Financial Reporting Standards (IFRS)**

We will adopt IFRS for the financial year ending 30 June 2006. The two most significant impacts that IFRS will have on the Group are that investment property revaluation gains and losses during each period will be included in the income statement, and the contingent tax that may arise on the disposal of investment property will be deducted from shareholders' funds. Furthermore IFRS only permits recognition of the liability to pay a final dividend when this has been approved by shareholders. A project plan is in place to enable the transition to IFRS within the required timeframe and we will also be working to ensure the consistency of information with other companies in the sector. Town Centre Securities will present its 2005 results restated under IFRS in advance of the release of the half year results in March 2006.

**Substantial shareholdings**

Excluding those of the Directors, the Company had been notified of the following substantial interests in its share capital at 9 September 2005:

	No. of shares	% of issued capital
A L Manning	6,004,232	10.75
M E Ziff	1,887,094	3.37

**Directors**

The Directors of the Company at the year end and their biographical details are shown on page 12 and their interests in the shares of the Company are disclosed in the Directors' Remuneration Report on pages 23 to 29. R A Lewis, C H Lewis and T J Crawford retire by rotation and offer themselves for re-election at the AGM. At no time during the year has any Director had any interest in any significant contract with the Company.

**Capital gains tax**

For capital gains tax purposes, the adjusted March 1982 value of the ordinary shares is 24.8p, which is increased by indexation up to 30 June 2005 to 60.0p.

**Annual General Meeting**

A separate notice will be issued explaining the special business to be considered at the AGM on 23 November 2005. This will include renewal of the Company's authority to allot equity securities for cash other than on a pre-emptive basis to existing shareholders and the renewal of the authority to purchase, in the market, the Company's own shares.

**Independent auditors**

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

By order of the Board



J T Sutcliffe  
Secretary  
9 September 2005

## Corporate Governance

This report is prepared in accordance with the 2003 FRC Combined Code (the Code). The Board is collectively responsible for the success of the Group and is committed to a high standard of governance. The Group has complied throughout the year with the provisions set out in the Code, except where noted below. This Statement, together with the Directors' Remuneration Report set out on pages 23 to 29, describes how the relevant principles of governance are applied to the Company.

### Board of Directors

On 14 July 2004, the Group's founder and previous Chairman I A Ziff passed away. The Board now comprises four Non-executive Directors and four Executive Directors, including the Chief Executive who, from 15 July 2004, combined his role with that of Chairman. The Non-executive Directors include two new members; J A Nettleton (appointed 1 July 2004) and M A Ziff (appointed 15 July 2004). The Board does not believe that M A Ziff can be deemed to be independent under the Code, due to his significant shareholding, close family ties and directorship of Stylo plc. However, the Board believes that M A Ziff brings considerable business experience and makes valuable contributions to the work of the Board. The senior independent Non-executive Director is R A Smith, who was also appointed as Deputy Chairman on 15 July 2004. R A Smith chairs the Remuneration and Audit Committees. No independent Non-executive Director:

- has been an employee of the Group within the last five years;
- has, or has had within the last three years, a material business relationship with the Group either directly, or as a partner, shareholder, Director or senior employee of a body that has such a relationship with the Group;
- has received or receives additional remuneration from the Group apart from a Director's fee, participates in the Company's share option schemes, with the exception of the Share Incentive Plan disclosed in the Directors' Remuneration Report, or a performance-related pay scheme, or is a member of the Company's pension arrangements;
- has close family ties with any of the Group's advisers, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the Board for more than nine years from the date of their first election, with the exception of C H Lewis. The Board considers that C H Lewis' length of service has been and continues to be of considerable benefit to the Board given his wealth of knowledge and experience of the property sector.

The full Board meets eight times a year and annually reviews the strategic direction of the Group. All meetings held during the year were attended by the entire Board, with the exception of one meeting where M A Ziff gave his apologies. 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 a Review Forum, which comprises Executive Directors and senior managers who also meet eight times a year. The Board has delegated to the Review Forum responsibility 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.

**Board of Directors (continued)**

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.

The Company Secretary would minute any unresolved concerns expressed by any Director. Were a Director to resign over an unresolved issue the Chairman and Chief Executive would bring the issue to the attention of the Board. There have been no such instances in the year.

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. The Non-executive Directors, chaired by the Senior Independent Director, meet without the Chairman and Chief Executive at least annually to appraise the Chairman and Chief Executive's performance.

The terms of reference for the standing committees of the Board, 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.

**Audit Committee**

The Board's Audit Committee is composed solely of the Non-executive Directors and chaired by R A Smith. It meets with the external auditors twice a year and its duties include the monitoring of the Group's financial controls, the detailed review of the Annual Report and Accounts and Interim Statement before submission to the full Board and the review of the Group's accounting policies. The Executive Board members are usually invited to attend at least part of these meetings. All meetings held during the year were attended by all members of the Audit Committee.

The Audit Committee and Board place great emphasis on the objectivity of the Group's auditors, PricewaterhouseCoopers LLP (PwC), in their reporting to shareholders.

The PwC audit partner and manager are present at all Audit Committee meetings to ensure full communication of matters relating to the audit.

The overall performance of the auditors is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided to senior members of PwC unrelated to the audit. This activity also forms part of PwC's own system of quality control.

The scope of the forthcoming year's audit is discussed in advance by the Audit Committee. Audit fees are reviewed by the Committee and then referred to the Board for approval. Rotation of audit partners' responsibilities within PwC is required by their profession's ethical standards, is actively encouraged, and has taken place.

Assignments awarded to PwC have been and are subject to controls by management that have been agreed by the Committee so that audit independence is not compromised.

These controls provide the Committee with adequate confidence in the independence of PwC in their reporting on the audit of the Group.

## Corporate Governance CONTINUED

### Remuneration Committee

Details of the Remuneration Committee are given in the Directors' Remuneration Report on pages 23 to 29.

### Nominations Committee

The entire Board acts as a Nominations Committee and is responsible for the selection and approval of candidates for appointment to the Board. All meetings held during the year were attended by all members of the Nominations Committee. The Nominations Committee did not consider it necessary to appoint external search consultants in respect of the appointments made during the year, as required by Code Provision A.4.6.

Training and briefings are available to all Directors on appointment and subsequently as appropriate taking into account existing experience, qualifications and skill sets.

### Internal control

The Code Provision C.2.1. requires that the Directors review, at least annually, all controls including operational, compliance and risk management as well as financial controls and 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. However, any such control system can only give reasonable and not absolute assurance against material misstatement or loss.

Processes and procedures for identifying and managing the risks faced by the Group have been operating fully since 1 November 2000 and up to the date of this report.

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

- an annual review of all business risks by the Board and the Review Forum, 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;
- capital expenditure and disposal proposals are appraised and monitored by the Review Forum on a project by project basis. Significant acquisitions and disposals are ratified by the Board; and
- the Group does not currently have an internal audit function because given the size of the Group, it is not considered necessary but the need for one is considered by the Audit Committee annually.

**Relations with shareholders**

The Board is committed to maintaining good communications with shareholders. Other than during close periods, the Chief Executive and the 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 required. The Company also encourages communications with private shareholders throughout the year and welcomes their participation at shareholder meetings. The senior independent Non-executive Director is available to shareholders if they have concerns.

**Statement of compliance with the Combined Code**

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

- from 15 July 2004 E M Ziff combined the roles of Chairman and Chief Executive. In this case Code Provision A.2.1 requires that a justification for the combination of roles is required. As Chairman and Chief Executive, E M 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.2.2. requires that the Chairman is determined independent under the Code at the date of appointment. E M 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 A.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 the AGM;
- in view of the size of the Board it has not been considered appropriate to establish a Nominations Committee as recommended by Code Provision A.4.1. Instead the entire Board acts as a Nominations Committee;
- the Chairman and Chief Executive has a service contract with a notice period greater than one year, which is the recommended limit in Code Provision B.1.6; and
- the Audit Committee does not include a member who is a "financial expert" as defined by Code Provision C.3.1. However, the Board considers that the members possess the financial experience and qualifications, and that collectively the members have the requisite skills and attributes, to enable the Audit Committee to discharge its responsibilities.

## Corporate Governance CONTINUED

### **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 and the Group at the end of the year and of the profit or loss of the Group 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 Group will continue in business.

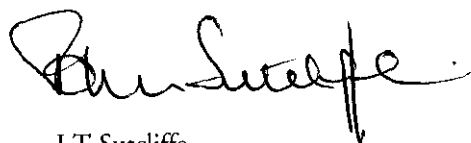
The Directors confirm that suitable accounting policies have been used and applied consistently, they also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 June 2005 and that applicable accounting standards have been 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Annual Report and Accounts 2005 will be published on the Group's website. The maintenance and integrity of the website is the responsibility of the Directors and the work carried out by the auditors does not involve consideration of these matters.

### **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.

By order of the Board



J T Sutcliffe  
Secretary  
9 September 2005

## Directors' Remuneration Report

The Directors present the Directors' Remuneration Report for the year ended 30 June 2005. A resolution to approve the Directors' Remuneration Report will be proposed at the Company's AGM.

The auditors are required to report to the shareholders on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion the "auditable part" has been properly prepared in accordance with the Companies Act 1985. The report therefore has separate sections containing unaudited and audited information.

### Unaudited information

#### Remuneration Committee

The Remuneration Committee consists wholly of independent Non-executive Directors. The following independent Non-executive Directors served as members of the Remuneration Committee during the year and in the period to 9 September 2005 unless otherwise stated:

R A Smith (Chairman)

C H Lewis

J A Nettleton

The Remuneration Committee makes recommendations to the Board, within agreed terms of reference, concerning the Company's framework of Executive remuneration. The Remuneration Committee determines the remuneration and benefits packages of the Chairman and Chief Executive and Executive Directors, considers their service contracts, salaries and other benefits including bonuses and participation in the Company's share option plans and other terms and conditions of employment including any compensation payments on termination of office.

E M Ziff is invited to attend meetings where appropriate to provide advice to the Remuneration Committee. However, no Executive Directors are present when matters affecting their own remuneration are discussed by the Remuneration Committee.

#### Remuneration policy

The remuneration of Non-executive Directors is determined by the Board. The remuneration policy is that the remuneration package of the Executive Directors should be sufficiently competitive to attract, retain and motivate Directors to achieve the Group's objectives. In determining the remuneration policy the Group aims to attract and retain Directors to manage the Group successfully, without making excessive payments.

There are five main elements to the remuneration packages of the Executive Directors:

- basic salary and benefits;
- annual bonus awards;
- share options;
- pensions; and
- long-term performance related incentives.

#### Basic salary and benefits

Directors' basic salaries and benefits are reviewed annually. The Committee takes into account individual performance, the recommendations of the Chief Executive, published remuneration information on comparable companies and the salary policy within the Group, in making its recommendations to the Board. Benefits include the provision of Company cars (although in the case of R A Lewis and J T Sutcliffe a salary alternative is paid), permanent health and medical insurance premiums. The value of benefits, or the salary alternative, is not pensionable. The value of each element of the salary, pension and benefits package is set out in the table and the Notes on page 26.

## Directors' Remuneration Report CONTINUED

### Unaudited information (continued)

#### Remuneration policy (continued)

##### Annual bonus awards

All employees are eligible to participate in the Group's discretionary Annual Bonus Scheme, under which a percentage of salary is awarded based on a combination of individual and Group performance in terms of profit and the growth in shareholder value (based on the increase in net asset value per share and dividends paid). The annual award is made, at the discretion of the Board on the recommendation of the Remuneration Committee, up to a maximum of 60% of salary. The bonus awards are not pensionable.

##### Long-term incentives

The Executive Directors' long-term incentive awards have been achieved through an Unapproved Executive Share Option Scheme, which was approved by shareholders in 1994 and is not subject to Inland Revenue rules. The scheme is subject to the satisfaction of specific performance targets. The target compares the Group's total shareholder return (measured by a combination of change in share price and dividends paid) against that of the FTSE Real Estate Index over a rolling three year period. 50% of the unapproved options are exercisable provided the performance exceeds the median of the index, with a further 25% for top quartile performance and full exercise for top decile performance. These performance conditions were chosen because they are challenging and not only take into account the need for long-term performance and commitment but are also important means of aligning the interests of Executive Directors and shareholders. Executive Directors and certain employees are eligible to participate in the scheme. The right to exercise unapproved options terminates on the employee ceasing to hold office with the Group, subject to certain exceptions and the discretion of the Board. The shares granted to the Executives are disclosed in the Directors' share option holdings on pages 28 and 29.

##### Share options

Share option schemes are seen as an effective way of aligning the long-term interests of employees with those of the shareholders. The Company operates three share option schemes in respect of ordinary shares:

- a Save As You Earn Share Option Scheme, which is open to all eligible employees including Executive Directors. Non-executive Directors do not participate. The scheme was approved by shareholders and is subject to Inland Revenue rules. Options have been granted to scheme members at 100% of the prevailing market price. There are no performance criteria attached to the exercise of these options. These options may be exercised within a fixed six month period, three, five or seven years from the date of grant. The right to exercise options terminates if the employee ceases to be employed by the Group subject to certain exceptions and the discretion of the Board;
- an Executive Share Option Scheme, which was approved by shareholders in 1997 and is subject to Inland Revenue rules. Executive Directors and certain employees are eligible to participate in the scheme. There are no performance criteria attached to the exercise of these share options which must be exercised between three and ten years from the date of grant. The right to exercise options terminates upon the employee ceasing to hold office or employment with the Group subject to certain exceptions and the discretion of the Board; and
- a Share Incentive Plan, which was approved by shareholders in December 2003 and is open to all eligible employees including Executive Directors and Non-executive Directors. The plan is subject to Inland Revenue rules that allow employees to acquire partnership, matching, free and dividend shares through a combination of investment and Company grant. Under certain circumstances the free and matching shares granted are subject to forfeiture should the employee cease to be employed within the first three years of the plan. The plan allows the Company to award differing grants of shares in these elements in different financial periods. Combining all the elements of the plan, the maximum value that may be awarded to any individual in any one year is £7,500.



**Unaudited information (continued)****Remuneration policy (continued)****Pensions**

The Group has in place defined contribution pension and life assurance arrangements which provide Executive Directors with a pension based on a target, depending on length of service, of up to two-thirds of pensionable salary on retirement. The arrangement also provides a lump sum death in service benefit and pension for dependents of members on their death in service or following retirement. Normal retirement age is 60.

**Service contracts and external appointments**

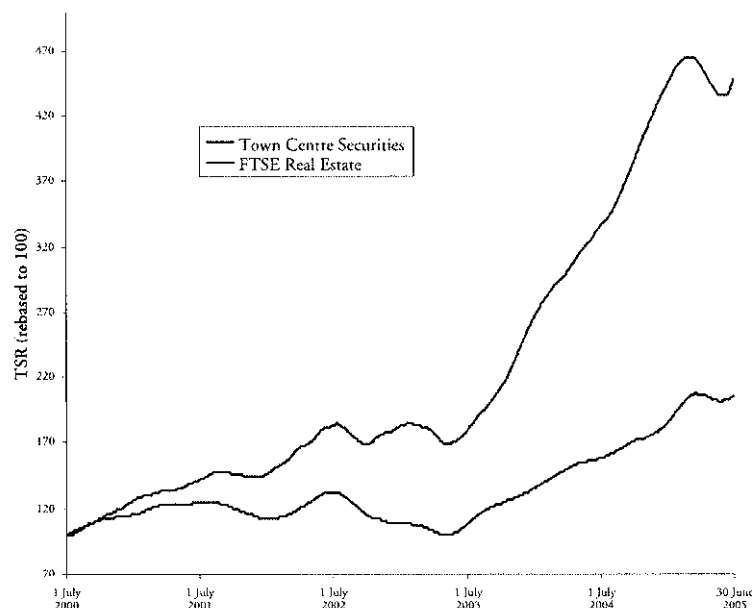
The Non-executive Directors do not have service contracts and the other Executive Directors who held office at 30 June 2005 have rolling service contracts which provide for normal retirement age at 60. Chairman and Chief Executive, E M Ziff has a service contract that is subject to not less than two years' notice. T J Crawford, R A Lewis and J T Sutcliffe have service contracts under which they are entitled to one year's notice. The Company 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 subject to the deduction of tax and National Insurance. If the Company terminates employment without giving notice and or makes a payment in lieu of any damages to which the Executive might be entitled, the payment is to be calculated in accordance with common law principles, including those relating to mitigation of loss and accelerated receipt.

Executive Directors are permitted to accept Non-executive appointments by prior arrangement. It is normal practice for Executive Directors to retain fees provided for Non-executive appointments. E M Ziff has served as a Non-executive Director of Stylo plc since July 2004, his retained remuneration for these services to 30 June 2005 was £26,000.

**Performance graph**

The following graph shows the Company's total shareholder return (TSR) performance, compared with the FTSE Real Estate Index, measured in the same way, over the five years ended 30 June 2005. The FTSE Real Estate Index has been selected because the Company believes that the constituent companies comprising the Index are the most appropriate for this comparison as they are affected by similar commercial and economic factors.

TSR performance: 1 July 2000 – 30 June 2005 (three month rolling average)



# Directors' Remuneration Report CONTINUED

## Audited information

### Directors' remuneration

	Salaries and fees		Bonuses		Taxable benefits		Pension contributions <sup>(b)</sup>		Additional pension contributions <sup>(b)</sup>		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
<b>Former Chairman</b>												
I A Ziff	15	176	—	72	10	37	—	—	—	—	25	285
<b>Executive Chairman and Chief Executive</b>												
E M Ziff	319	295	162	120	39	29	61	56	1,400	—	1,981	500
<b>Executive Directors</b>												
T J Crawford	182	161	89	66	13	20	40	37	303	—	627	284
R A Lewis	190	176	89	66	2	2	53	49	297	—	631	293
J T Sutcliffe	137	127	50	57	1	1	25	22	—	—	213	207
	843	935	390	381	65	89	179	164	2,000	—	3,477	1,569
<b>Non-executive Directors</b>												
R A Smith	29	27	—	—	1	—	—	—	—	—	30	27
C H Lewis <sup>(a)</sup>	27	27	—	—	—	—	—	—	—	—	27	27
J A Nettleton	27	—	—	—	—	—	—	—	—	—	27	—
M A Ziff	26	—	—	—	—	—	—	—	—	—	26	—
	109	54	—	—	1	—	—	—	—	—	110	54
	952	989	390	381	66	89	179	164	2,000	—	3,587	1,623

#### Notes:

- Payments in respect of the services of C H Lewis as a Director include amounts paid to Penloo Consulting Limited, a Company which he controls. There were no amounts outstanding at the year end.
- At the year end accrued pension contributions, in respect of four Directors of £2,192,000 (2004: £154,000) were awaiting transfer into defined contribution arrangements.

**Audited information (continued)****Directors' interest in shares**

The interests of the Directors in the ordinary share capital of the Company are as follows:

		30 June 2005 Number	1 July 2004 or date of appointment Number
E M Ziff	Beneficial	7,379,470	7,164,890
	As trustee	9,556,760	6,370,716
	Deferred Annual Bonus Plan	—	82,047
T J Crawford	Beneficial	257,245	165,027
	Deferred Annual Bonus Plan	—	42,196
R A Lewis	Beneficial	212,452	61,634
	Deferred Annual Bonus Plan	—	42,196
J T Sutcliffe	Beneficial	12,022	10,000
R A Smith	Beneficial	32,122	24,650
C H Lewis	Beneficial	67,594	51,472
J A Nettleton	Beneficial	10,892	3,894
M A Ziff	Beneficial	4,831,857	4,831,857
	As trustee	9,790,002	6,680,516

The E M Ziff beneficial and trustee interests include 1,381,859 ordinary shares included in M A Ziff's beneficial interest and 8,174,901 ordinary shares included in M A Ziff's trustee interest. The M A Ziff beneficial and trustee interests include 1,615,101 ordinary shares included in E M Ziff's beneficial interest and 8,174,901 ordinary shares included in E M Ziff's trustee interest.

E M Ziff, T J Crawford, R A Lewis and J T Sutcliffe are Directors of TCS Trustees Limited, trustee for the shares that are required for the All Employee Share Incentive Plan. At 30 June 2005, TCS Trustees Limited held 33,105 ordinary shares (2004: Nil) on behalf of all participants including those share awards of Executive Directors shown above. All shares previously disclosed as being held pursuant to the Deferred Annual Bonus Scheme and the Employee Profit Sharing Scheme have now been transferred to the Directors and employees concerned.

No shares will be issued as part of the bonuses for the year ended 30 June 2005.

On 5 July 2004, J A Nettleton was appointed as a Non-executive Director when his beneficial interest in the ordinary share capital of the Company was 3,894 shares. On 15 July 2004, M A Ziff was appointed Non-executive Director, when his beneficial interest in the ordinary share capital of the Company was 4,831,857 shares and his trustee interest was 6,680,516 shares.

# Directors' Remuneration Report CONTINUED

## Audited information (continued)

### Directors' interest in shares (continued)

On 9 July 2004, Non-executive Directors J A Nettleton, purchased 3,940 ordinary shares at 253.75p per share, R A Smith purchased 3,900 ordinary shares at 253.75p and C H Lewis purchased 5,400 ordinary shares at 254.0p.

On 12 November 2004, R A Lewis and T J Crawford each sold 12,000 shares at 326p.

On 8 December 2004, Non-executive Director J A Nettleton, purchased 3,058 ordinary shares at 327p per share.

On 11 May 2005, Non-executive Director C H Lewis, purchased 8,700 ordinary shares at 304p per share.

On 1 June 2005, Non-executive Director R A Smith, purchased 1,550 ordinary shares at 324p per share.

### Share Incentive Plan (SIP)

On 28 June 2005 the following Directors acquired shares under the SIP at the price approved at a Board meeting on that day.

Name of Director	Partnership shares acquired 28 June Number	Price paid Pence	Free matching shares acquired 28 June Number	Value of free matching shares Pence	Total shares acquired 28 June Number	Total number of partnership and matching SIP shares beneficially held at 30 June 2005
E M Ziff	417	359.3	417	359.3	834	2,022
T J Crawford	417	359.3	417	359.3	834	2,022
R A Lewis	417	359.3	417	359.3	834	2,022
J T Sutcliffe	417	359.3	417	359.3	834	2,022
R A Smith	417	359.3	417	359.3	834	2,022
C H Lewis	417	359.3	417	359.3	834	2,022

### Executive Share Option Schemes

		30 June 2005 Number	30 June 2004 Number	Exercise price Pence	Earliest exercise date	Latest exercise date
E M Ziff	1994 Unapproved	250,000	380,511	104.0	Nov - 00	Nov - 07
	1997 Approved	22,727	22,727	132.0	Sept - 05	Sept - 12
	SAYE	28,488	28,488	64.5	Feb - 06	Aug - 06
T J Crawford	1994 Unapproved	56,671	116,671	104.0	Nov - 00	Nov - 07
	1994 Unapproved	65,117	65,117	105.5	Jan - 01	Jan - 08
	1997 Approved	22,727	22,727	132.0	Sept - 05	Sept - 12
R A Lewis	1994 Unapproved	144,688	263,288	116.5	Jul - 04	Jul - 11
	1997 Approved	22,727	22,727	132.0	Sept - 05	Sept - 12
	SAYE	10,252	10,252	138.5	Feb - 10	Aug - 10
J T Sutcliffe	1994 Unapproved	204,897	204,897	224.5	Apr - 07	Apr - 14
	1997 Approved	22,727	22,727	132.0	Sept - 05	Sept - 12
	SAYE	11,859	11,859	138.5	Feb - 08	Aug - 08

**Audited information (continued)****Executive Share Option Schemes (continued)**

The performance criteria attached to the above share option schemes are set out on page 24.

On 8 July 2004, E M Ziff exercised 80,511 share options under the 1994 Unapproved Scheme at 104.0p, the market price on the date of exercise was 252.5p creating a gain of £119,559.

On 8 July 2004, T J Crawford exercised 20,000 share options, under the 1994 Unapproved Scheme at 104.0p, the market price on the date of exercise was 252.5p creating a gain of £29,700.

On 21 September 2004, R A Lewis exercised 100,000 share options under the 1994 Unapproved Scheme at 116.5p, the market price on the date of exercise was 300.5p creating a gain of £184,000.

On 12 November 2004, R A Lewis exercised 10,000 share options under the 1994 Unapproved Scheme at 116.5p, the market price on the date of exercise was 326p creating a gain of £20,950.

On 3 March 2005, R A Lewis exercised 8,600 share options under the 1994 Unapproved Scheme at 116.5p, the market price on the date of exercise was 325p creating a gain of £17,931.

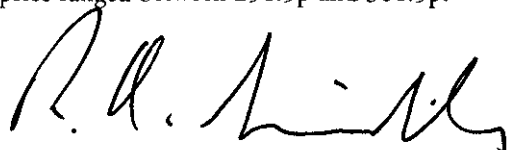
On 18 May 2005, E M Ziff exercised 50,000 share options under the 1994 Unapproved Scheme at 104.0p, the market price on the date of exercise was 308.5p creating a gain of £102,250.

On 18 May 2005, T J Crawford exercised 40,000 share options, under the 1994 Unapproved Scheme at 104.0p, the market price on the date of exercise was 308.5p creating a gain of £81,800.

On 6 July 2005, R A Lewis exercised 25,000 share options under the 1994 Unapproved Scheme at 116.5p, the market price on the date of exercise was 360p creating a gain of £60,875.

On 6 July 2005, T J Crawford exercised 17,500 share options, under the 1994 Unapproved Scheme at 104.0p, the market price on the date of exercise was 360p creating a gain of £44,800.

The market price of the Company's ordinary shares at the year end was 359p. During the year the market price ranged between 251.5p and 361.5p.



R A Smith  
Chairman of the Remuneration Committee  
9 September 2005

## Independent Auditors' Report

### To the members of Town Centre Securities PLC

We have audited the financial statements which comprise the Consolidated Profit and Loss Account, the Statement of Group Total Recognised Gains and Losses, the Note of Group Historical Cost Profits and Losses, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, and the related Notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

### *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. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report 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 whether the financial statements and the auditable part of the Directors' Remuneration Report have been 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 Property Portfolio, the Chairman and Chief Executive's Report, the Corporate and Social Responsibility Statement, the Directors' Report, Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code, specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

**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 and the auditable part of the Directors' Remuneration Report. 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 and the auditable part of the Directors' Remuneration Report 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 affairs of the Company and the Group at 30 June 2005 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Leeds  
9 September 2005

# Consolidated Profit and Loss Account

year ended 30 June 2005

	Notes	2005 £000	2004 £000
<b>Turnover</b>	2		
Turnover including share of joint ventures		24,347	24,468
Less share of joint ventures		(123)	(87)
		<b>24,224</b>	<b>24,381</b>
<b>Operating profit</b>	3		
Group operating profit		17,381	18,896
Share of operating profit in joint ventures		106	84
<b>Total operating profit: Group and share of joint ventures</b>		<b>17,487</b>	<b>18,980</b>
Profit/(loss) on disposal of properties	4	2,306	(1,457)
<b>Profit before interest</b>		<b>19,793</b>	<b>17,523</b>
Net interest payable	6	(11,309)	(10,954)
<b>Profit before taxation</b>		<b>8,484</b>	<b>6,569</b>
Taxation	7	542	(1,716)
<b>Profit for the financial year</b>	8	<b>9,026</b>	<b>4,853</b>
Dividends	9	(4,457)	(3,362)
<b>Retained profit for the year</b>	19	<b>4,569</b>	<b>1,491</b>
<b>Earnings per ordinary share of 25p each:</b>	10		
Basic		15.9p	8.1p
Diluted		15.7p	8.0p
<b>Underlying earnings per ordinary share of 25p each:</b>			
Basic		11.1p	9.8p
Diluted		10.9p	9.7p
<b>Dividend per ordinary share of 25p each</b>	9	<b>8.2p</b>	<b>5.9p</b>

All of the above results of the Group derive from continuing operations throughout the year.



# Statement of Group Total Recognised Gains and Losses

year ended 30 June 2005

	Notes	2005 £000	2004 £000
Profit for the financial year		9,026	4,853
Unrealised surplus on the revaluation of properties	19	42,703	36,598
Share of unrealised surplus on the revaluation of joint venture properties	19	290	13
Unrealised surplus on the revaluation of fixed asset investments	19	580	65
<b>Total recognised gains relating to the year</b>		<b>52,599</b>	<b>41,529</b>

## Note of Group Historical Cost Profits and Losses

year ended 30 June 2005

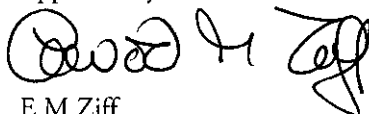
	Notes	2005 £000	2004 £000
Profit before taxation		8,484	6,569
Realisation of investment property revaluation gains	19	4,229	3,746
Realisation of gain on disposal of investments	19	53	2
<b>Historical cost profit before taxation</b>		<b>12,766</b>	<b>10,317</b>
<b>Historical cost retained profit</b>		<b>8,851</b>	<b>5,239</b>

## Consolidated Balance Sheet

as at 30 June 2005

	Notes	2005		2004	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	11	392,740		351,737	
Investments	12	6,220		383	
			398,960		352,120
<b>Investment in joint ventures</b>	12				
Share of gross assets		2,228		1,175	
Share of gross liabilities		(731)		(42)	
			1,497		1,133
			400,457		353,253
<b>Current assets</b>					
Debtors	13	4,887		2,456	
<b>Creditors (due within one year)</b>					
Bank overdraft (secured)		(5,579)		(3,315)	
Other creditors	15	(18,228)		(15,314)	
		(23,807)		(18,629)	
<b>Net current liabilities</b>			(18,920)		(16,173)
<b>Total assets less current liabilities</b>			381,537		337,080
<b>Creditors (amounts due after more than one year)</b>					
Loan capital (secured)	14		(135,196)		(126,257)
<b>Provisions for liabilities and charges</b>	16		(5,873)		(7,156)
<b>Net assets</b>			240,468		203,667
<b>Capital and reserves</b>					
Called up equity share capital	18		13,963		14,806
Share premium account	19		818		510
Capital redemption reserve	19		17,242		16,309
Special reserve	19		3,151		3,151
Property revaluation reserve	19		177,401		138,637
Other reserve	19		684		157
Profit and loss account	19		27,209		30,097
<b>Equity shareholders' funds</b>	20		240,468		203,667

Approved by the Board



E M Ziff

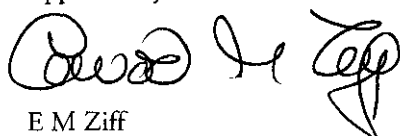
9 September 2005

# Company Balance Sheet

as at 30 June 2005

	Notes	2005		2004	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	11	80,809		63,949	
Investments	12	284,100		239,799	
			364,909		303,748
<b>Current assets</b>					
Cash at bank and in hand		—		1,149	
Debtors	13	39,587		52,726	
		39,587		53,875	
<b>Creditors (due within one year)</b>					
Bank overdraft (secured)		(197)		—	
Other creditors	15	(28,318)		(25,875)	
		(28,515)		(25,875)	
<b>Net current assets</b>			11,072		28,000
<b>Total assets less current liabilities</b>			375,981		331,748
<b>Creditors (amounts due after more than one year)</b>					
Loan capital (secured)	14		(135,196)		(126,257)
<b>Provisions for liabilities and charges</b>	16		(317)		(1,824)
<b>Net assets</b>			240,468		203,667
<b>Capital and reserves</b>					
Called up equity share capital	18		13,963		14,806
Share premium account	19		818		510
Capital redemption reserve	19		17,242		16,309
Special reserve	19		3,151		3,151
Property revaluation reserve	19		16,258		11,883
Other reserve	19		120,787		81,796
Profit and loss account	19		68,249		75,212
<b>Equity shareholders' funds</b>	20		240,468		203,667

Approved by the Board



E M Ziff

9 September 2005

# Consolidated Cash Flow Statement

year ended 30 June 2005

	2005		2004	
	£000	£000	£000	£000
<b>Net cash inflow from operating activities (Note 21)</b>		<b>17,654</b>		<b>20,056</b>
<b>Returns on investments and servicing of finance</b>				
Net interest paid		(11,384)		(11,163)
<b>Taxation</b>		<b>(1,463)</b>		<b>(448)</b>
<b>Capital expenditure and financial investment</b>				
Purchase of investment properties	(13,159)		(15,944)	
Expenditure on development properties	(14,431)		(1,770)	
Purchase of other tangible assets	(215)		(223)	
Proceeds from sale of properties	31,529		28,387	
Proceeds from sale of listed investments	238		217	
Proceeds from sale of other tangible assets	107		41	
Purchase of investments	(4,116)		(185)	
Loans to joint venture for purchase of investment property	(1,318)		—	
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		<b>(1,365)</b>		<b>10,523</b>
<b>Equity dividends paid</b>		<b>(3,365)</b>		<b>(3,362)</b>
<b>Net cash inflow before financing</b>		<b>77</b>		<b>15,606</b>
<b>Financing</b>				
Shares issued on take up of options	398		64	
Repurchase of share capital	(11,699)		(7,366)	
Loan repayments	—		(13,000)	
New loans	9,000		5,000	
Consideration paid for purchase of own shares	(40)		—	
<b>Net cash outflow from financing</b>		<b>(2,341)</b>		<b>(15,302)</b>
<b>(Decrease)/increase in cash in the year (Note 21)</b>		<b>(2,264)</b>		<b>304</b>

The Consolidated Cash Flow Statement should be read in conjunction with Note 21 to the Accounts.

## Notes to the Accounts

### 1. Accounting policies

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

#### a. Basis of consolidation

The consolidated accounts incorporate the Accounts of the Company and each of its subsidiary undertakings for the year ended 30 June 2005. Results of subsidiary undertakings acquired or disposed of during the year are consolidated under the acquisition method from or to the date on which control passes.

#### b. Goodwill

Goodwill arising on acquisitions prior to 30 June 1998 was set off directly against reserves in the year of acquisition. This is in line with the relevant accounting standard on goodwill, FRS 10. This goodwill will remain in reserves until such time as it becomes impaired or the business or businesses to which it relates are disposed of, at which time it will be taken to the profit and loss account. Goodwill arising on subsequent acquisitions is capitalised and amortised on a straight line basis over its useful economic life, up to a maximum of 20 years.

#### c. Properties

Investment properties are revalued annually and included in the Accounts at open market values. They are held for long-term capital and income growth. Revaluation gains are taken to the Group's revaluation reserve. Temporary revaluation losses are charged to the revaluation reserve, while a permanent deficit on an investment property is charged to the profit and loss account.

Development properties and trading properties are stated at cost or at Directors' previous valuation. Development properties are sites undergoing major development. In the past, certain properties have been valued periodically by professional valuers on an open market, existing use basis. Following the adoption of FRS 15 "Tangible Fixed Assets", no further revaluations will be carried out and previous surpluses will be retained. Trading properties are purchased with the intention of being disposed of in the same financial year.

Interest incurred on development property additions is only capitalised on materially large new build developments with separately identifiable financing arrangements.

#### d. Profit on disposal of development properties

The profit on disposal of development properties is calculated after attributing direct costs. Direct costs include costs of land or property acquisition, legal expenses, interest and costs of construction. Partial disposal of development properties is calculated after attributing a proportion of total costs.

#### e. 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.

Short leasehold properties are amortised over the period of the lease.

Other tangible assets are depreciated at rates appropriate to write off individual assets over their estimated useful lives of between three and ten years.

## Notes to the Accounts CONTINUED

### 1. Accounting policies (continued)

#### f. Investments

Except as stated below, investments held as fixed assets are stated at cost less provision for any permanent diminution in value. Listed investments are included in the Accounts at market value. Revaluation gains and losses arising from this method of valuation are credited or charged to the Group's other reserve. Investments in subsidiary undertakings are stated in the Balance Sheet of the Company at valuation. All subsidiaries are valued by the Directors on an annual basis, such that investments are included at the Company's share of net tangible assets. This method of valuation is used by the Directors to give a better indication of the value to the Company of its subsidiary undertakings. Revaluation gains or losses arising from this method of valuation are credited or charged to the Company's other reserve.

#### g. Joint ventures

A joint venture is defined as an undertaking other than a subsidiary or associated undertaking, in which the Group has a significant influence and is jointly controlled by the investors. Joint ventures are accounted for in the Consolidated Accounts using the gross equity method. The Consolidated Profit and Loss Account includes the Group's share of the pre-tax profits and attributable taxation and the Consolidated Balance Sheet includes the Group's share of the net assets.

#### h. Pensions

The Group operates defined contribution pension arrangements for all eligible Directors and employees. Pension costs are charged to the profit and loss account in the period to which they relate.

#### i. 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 is not provided on timing differences arising from the revaluation of fixed assets when there is no commitment to sell the asset at the year end. 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.

#### j. Turnover

Turnover, which excludes value added tax, represents the invoiced value of rent and other services supplied to customers outside the Group. Rental income is accounted for as it falls due in accordance with the lease to which it relates. Any lease incentives are spread across the initial period of the lease so as to recognise income evenly up to the date of the first rent review.

#### k. Employee Share Ownership Trusts

Shares acquired by the Trustees, funded by the Company and held for the continuing benefit of the Group's employees are shown as a reduction in shareholders' funds. Movements in the year arising from additional purchases by the Trustees of shares or the receipt of funds due to the exercise of share options by employees are accounted for within reserves and shown as movements in shareholders' funds in the year. Administration costs of the Trusts are charged to the Group's Profit and Loss Account as incurred.

#### l. Deferred finance costs

Deferred finance costs are offset against amounts owing on related debt and are amortised over the life of the debt agreement.

### 2. Segmental analysis

The Group operates in one business segment; property investment, trading and development, wholly in the United Kingdom.

**3. Operating profit**

	2005 £000	2004 £000
<b>Operating profit is arrived at after charging/(crediting):</b>		
Exceptional pension costs	2,000	—
Depreciation	186	186
Profit on disposal of listed investments	(61)	(31)
(Profit)/loss on disposal of other tangible fixed assets	(11)	1
Auditors' remuneration:		
– audit (Company: £19,000 (2004: £16,000))	35	30
– non-audit:		
– tax compliance	51	47
– tax advisory	31	121
– other fees	13	24

Net operating expenses of £6,860,000 (2004: £5,488,000) include property related costs of £1,156,000 and administrative costs of £5,704,000 (2004: £1,449,000 and £4,039,000 respectively).

As a result of an actuarial review of the pension arrangements an exceptional pension contribution of £2,000,000 has been accrued for, in respect of three of the Executive Directors, which reflects the increased cost of providing pension annuities over recent years. The tax credit on the exceptional contribution is £600,000.

**4. Exceptional items**

	2005 £000	2004 £000
<b>Profit/(loss) on disposal of properties</b>	<b>2,306</b>	<b>(1,457)</b>

The profit or loss on disposal of properties is calculated as the difference between the previous valuation and proceeds, net of costs of disposal. The tax credit on the exceptional profit/(loss) amounts to £1,823,000 (2004: £410,000).

**5. Employees**

	2005 £000	2004 £000
Salaries, wages and bonuses (including Directors' emoluments)	2,524	2,367
Social security costs	264	261
Other pension costs	2,202	203
Employees' profit share scheme	19	25
	<b>5,009</b>	<b>2,856</b>

The aggregate remuneration of the Directors of the Company for the year was £3,587,000 (2004: £1,623,000). Further details of Directors' remuneration and their share options including those of the highest paid Director, E M Ziff, are included on pages 26 to 29, in the auditable part of the Directors' Remuneration Report.

The average monthly number of employees during the year was 72 (2004: 69). 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. The above costs include wages recovered from tenants through service charges of £532,000 (2004: £496,000).

## Notes to the Accounts CONTINUED

## 6. Net interest payable

	2005 £000	2004 £000
<b>Interest payable</b>		
Interest on and amortisation of debenture loan stock	8,865	8,870
Interest on bank loans and overdrafts	2,473	2,121
<b>Group interest payable</b>	<b>11,338</b>	<b>10,991</b>
Share of joint venture interest payable	22	—
<b>Total interest payable</b>	<b>11,360</b>	<b>10,991</b>
<b>Interest receivable</b>		
Interest on loan to joint venture	(44)	—
Other interest receivable	(4)	(35)
<b>Group interest receivable</b>	<b>(48)</b>	<b>(35)</b>
Share of joint venture interest receivable	(3)	(2)
<b>Total interest receivable</b>	<b>(51)</b>	<b>(37)</b>
<b>Net interest payable</b>	<b>11,309</b>	<b>10,954</b>

Interest payable on loans repayable after five years, included in the above, is in respect of the debenture loan stock, which amounts to £8,865,000 (2004: £8,870,000) net of amortisation of debenture premium.

## 7. Taxation

	2005 £000	2004 £000
<b>Based on the Group profit at 30% (2004: 30%)</b>		
<b>Corporation tax:</b>		
Group	1,591	1,793
Joint ventures	13	16
	1,604	1,809
<b>Deferred tax</b>	<b>(905)</b>	<b>295</b>
	699	2,104
<b>Prior year:</b>		
Corporation tax	(863)	(288)
Deferred tax	(378)	(100)
	(1,241)	(388)
	(542)	1,716



**7. Taxation (continued)**

The Group allocates the tax charge arising on the sale of investment properties between the gain previously recognised in the revaluation reserve and the further gain or loss arising on the sale in the profit and loss account. For the year ended 30 June 2005, the taxation on the disposal of revalued properties is £nil (2004: £nil).

The Directors estimate that a tax liability of £21.2m would arise in the Group (2004: £15.1m), Company £3.2m (2004: £2.5m), if the revalued assets were disposed of at the amount stated in the Accounts.

The aggregate current corporation tax charge is £741,000 (2004: £1,521,000) and is therefore lower than the standard rate of corporation tax in the UK (30%). The differences are explained as follows:

	2005 £000	2004 £000
Profit on ordinary activities before tax	8,484	6,569
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2004: 30%)	2,545	1,971
<b>Effects of:</b>		
Adjustments to tax charge in respect of prior periods	(863)	(288)
Permanent differences	61	49
Accelerated capital allowances	905	(298)
Capital gains on disposal (lower)/higher than accounting profit	(548)	87
Capital allowances retained on disposal of investment properties	(1,359)	—
<b>Current tax charge for the year</b>	<b>741</b>	<b>1,521</b>

**8. Profit for the financial year**

Town Centre Securities PLC has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The amount of the consolidated profit for the financial year dealt with in the Accounts of the parent undertaking is £3,183,000 (2004: £5,790,000).

**9. Dividends**

	2005 £000	2004 £000
Interim paid 1.9p per share (2004: 1.8p)	1,061	1,066
Final proposed 4.3p per share (2004: 4.1p)	2,402	2,428
Special dividend proposed 2.0p per share (2004: £nil)	1,118	—
Over provision for prior year dividend	(124)	(132)
	<b>4,457</b>	<b>3,362</b>

## Notes to the Accounts CONTINUED

## 10. Earnings per share (EPS)

	2005			2004		
	Earnings £000	Weighted average number of shares '000	Earnings per share Pence	Earnings £000	Weighted average number of shares '000	Earnings per share Pence
<b>Basic EPS</b>						
Earnings and earnings per share	9,026	56,934	15.9	4,853	60,367	8.1
<b>Effect of dilutive securities</b>						
Options	—	596	(0.2)	—	266	(0.1)
<b>Diluted EPS</b>	<b>9,026</b>	<b>57,530</b>	<b>15.7</b>	<b>4,853</b>	<b>60,633</b>	<b>8.0</b>
<b>Basic EPS</b>	<b>9,026</b>	<b>56,934</b>	<b>15.9</b>	<b>4,853</b>	<b>60,367</b>	<b>8.1</b>
Exceptional (profit)/loss on disposal of properties (after tax)	(4,129)	—	(7.3)	1,047	—	1.7
Exceptional pension costs (after tax)	1,400	—	2.5	—	—	—
<b>Underlying EPS</b>	<b>6,297</b>	<b>56,934</b>	<b>11.1</b>	<b>5,900</b>	<b>60,367</b>	<b>9.8</b>
<b>Diluted EPS</b>	<b>9,026</b>	<b>57,530</b>	<b>15.7</b>	<b>4,853</b>	<b>60,633</b>	<b>8.0</b>
Exceptional (profit)/loss on disposal of properties (after tax)	(4,129)	—	(7.2)	1,047	—	1.7
Exceptional pension costs (after tax)	1,400	—	2.4	—	—	—
<b>Diluted underlying EPS</b>	<b>6,297</b>	<b>57,530</b>	<b>10.9</b>	<b>5,900</b>	<b>60,633</b>	<b>9.7</b>

Underlying earnings and earnings per share have been disclosed in order that the effects of exceptional items and prior year taxation on reported earnings can be fully appreciated.

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has three classes of dilutive potential ordinary shares: those under the Executive Share Option Plan, the Share Incentive Plan and the Save As You Earn Scheme.

**11. Tangible fixed assets****Investment properties at valuation**

	Company			Group	
	Freehold £000	Long leasehold £000	Short leasehold £000	Freehold £000	Long leasehold £000
Valuation at 1 July 2004	44,443	3,753	2,425	314,791	22,210
Additions	330	—	—	12,870	289
Disposals	(3,191)	—	—	(25,323)	(3,900)
Increase in value on revaluation	5,875	—	—	40,362	2,341
Amortisation	—	—	(484)	—	—
<b>Valuation at 30 June 2005</b>	<b>47,457</b>	<b>3,753</b>	<b>1,941</b>	<b>342,700</b>	<b>20,940</b>
Total valuation at 1 July 2004			50,621		337,001
<b>Total valuation at 30 June 2005</b>			<b>53,151</b>		<b>363,640</b>

The above freehold and long leasehold investment properties have been revalued as at 30 June 2005 on the basis of open market value by Jones Lang LaSalle £363,280,000 (2004: £333,652,000) in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Investment Manual. Certain other freehold properties have been valued at £360,000 by the Directors (2004: £3,349,000).

**Development properties**

	Company freehold £000	Group freehold £000
Cost/previous valuation at 1 July 2004	12,887	14,295
Additions	14,397	14,431
<b>Cost/previous valuation at 30 June 2005</b>	<b>27,284</b>	<b>28,726</b>

**Fixtures, equipment and motor vehicles**

	Company		Group	
	Cost £000	Depreciation £000	Cost £000	Depreciation £000
At 1 July 2004	1,515	1,074	1,515	1,074
Additions	215	—	215	—
Disposals	(170)	(74)	(170)	(74)
Depreciation charge for the year	—	186	—	186
<b>At 30 June 2005</b>	<b>1,560</b>	<b>1,186</b>	<b>1,560</b>	<b>1,186</b>
Net book value at 1 July 2004		441		441
<b>Net book value at 30 June 2005</b>		<b>374</b>		<b>374</b>
Total tangible fixed assets at 1 July 2004		63,949		351,737
<b>Total tangible fixed assets at 30 June 2005</b>		<b>80,809</b>		<b>392,740</b>

## Notes to the Accounts CONTINUED

**11. Tangible fixed assets (continued)**

The historical cost of tangible assets amount to: Group £216.8m (2004: £214.2m); Company £66.3m (2004: £53.2m). The depreciated historical cost of tangible assets amounted to: Group £215.6m (2004: £213.1m); Company £65.1m (2004: £52.1m).

**Capital commitments**

	2005		2004	
	Company £000	Group £000	Company £000	Group £000
<b>Expenditure contracted not provided</b>	<b>18,083</b>	<b>18,083</b>	—	—

Expenditure contracted but not provided for is to be incurred on development properties.

**12. Fixed asset investments**

	Subsidiary undertakings at valuation £000	Joint ventures £000	Loans to joint ventures £000	Listed investments £000	Total £000
<b>Company</b>					
At 1 July 2004	238,389	1,133	—	277	239,799
Additions	—	—	1,318	4,116	5,434
Disposals	—	—	—	(177)	(177)
Increase on revaluation	38,451	—	—	593	39,044
<b>At 30 June 2005</b>	<b>276,840</b>	<b>1,133</b>	<b>1,318</b>	<b>4,809</b>	<b>284,100</b>
<b>Historic cost</b>					
At 1 July 2004	169,244	1	—	204	169,449
<b>At 30 June 2005</b>	<b>169,244</b>	<b>1</b>	<b>1,318</b>	<b>4,196</b>	<b>174,759</b>
<b>Group</b>					
At 1 July 2004	—	1,133	—	383	1,516
Share of net profit for the year	—	74	—	—	74
Additions	—	—	1,318	4,116	5,434
Disposals	—	—	—	(177)	(177)
Increase on revaluation	—	—	—	580	580
Increase on revaluation of investment properties	—	290	—	—	290
<b>At 30 June 2005</b>	<b>—</b>	<b>1,497</b>	<b>1,318</b>	<b>4,902</b>	<b>7,717</b>
<b>Historic cost</b>					
At 1 July 2004	—	1	—	225	226
<b>At 30 June 2005</b>	<b>—</b>	<b>1</b>	<b>1,318</b>	<b>4,218</b>	<b>5,537</b>

Details of subsidiary undertakings and joint ventures are provided in Note 22 to the Accounts.

**13. Debtors**

	2005		2004	
	Company £000	Group £000	Company £000	Group £000
Trade debtors and prepayments	2,268	4,834	518	2,456
Amounts owed by subsidiary undertakings	37,266	—	52,208	—
Amounts owed by joint ventures	53	53	—	—
	39,587	4,887	52,726	2,456

**14. Loan capital (secured)**

Company and Group	Maturity date	2005 £000	2004 £000
<b>Parent undertaking</b>			
10.5% First Mortgage Debenture Stock	2021	87,196	87,257
Bank loans	2008	30,000	25,000
	2009	18,000	14,000
		135,196	126,257

The debenture mortgages and bank loans are secured by fixed charges on properties, valued at £342.2m (2004: £294.3m) owned by the Company and its subsidiary undertakings.

**15. Other creditors**

	2005		2004	
	Company £000	Group £000	Company £000	Group £000
Trade creditors and accruals	6,211	11,363	3,683	8,813
Other taxation and social security	28	28	21	21
Proposed dividend	3,520	3,520	2,428	2,428
Amounts owed to subsidiary undertakings	18,153	—	18,313	—
Corporation tax	406	3,317	1,430	4,052
	28,318	18,228	25,875	15,314

## Notes to the Accounts CONTINUED

## 16. Provisions for liabilities and charges

	2005 £000	2004 £000
<b>Company</b>		
Tax effect of timing differences:		
Accelerated capital allowances	1,005	1,872
Short-term timing differences	(688)	(48)
<b>Total deferred tax liability</b>	<b>317</b>	<b>1,824</b>
1 July 2004	1,824	1,868
Deferred tax credit in the profit and loss account	(1,507)	(44)
<b>At 30 June 2005</b>	<b>317</b>	<b>1,824</b>
<b>Group</b>		
Tax effect of timing differences:		
Accelerated capital allowances	6,590	7,204
Short-term timing differences	(717)	(48)
<b>Total deferred tax liability</b>	<b>5,873</b>	<b>7,156</b>
1 July 2004	7,156	6,961
Deferred tax (credit)/charge in the profit and loss account (Note 7)	(1,283)	195
<b>At 30 June 2005</b>	<b>5,873</b>	<b>7,156</b>

Factors that may affect future tax charges

No provision has been made for deferred tax on gains recognised on the revaluation of properties to market value as there is no commitment to sell at the year end.

## 17. Financial instruments

The Group 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. The Group has taken advantage of the exemption that short-term debtors and creditors be excluded from the following disclosures.

All financial liabilities are denominated in Sterling.

Liquidity risk

The maturity profile of the Group's financial liabilities is set out below:

	As at 30 June 2005			As at 30 June 2004		
	Bank borrowings £000	Debenture stock £000	Total £000	Bank borrowings £000	Debenture stock £000	Total £000
In one year or less or on demand	5,579	—	5,579	3,315	—	3,315
In more than two years but not more than five years	48,000	—	48,000	39,000	—	39,000
In more than five years	—	85,000	85,000	—	85,000	85,000
	53,579	85,000	138,579	42,315	85,000	127,315
Debenture issue premium allocated to future periods	—	2,196	2,196	—	2,257	2,257
<b>Gross financial liabilities</b>	<b>53,579</b>	<b>87,196</b>	<b>140,775</b>	<b>42,315</b>	<b>87,257</b>	<b>129,572</b>

**17. Financial instruments (continued)****Liquidity risk (continued)**

The debenture issue premium is net of issue costs and is amortised over the life of the debt agreement. During the year £61,000 was credited to the profit and loss account (2004: £55,000). As at 30 June 2005, the unamortised element of the debenture issue premium amounted to £2,196,000 (2004: £2,257,000).

The Group has undrawn committed floating rate bank borrowing facilities as set out below:

	2005 £000	2004 £000
Expiring in one year or less	11,421	14,185
Expiring in more than one year	54,000	18,500
	<b>65,421</b>	<b>32,685</b>

The facilities expiring in one year or less are overdraft facilities subject to annual review. Other facilities are available to provide funding for future investments.

**Interest rate risk**

The interest rate risk of the Group's financial liabilities is as follows:

	As at 30 June 2005			As at 30 June 2004		
	Nominal value £000	Weighted average rate %	Weighted average period Years	Nominal value £000	Weighted average rate %	Weighted average period Years
Debenture stock	85,000	10.5	15.70	85,000	10.5	16.70
Bank floating rate liabilities	53,579			42,315		
	<b>138,579</b>			<b>127,315</b>		

Floating rate financial liabilities bear interest at rates based on LIBOR plus a margin of 0.65% – 1.00%. Throughout the year the Group has not entered into any hedging arrangements to manage its interest rate exposure.

**Fair values**

The fair values of the Group's financial liabilities are set out below:

	As at 30 June 2005		As at 30 June 2004	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Debenture stock	87,196	124,827	87,257	106,371
Bank borrowings	53,579	53,579	42,315	42,315
	<b>140,775</b>	<b>178,406</b>	<b>129,572</b>	<b>148,686</b>

The fair values are determined by prices available from the market on which the financial liability is traded. Bank borrowings approximate fair value due to the relatively short maturity of the instruments.

**Financial instruments held for trading purposes**

It is, and has been throughout the period 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.

## Notes to the Accounts CONTINUED

## 18. Called up equity share capital

## Authorised

164,879,000 (2004: 164,879,000) ordinary shares of 25p each.

## Issued and fully paid

	Number of shares '000	Nominal value £000
At 1 July 2004	59,228	14,806
Buy-back of own shares	(3,732)	(933)
Issued on take-up of options	360	90
<b>At 30 June 2005</b>	<b>55,856</b>	<b>13,963</b>

During the year the Company purchased 3,732,339 ordinary shares in the market for cancellation.

Date of purchase	Number of shares '000	Nominal value £000	Price per share Pence	Total consideration £000	Percentage of current issued share capital %
22 September 2004	39	10	300	119	0.07
5 October 2004	25	6	300	76	0.04
6 October 2004	25	6	300	76	0.04
13 October 2004	3,000	750	310	9,448	5.37
18 October 2004	150	38	300	454	0.27
12 November 2004	24	6	326	79	0.04
18 March 2005	200	50	310	631	0.36
8 April 2005	25	6	300	76	0.04
12 April 2005	244	61	300	740	0.45
	<b>3,732</b>	<b>933</b>		<b>11,699</b>	<b>6.68</b>

The exercise of all options outstanding at 30 June 2005 would result in the issue of a further 897,987 ordinary shares, analysed as follows:

	Options outstanding at 30 June 2005 Number	Exercise dates	Exercise price Pence
1994 Unapproved Executive Share Option Scheme	721,373	Nov 00 – Apr 14	104.0 – 224.5
1997 Executive Share Option Scheme	123,241	Apr 01 – Sept 12	66.5 – 132.0
Save As You Earn Schemes 1995 – 2002	53,373	Jul 01 – Aug 10	64.5 – 138.5
	<b>897,987</b>		



## 19. Reserves

	Share premium account £000	Capital redemption reserve £000	Special reserve £000
<b>Company and Group</b>			
At 1 July 2004	510	16,309	3,151
Arising on issue of shares	308	—	—
Arising on purchase and cancellation of own shares	—	933	—
<b>At 30 June 2005</b>	<b>818</b>	<b>17,242</b>	<b>3,151</b>
	Property revaluation reserve £000	Other reserve £000	Profit and loss account £000
<b>Company</b>			
At 1 July 2004	11,883	81,796	75,212
Retained profit for the year	—	—	3,183
Increase in value on revaluation of properties	5,875	—	—
Arising on disposal of investment properties	(1,500)	—	1,500
Revaluation of investments in subsidiary undertakings	—	38,451	—
Arising on purchase and cancellation of own shares	—	—	(11,699)
Increase in market value of fixed asset investments	—	593	—
Arising on disposal of investments	—	(53)	53
<b>At 30 June 2005</b>	<b>16,258</b>	<b>120,787</b>	<b>68,249</b>
<b>Group</b>			
At 1 July 2004	138,637	157	30,097
Retained profit for the year	—	—	4,569
Increase in value on revaluation of properties	42,703	—	—
Increase in value on revaluation of joint venture properties	290	—	—
Arising on disposal of investment properties	(4,229)	—	4,229
Arising on disposal of investments	—	(53)	53
Arising on purchase and cancellation of own shares	—	—	(11,699)
Increase in market value of fixed asset investments	—	580	—
Consideration paid for purchase of own shares	—	—	(40)
<b>At 30 June 2005</b>	<b>177,401</b>	<b>684</b>	<b>27,209</b>

The other reserve represents revaluation surpluses on investments.

Notes to the Accounts *CONTINUED*

## 20. Reconciliation of movements in equity shareholders' funds

	2005 Company £000	2004 Company £000	2005 Group £000	2004 Group £000
(Loss)/profit for the financial year	(7,945)	(7,626)	9,026	4,853
Dividends receivable/(payable)	11,128	13,416	(4,457)	(3,362)
	3,183	5,790	4,569	1,491
Arising on purchase and cancellation of own shares	(11,699)	(7,366)	(11,699)	(7,366)
New share capital subscribed	398	64	398	64
Surplus on property revaluation	5,875	3,497	42,703	36,598
Surplus on joint venture property revaluation	—	—	290	13
Revaluation of investments in subsidiary undertakings	38,451	31,376	—	—
Revaluation deficit from previous period realised on disposal of investment properties	—	—	—	2,551
Surplus on revaluation of fixed asset investments	593	55	580	65
Consideration for purchase of own shares	—	—	(40)	—
<b>Net increase in shareholders' funds</b>	<b>36,801</b>	<b>33,416</b>	<b>36,801</b>	<b>33,416</b>
Opening equity shareholders' funds	203,667	170,251	203,667	170,251
<b>Closing equity shareholders' funds</b>	<b>240,468</b>	<b>203,667</b>	<b>240,468</b>	<b>203,667</b>

## 21. Notes to the consolidated cash flow statement

## a. Reconciliation of operating profit to net cash inflow from operating activities

	2005 £000	2004 £000
Operating profit	17,381	18,896
Depreciation	186	186
(Profit)/loss on sale of fixed assets	(11)	1
Profit on sale of investments	(61)	(31)
(Increase)/decrease in debtors	(2,431)	519
Increase in creditors	2,590	485
<b>Net cash inflow from operating activities</b>	<b>17,654</b>	<b>20,056</b>

## b. Analysis of changes in net debt

	As at 1 July 2004 £000	Cash flow £000	Other non-cash movements £000	As at 30 June 2005 £000
Bank overdraft	(3,315)	(2,264)	—	(5,579)
Loan capital due after more than one year	(126,257)	(9,000)	61	(135,196)
<b>Net debt</b>	<b>(129,572)</b>	<b>(11,264)</b>	<b>61</b>	<b>(140,775)</b>

The other non-cash movement represents the amortisation of debenture issue premium of £61,000.

**21. Notes to the consolidated cash flow statement (continued)****c. Reconciliation of net cash flow to movement in net debt**

	2005 £000	2004 £000
(Increase)/decrease in bank overdraft	(2,264)	304
Net (increase)/decrease in loan capital	(9,000)	8,000
Other non-cash movements	61	55
<b>Change in net debt</b>	<b>(11,203)</b>	<b>8,359</b>
Opening net debt	(129,572)	(137,931)
<b>Closing net debt</b>	<b>(140,775)</b>	<b>(129,572)</b>

**22. Additional information – subsidiaries**

The Company's wholly owned active subsidiary undertakings at 30 June 2005, registered in England and operating in the United Kingdom, are as follows:

TCS (Bothwell Street) Limited	Property investment
TCS Freehold Investments Limited	Property investment
TCS (Greenhithe) Limited	Property investment
TCS (Isleworth) Limited	Property investment
TCS Holdings Limited	Property investment
TCS Leasehold Investments Limited	Property investment
TCS (Mill Hill) Limited	Property investment
TCS Parliament Street (1) Limited	Property investment
TCS Parliament Street (2) Limited	Property investment
TCS Properties Limited	Property investment
TCS (Residential) Limited	Property investment
Tassgander Limited	Property investment
TCS Trustees Limited	Trustee for employee share option plan
TCS Residential Conversions Limited	Management company
TCS (Property Management) Limited	Management company
TCCP PLC	Management company

The Company's joint ventures which are also registered in England and operate in the United Kingdom:

	Portion of ordinary shares held	
Dundonald Estates (Kilmarnock) Limited (formerly Sevensgold Limited)	50%	Property investment
Buckley Properties (Leeds) Limited	50%	Property investment

The results of the joint ventures have been consolidated in the Group based on the financial statements for the year ended 30 June 2005.

**23. Related party transactions**

The Group has taken advantage of the exemption available under FRS 8 "Related Party Disclosures" from disclosing transactions between related parties within the Group.

M A Ziff is Chairman and Chief Executive of Stylo plc and E M Ziff is a Non-executive Director of Stylo plc. During the year the Group received rentals of £146,000 for properties leased to Stylo plc. At 30 June 2005 Stylo plc owed Town Centre Securities PLC £16,000.

## Valuers' Report

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

Gentlemen

07 July 2005

### Town Centre Securities PLC – Property Portfolio Valuation – 30 June 2005

In accordance with your written instructions we have inspected and valued the various leasehold and freehold properties held by Town Centre Securities PLC and its various subsidiary companies, for accounts purposes as at 30 June 2005.

The valuations have been prepared in accordance with the Practice Statements contained within the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards, 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 forgoing we are of the opinion that the aggregate Market Value of the freehold and leasehold interests owned by the Group as at 30 June 2005 subject to and with the benefit of the tenancies currently subsisting were as follows:

Freehold	£342,490,000
Leasehold	£20,790,000
<b>Total</b>	<b>£363,280,000</b>

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 therein, except in circumstances where our prior written approval has been granted.

Yours faithfully

R W Asher FRICS  
Director  
For and on behalf of Jones Lang LaSalle Limited

## Calendar of Events

Ex-dividend date	30 November 2005
Record date	2 December 2005
Annual General Meeting	23 November 2005
Final dividend for the year payable	3 January 2006
Interim statement	March 2006
Interim dividend payable	30 June 2006

**Town Centre Securities PLC**

Town Centre House

The Merrion Centre

Leeds LS2 8LY

Telephone: 0113 222 1234

Facsimile: 0113 242 1026

Email: [info@tcs-plc.co.uk](mailto:info@tcs-plc.co.uk)

Website: [www.tcs-plc.com](http://www.tcs-plc.com)