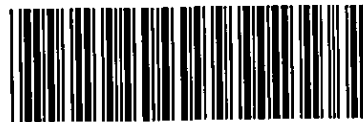


SURREY QUAYS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 31 DECEMBER 2010

Registered Number: 5294243

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SURREY QUAYS LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2010

The Directors present their report and the audited financial statements of Surrey Quays Limited (the "Company") for the 52 week period ended 31 December 2010 (prior period 52 weeks ended 31 December 2009)

Business review and principal activities

The principal activity of the Company is to carry out property investment in a retail site for which rental income is received. There has been no significant change in the nature or level of this activity during the period and we do not expect this to change significantly throughout the next financial period.

Results and dividends

The results for the period show a pre-tax profit of £2.2m (2009 £2.8m) and rental income of £6.2m (2009 £6.8m).

The Directors do not recommend payment of a dividend for the period ended 31 December 2010 (2009 £nil).

Principal risks and uncertainties

The principal risks and uncertainties are related to property investment in the retail site and the obligation to make interest payments in respect of the loan.

The Company manages these risks by fixing a portion of the interest payable on borrowings to ensure that future cash flows are sufficient to meet the obligations under the loan agreement.

Charitable and political contributions

There were no charitable or political donations for the period (2009 £nil).

Future outlook

The Company's trading performance is expected to continue throughout the next financial period.

Key performance indicators (KPI's)

Given the straight forward nature of the business, the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Research and development

The Company does not undertake any research and development activities (2009 none).

Supplier payment policy

The Company does not have any direct supplier relationships.

SURREY QUAYS LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2010 (continued)

Employees

The Company had no employees during the period (2009 none)

Directors and their interests

The following Directors served during the period and up to the date of signing the financial statements

S Barzycki	(Appointed on 15 July 2010)
A Clark	(Appointed on 15 July 2010)
G Eade	(Appointed on 15 July 2010 and resigned on 21 November 2010)
B Lewis	
C Maudsley	(Appointed on 22 April 2010)
S Rigby	
D Richards	(Resigned on 22 April 2010)
D Richards	(Appointed as alternate to C Maudsley on 22 April 2010)
E White	(Alternate to S Rigby, appointed on 15 January 2010 and resigned 1 April 2011)

Save as set out below, none of the Directors had any disclosable interests in the Company during this period

C Maudsley is a director of The British Land Company PLC ('British Land'), one of the Company's ultimate parent companies, and as such his disclosable interest in British Land is declared in the financial statements of that company

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of The British Land Company PLC directors listed above in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial period

Interest in land

As shown within accounting policies, the Company's land and buildings are revalued periodically at open market value and are disclosed as such within the financial statements

Cautionary statement regarding forward-looking information

Where this review contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. These statements should be treated with caution due to the inherent risks and uncertainties underlying any such forward-looking information. A number of important factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement

Post balance sheet events

Since the balance sheet date, the loan falling due within one year with West LB bank was repaid (note 15)

SURREY QUAYS LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 2010 (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the directors report and the financial statements in accordance with applicable law and regulations

The Companies Act 2006 requires the Directors to prepare financial statements for each financial period. 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). Under the Companies Act 2006, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, 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 2006. 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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

Each Director who is a director of the Company at the date of approval of this Annual Report confirms that


- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he/she has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The independent auditors of the Company, PricewaterhouseCoopers LLP, are proposed for reappointment.

On behalf of the Board

17 September 2011


A Clark
Director
Surrey Quays Limited
Registered Number 5294243
Registered office York House, 45 Seymour Street, London, W1H 7LX

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SURREY QUAYS LIMITED

PricewaterhouseCoopers LLP
10 Bricket Road
St Albans AL1 3JX
Telephone +44 (0) 1727 844155
Facsimile +44 (0) 1727 892333

We have audited the financial statements of Surrey Quays Limited for the 52 weeks ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of the Company's profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Andrew Latham (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
16 September 2011

SURREY QUAYS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 31 DECEMBER 2010

	Notes	52 weeks to 31 December 2010 £'000	52 weeks to 31 December 2009 £'000
Rental income		6,183	6,808
Rental expenses		(313)	(413)
Gross Profit		5,870	6,395
Administrative expenses		(77)	(178)
Operating profit	2	5,793	6,217
Interest payable and similar charges	3	(3,598)	(3,396)
Profit on ordinary activities before taxation		2,195	2,821
Tax on profit on ordinary activities	4	(77)	(687)
Profit for the financial period	11,12	2,118	2,134

There are no material differences between the profit on ordinary activities before taxation and the profit for the period stated above and their historical cost equivalents

All operations are continuing for the financial period

The notes on pages 8 to 13 form part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE 52 WEEKS ENDED 31 DECEMBER 2010

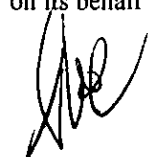
		52 weeks to December 2010 £'000	52 weeks to December 2009 £'000
Profit for the financial period	11	2,118	2,134
Surplus on revaluation of properties	5,11	17,133	4,224
Total recognised gains for the period		19,251	6,358

SURREY QUAYS LIMITED

BALANCE SHEETS AS AT 31 DECEMBER 2010

	Notes	31 December 2010 £'000	31 December 2009 £'000
Fixed assets			
Investment property	5	109,000	91,500
Current assets			
Debtors – amounts falling due within one year	6	13,565	16,864
		13,565	16,864
Creditors – amounts falling due within one year	7	(105,230)	(40,198)
Net current liabilities		(91,665)	(23,334)
Total assets less current liabilities		17,335	68,166
Creditors – amounts falling due after more than one year	8	-	(69,694)
Provisions for liabilities	9	(451)	(839)
Net assets/(liabilities)		16,884	(2,367)
Capital and reserves			
Called up share capital	10	1	1
Revaluation reserve	11	9,339	(7,794)
Profit and loss account	11	7,544	5,426
Total equity shareholder's funds/(deficit)	12	16,884	(2,367)

The financial statements on pages 6 to 13 were approved by the board of Directors on 12 September 2011 and were signed on its behalf by



A Clark
Director
Surrey Quays Limited
Registered Number 5294243

SURREY QUAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements are prepared on the going concern basis, in accordance with applicable United Kingdom accounting standards, under the historical cost convention as modified by the revaluation of investment properties, and in accordance with the Companies Act 2006. The Company's principal accounting policies have been applied consistently during the period and are set out below.

Going concern

The Directors have considered the current liability position of the Company, and having reviewed the financial resources available to the Company are satisfied that the Company is able to continue as a going concern.

Cash flow statement

The Company is a wholly owned subsidiary of Shopping Centres Limited and is included in the consolidated financial statements of Shopping Centres Limited which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1.

Investment properties

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

In accordance with SSAP 19 "Accounting for investment properties", no amortisation or depreciation is provided in respect of investment properties. The departure from the requirements of the Companies Act 2006, which requires all tangible fixed assets to be depreciated, is, in the opinion of the Directors, necessary to show a true and fair view. The financial effect of this departure cannot be reasonably quantified, as amortisation or depreciation 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.

Amortisation of debt issue costs

Under the provisions of FRS 4 'Capital Instruments', costs associated with the raising of long term finance for the company are netted off against the gross loan amount. The costs have been amortised over a five year period on a straight-line basis, in line with the period over which the finance will be repaid.

Leases and rental income

Rental income is credited to the profit and loss account on the straight line basis over the lease terms on ongoing basis. Rental reviews are carried out every five years on an open market review.

Impairment of fixed assets

At each balance sheet date the Company reviews the carrying amounts of the fixed assets to determine whether there is any need for impairment in accordance with FRS 11 "Impairment of Fixed Assets and Goodwill". Any impairment is recognised in the Profit and Loss Account in the period in which it occurs.

SURREY QUAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2010 (continued)

Current taxation

The amount included in the Profit and Loss Account is based on the profit or loss on ordinary activities before taxation and is calculated at current local tax rates, taking into account timing differences and the likelihood of realisation of deferred tax assets and liabilities

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date and which could give rise to an obligation to pay more or less taxation in the future. Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the Balance Sheet date.

Interest payable and receivable

Interest payable and receivable is calculated on an accruals basis.

2. OPERATING PROFIT

The Directors received no emoluments for their services to the Company (2009 £nil)

The Company had no employees during the period (2009 none)

The auditors' remuneration for the current and prior period was borne by Shopping Centres Limited

3. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 31 December 2010 £'000	52 weeks to 31 December 2009 £'000
Interest payable on overdraft and bank loans	3,545	3,343
Amortisation of debt issue costs	53	53
	3,598	3,396

SURREY QUAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2010 (continued)

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable if the property were sold. The total amount unprovided for is £5.9m. At present it is not envisaged that any tax will become payable in the foreseeable future.

Factors that have affected the tax charge

The standard rate of corporation tax in the UK is 28%.

	52 weeks to 31 December 2010 £'000	52 weeks to 31 December 2009 £'000
Current tax:		
UK Corporation tax on result for the financial period	466	681
Adjustments in respect of previous periods	-	(152)
Total current tax	466	529
Deferred tax		
Current period tax	(389)	115
Prior period tax	-	43
Total deferred tax	(389)	158
Tax on profit on ordinary activities	77	687

The tax assessed for the period is lower (2009: lower) than the standard rate of corporation tax in the UK of 28% (2009: 28%).

	52 weeks to 31 December 2010 £'000	52 weeks to 31 December 2009 £'000
Profit on ordinary activities before tax	2,195	2,821
Profit on ordinary activities multiplied by standard rate in the UK 28% (2009: 28%)	614	790
Effects of:		
Expenses not deductible for tax purposes	16	7
Accelerated capital allowances and other timing differences	(95)	(115)
Adjustments in respect of prior periods	-	(153)
Benefit of REIT election	(69)	-
Current tax charge for the financial period	466	529

A number of changes to the UK corporation tax system were announced in the June 2010 Budget statement. The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. The proposed reduction from 28% to 27% was substantively enacted at the balance sheet date and has therefore been reflected in these financial statements.

SURREY QUAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2010 (continued)

4. TAX ON PROFIT ON ORDINARY ACTIVITIES

In addition to the changes in rates of Corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

5. INVESTMENT PROPERTIES

	Investment Properties £'000
Valuation	
As at 1 January 2010	91,500
Capitalised expenditure	367
Revaluation	17,133
As at 31 December 2010	109,000

The investment properties have been valued by Knight Frank LLP who is deemed to be a suitably qualified valuer by the Directors on the basis of open market value at 31 December 2010. The valuation was carried out in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS).

6. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Amounts owed by group undertakings	13,504	16,443
Trade debtors	61	-
Prepayments and accrued income	-	421
	13,565	16,864

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

SURREY QUAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2010 (continued)

7. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Amounts owed to group undertakings	32,044	36,789
VAT	262	162
Accruals and deferred income	2,529	2,523
Other creditors	350	621
West LB bank loan	69,747	-
Corporation tax	298	103
	105,230	40,198

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

The loan from West LB is interest bearing at a margin of 55bps above LIBOR plus 0.013% per annum which are secured over the fixed assets. The Company has fixed 100% of its funding cost by entering into an interest rate swap on which the company pays a fixed rate on a total of £69.5m of debt against the receipt of interest at LIBOR.

This loan was repaid in full on 24 January 2011 (see note 15)

8. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £'000	2009 £'000
West LB bank loan	-	69,694
	-	69,694

The loan from West LB is interest bearing at a margin of 55bps above LIBOR plus a mandatory cost equivalent to 0.013% per annum which are secured over the fixed assets

9. PROVISIONS FOR LIABILITIES

	2010 £'000
At 1 January 2010	839
Deferred tax	
- In respect of the current period	(388)
At 31 December 2010	451

10. CALLED UP SHARE CAPITAL

	2010 £	2009 £
Allotted, called up and fully paid		
1,001 (2009: 1,001) Ordinary shares of £1 each	1,001	1,001
	1,001	1,001

SURREY QUAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2010 (continued)

11. RESERVES

	Profit and loss reserve £'000	Revaluation reserve £'000
As at 1 January 2010	5,426	(7,794)
Profit for the financial period	2,118	-
Revaluation of investment property	-	17,133
As at 31 December 2010	7,544	9,339

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS AS AT 31 DECEMBER 2010

	2010 £'000	2009 £'000
Profit for the financial period	2,118	2,134
Revaluation of investment properties	17,133	4,224
Net increase to shareholder's funds	19,251	6,358
Opening shareholder's funds	(2,367)	(8,725)
Closing shareholder's funds	16,884	(2,367)

13. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Shopping Centres Limited

The Company's ultimate parent undertakings and controlling parties are Tesco PLC and The British Land Company PLC. Tesco PLC is registered in England and Wales and copies of the Tesco PLC financial statements can be obtained from the Company Secretary, Tesco PLC, Tesco House, PO Box 18, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL. The British Land Company PLC is registered in England and Wales and copies of The British Land Company PLC financial statements can be obtained from the Company Secretary, York House, 45 Seymour Street, London, W1H 7LX.

14. RELATED PARTY TRANSACTIONS

Transactions with other subsidiary companies within the group are not disclosed as the Company has taken advantage of the exemption under paragraph 3(c) of FRS 8 "Related Party Disclosures", as the consolidated financial statements of Shopping Centres Limited, in which the Company is included, are available at the addresses noted in note 13.

During the period Surrey Quays Limited received Rental income from Tesco Stores Limited of £2,994,300 (2009 £3,308,423).

15. POST BALANCE SHEET EVENTS

The loan included in current liabilities owed to West LB amounting to £69,747,012 was repaid in full by Shopping Centres Limited on the 24th January 2011. The Company was refinanced with two intercompany loans being allocated to Shopping Centres Limited by the shareholders of Shopping Centres Limited.