TBL (Bromley) Limited

Annual Report and Accounts

Year ended 31 December 2008

Company number: 3840206

TBL (Bromley) Limited

REPORT OF THE DIRECTORS
for the year ended 31 December 2008

The directors present their Annual Report and audited financial statements for the year ended 31 December 2008.

Business Review and principal activities

The principal activity of the company is that of property investment. There have not been any significant changes in the current year, nor are any currently planned. The company is 100% owned by Tesco BL Properties Limited.

Results and dividends

As shown in the company's Profit and Loss Account on page 4, the company's turnover has decreased by 1.3% over the prior year and profit before tax has increased by 0.8% over the prior year.

A dividend of £0.7m per share, totalling £0.7m was paid in the year (2007 - £Nil). The directors do not recommend payment of a final dividend (2007 - £Nil).

The company's Balance Sheet on page 5 of the financial statements shows that the company's financial position at the year end has, in net current liability terms remained consistent with the prior year and in net asset terms decreased from the prior year.

The value of investment properties held as at 31 December 2008 decreased by 17.2% during the year then ended as shown in note 5 of the company's balance sheet.

The company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

Details of significant events since the balance sheet date are contained in note 11 of the financial statements.

Principal risks and uncertainties

The company's objective is to achieve attractive long-term returns whilst minimising risks. In order to identify and evaluate risks and design controls to mitigate them, a regular comprehensive assessment is undertaken which has identified certain individual risks affecting the company, most of which arise out of natural market volatility, relating to supply and demand imbalances in the following areas:

- differential pricing for previous locations and buildings;
- demand for returns from investors in property, compared to other asset classes;
- price differentials for capital to finance the business;
- legislative initiatives, including planning consents and taxation;
- economic cycles, including the impact on tenant covenant quality, interest rates and inflation; and
- mis-pricing of property assets by the equity markets.

These opportunities also represent risks, the most significant being change to the value of the property portfolio. This risk has high visibility to senior executives and is considered and managed on a continuous basis. Executives use their knowledge and experience to knowingly accept a measured degree of market risk.

The company's preference for prime assets and their secure long term contracted rental income, primarily with upward only rent review clauses, present lower risks than many other property portfolios.

The company is financed by a variable interest rate loan from its ultimate holding company and has no third party debt. Interest is charged at 5.74% (2007 - 6.25%).

The directors consider the company to be a going concern and the accounts are prepared on this basis. Details of this are shown in note 1 of the financial statements.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the company's activities. The company operates in accordance with best practice policies and initiatives designed to minimise the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Directors

The directors who served throughout the year, except as noted, were:
N C Mourant; T A Roberts; B Lewis; S M Barzycki; A E Clark; A M Jones (Alternate to T A Roberts); M P Witham; M A Stirling; S A Rigby.

REPORT OF THE DIRECTORS
for the year ended 31 December 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Disclosure of information to auditors
Each of the persons who is a director at the date of approval of this report confirms that:

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.
This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

This report was approved by the Board on 14 May 2009.

A Braine

A Braine
Secretary

York House
45 Seymour Street
London
W1H 7LX

TBL (Bromley) Limited

INDEPENDENT AUDITORS' REPORT
for the year ended 31 December 2008

To the members of TBL (Bromley) Limited

We have audited the financial statements of TBL (Bromley) Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes numbered 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London

18 May 2009

TBL (Bromley) Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2008

	Note	2008 £	2007 £
Turnover			
Rental income		1,150,554	1,166,285
Cost of turnover		(27,835)	(2,746)
Gross profit		1,122,719	1,163,539
Administrative expenses			
Operating profit	2	1,122,719	1,163,539
Profit (loss) on disposal of property			
Interest (payable) receivable - external			
Interest payable - Group		(760,926)	(804,587)
Profit on ordinary activities before taxation		361,793	358,952
Taxation	4	(51,556)	(317,843)
Profit on ordinary activities after taxation	10	310,237	41,109

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2008

	2008 £	2007 £
Profit after taxation	310,237	41,109
Unrealised (deficit)/surplus on revaluation of investment properties	(4,350,000)	(439,005)
Total recognised gains and losses relating to the financial year	(4,039,763)	(397,896)

Turnover and results are derived from continuing operations in the United Kingdom. The company has only one significant class of business.

TBL (Bromley) Limited

BALANCE SHEET
as at 31 December 2008

	Note	2008		2007	
		£	£	£	£
Fixed assets					
Investment properties	5		20,900,000		25,250,000
			20,900,000		25,250,000
Current assets					
Debtors	6			47,981	
Cash and deposits					
				47,981	
Creditors due within one year	7	(14,624,365)		(14,324,244)	
Net current liabilities			(14,624,365)		(14,276,263)
Total assets less current liabilities			6,275,635		10,973,737
Provision for liabilities	8				
Net assets			6,275,635		10,973,737
Capital and reserves					
Called up share capital	9		1		1
Revaluation reserve	10		6,275,633		10,625,633
Profit and loss account	10		1		348,103
Shareholders' funds	10		6,275,635		10,973,737

These financial statements were approved by the Board on 14 May 2009 and signed on its behalf by:

S M Barzycki

A E Clark
Directors

Notes to the accounts for the year ended 31 December 2008

1. Accounting policies

The principal accounting policies adopted by the directors are summarised below. They have been applied consistently throughout the current and previous year.

Accounting basis

The financial statements are prepared in accordance with applicable United Kingdom law and Accounting Standards and under the historical cost convention as modified by the revaluation of investment properties and other fixed asset investments.

Basis of preparation

The Group of which this company is a subsidiary funds its activities in part by external bank debt. The company is financed by a loan from its immediate parent company, Tesco BL Properties Limited. The Group's current external loan facility is due for refinance in December 2009. The current financial market turmoil and economic conditions result in general uncertainty regarding the availability of bank finance over this time. The Group is considering its refinance options and several banks have indicated an interest in entering into discussions. No indications have been received to suggest that a refinance will not be possible.
The Directors are of the opinion that the Group is well positioned to obtain the appropriate finance due to the nature of its properties, the reasonable level of loan to value required, the overall satisfactory level of rental income above the expected interest cost and the amount of that income which is receivable from Tesco plc, a strong tenant covenant. It is anticipated that the required finance will be provided by a consortium of lenders and the Directors are experienced in dealing with these circumstances. The Group will open negotiations with banks for the refinance in the next few months.

The Directors do not believe that there is significant doubt as to the Group's ability to refinance and therefore have a reasonable expectation that the company and the Group will have adequate resources to continue in operation for the foreseeable future. As a result they continue to adopt the going concern basis in preparing the annual report and accounts.

Cash flow statement

In accordance with FRS 1 (Revised), the company is exempt from preparing a cash flow statement. The company's cash flow is included in the group cash flow statements prepared by Tesco BL Properties Limited and Tesco BL Holdings Limited (see note 15).

Turnover

Turnover represents rental income receivable, net of VAT.

Rental income is recognised on an accruals basis. Rent increases arising from rent reviews are taken into account when such reviews have been settled with tenants. Where a lease incentive does not enhance the property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earlier of the first rent review to the prevailing market rent, the first break option, or the end of the lease term. On new leases with rent free periods, rental income is allocated evenly over the period from the date of lease commencement to the earlier of the first rent review to the prevailing market rate and the lease end date.

Investment properties

Investment properties are independently valued each year on an open market basis. Any surplus or deficit arising is transferred to the revaluation reserve, unless a deficit is expected to be permanent, in which case it is charged to the profit and loss account. The profit on disposal is based on book value.

In accordance with Statement of Standard Accounting Practice 19 no amortisation or depreciation is provided in respect of freehold or long leasehold properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view. The financial effect of the departure from these rules cannot reasonably be quantified as depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are not taxable (or tax deductible).

1. Accounting policies (continued)

Taxation (continued)

Deferred tax is provided on items that may become taxable at a later date, on the difference between the balance sheet value and tax base value, on an undiscounted basis.

2. Operating profit on ordinary activities before taxation

	2008	2007
Profit on ordinary activities before taxation is stated after charging:		
Amortisation and depreciation	-	-

A notional charge of £2,000 (2007 £1,040) per company is deemed payable to Deloitte LLP in respect of the audit of the financial statements.

3. Staff costs

	2008	2007
	£	£
Wages and salaries		
Social security costs		
Pension costs		

No director received any remuneration for services to the company in the year (2007 - Nil).
Average number of employees, excluding directors, of the company during the year was Nil (2007 - Nil).

4. Taxation

	2008	2007
	£	£
Current tax		
UK corporation tax	51,556	317,843
Adjustments in respect of prior years		
Total current tax charge (credit)	51,556	317,843
Deferred tax - origination and reversal of timing differences		
Total deferred tax charge (credit)		
Total taxation charge (credit) (effective tax rate: 14.3% ; (2007: 88.5%))	51,556	317,843

Tax reconciliation

	2008	2007
Profit on ordinary activities before taxation	361,793	358,952
Tax on profit on ordinary activities at UK corporation tax rate of 28% (2007 - 30%)	101,302	107,686
Effects of:		
Capital allowances		
REIT conversion charge		264,000
Expenses not deductible for tax purposes		
Adjustments in respect of prior years		
REIT exempt income and gains	(49,746)	(53,843)
Current tax charge	51,556	317,843

Included in the tax charge is a net charge of £Nil (2007 - £Nil) attributable to property sales.

Where the company currently owns properties, further taxation that might become payable if the properties were sold at Market Value is estimated at £0.3m (2007 - £1.9m). This unprovided taxation is stated after taking account of the FRS19 capital allowance deferred tax provision of £Nil (2007 - £Nil) recorded in the balance sheet which, as described in note 8, would be expected to be released on sale.

This unprovided taxation could be reduced by tax losses, the amount and availability of which is currently uncertain.

On 28 February 2008 TBL (Bromley) Limited was elected into the Real Estate Investment Trust (REIT) regime with retrospective effect from 1 January 2007.

As a result 50% of the company's profits and gains, as calculated in accordance with UK tax principles, will be exempt from UK tax.

5. Investment and development properties

	Freehold £
Cost and valuation	
1 January 2008	25,250,000
Additions	
Revaluation deficit	(4,350,000)
31 December 2008	20,900,000
Analysis of cost and valuation	
31 December 2008	
Historical cost	14,624,367
Revaluation	6,275,633
Net book value	20,900,000
Analysis of cost and valuation	
1 January 2008	
Historical cost	14,624,367
Revaluation	10,625,633
Net book value	25,250,000

Freehold properties were externally valued at 31 December 2008 by CB Richard Ellis, Chartered Surveyors, on the basis of Market Value in accordance with the Appraisal and Valuation Manual published by The Royal Institution of Chartered Surveyors.

6. Debtors

	2008 £	2007 £
Trade debtors		
Corporation tax		47,981
Other debtors		
Prepayments and accrued income		
		47,981

Included in other debtors is an amount of £Nil (2007 - £Nil) relating to lease incentives which are amortised over the period to the next rent review, which may be due after more than one year.

7. Creditors due within one year

	2008 £	2007 £
Trade creditors		
Amounts owed to group companies - current accounts	13,500,548	13,575,919
Corporation tax	51,556	429,586
Other taxation and social security	43,138	50,327
Other creditors		
Accruals and deferred income	1,029,123	268,412
	14,624,365	14,324,244

Amounts owed to fellow group companies are repayable on demand with interest being charged on balances outstanding at 5.74% (2007 - 6.25%).

8. Provision for liabilities

	Deferred Taxation
	£
01 January 2008	
Charged to the profit and loss account	
31 December 2008	

Deferred tax is provided as follows

	2008	2007
	£	£
Accelerated capital allowances		
Tax losses		
Other timing differences		

The deferred tax provision relates to capital allowances claimed on plant and machinery within investment properties. When a property is sold and the agreed disposal value for this plant and machinery is less than original cost there is a release of the surplus part of the provision. The entire amount of the capital allowance provision would be expected to be released on sale.

9. Share capital

	2008	2007
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	1,000	1,000
Allotted, called up and fully paid		
1 ordinary share of £1	1	1
	1	1

10. Reconciliation of movements in shareholders' funds

	Share capital	Revaluation reserve	Profit and loss account	Total
	£	£	£	£
Opening shareholders' funds	1	10,625,633	348,103	10,973,737
Profit on ordinary activities after taxation			310,237	310,237
Dividends paid in the year			(658,339)	(658,339)
Revaluation of properties		(4,350,000)		(4,350,000)
Closing shareholders' funds	1	6,275,633	1	6,275,635

Dividends paid to Tesco BL Properties Limited during the year exceeded the available reserves. Once aware of this, the directors of Tesco BL Properties Limited considered it appropriate to repay the company £371,661 such that it no longer has a profit and loss deficit as at 31 December 2008.

11. Subsequent events

There were no subsequent events arising.

12. Related parties

Related party disclosures noted below are in respect of transactions between the Group and its related parties as defined by Financial Reporting Standard 8.

During the year, rent received from Tesco Stores Limited amounted to £1.2m (2007 - £1.2m).
Tesco Stores Limited is a subsidiary of Tesco Plc a joint venture parent company of Tesco BL Holdings Limited the ultimate holding company.

13. Capital Commitments

The company had capital commitments contracted at 31 December 2008 of £Nil (2007 - £Nil).

14. Contingent liabilities

The company is jointly and severally liable with Tesco BL Holdings Limited, the ultimate holding company, and fellow subsidiaries for all monies falling due under the group VAT registration.

The company has given its guarantee in respect of the group's external borrowings.

15. Ultimate holding company

Tesco BL Properties Limited is the smallest group and Tesco BL Holdings Limited is the largest group for which group accounts are available and which include the company.

The company has given a guarantee in respect of bank borrowings of the immediate parent company being Tesco BL Properties Limited.

The ultimate holding company is Tesco BL Holdings Limited, a joint venture between British Land (Joint Ventures) Limited, which is a wholly owned subsidiary of The British Land Company PLC and Tesco PLC, and which is incorporated in Great Britain.

The accounts of Tesco BL Properties Limited and Tesco BL Holdings Limited can be obtained from The British Land Company PLC, York House, 45 Seymour Street, London W1H 7LX.

The ultimate holding company has confirmed in writing that it will not demand repayment of amounts owed to it within twelve months of the date of signing of these accounts.