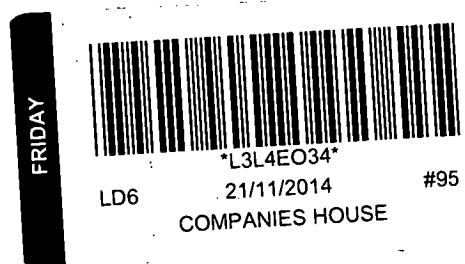


VERULAM PROPERTIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014

Registered Number: 00726573



VERULAM PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014

The Directors present their report and the audited financial statements of Verulam Properties Limited (the "Company") for the 52 week period ended 22 February 2014 (prior period: 52 weeks ended 23 February 2013).

Business review and principal activities

The principal activity of the Company is that of property ownership and management. There has been no significant change in the nature or level of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

Results and dividends

The results for the period show a loss of £844,581 (2013: profit of £180,255) and rental income of £500,894 (2013: £400,035).

The Directors do not recommend payment of a dividend for the 52 weeks ended 22 February 2014 (2013: nil).

Principal risks and uncertainties

The principal risk relates to the recovery of rental income. A managing agent is employed to assist with the collection of rental income.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Tesco PLC Group (the "Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on pages 20-25 of the Tesco PLC Group Annual Report for the 52 weeks ending 22 February 2014 which does not form part of this Report.

Political donations

There were no political donations for the period (2013: nil).

Future outlook

The Company's performance is expected to continue throughout the next financial period and it is anticipated that the current performance levels will be maintained.

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 (2013: none).

Employees

The Company had no employees during the period (2013: none).

VERULAM PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014 (continued)

Directors and their interests

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

M Iddon	(Resigned 29 August 2014)
J Lloyd	
H Lu	(Resigned 24 October 2014)
Tesco Services Limited	

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

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of the Tesco PLC company secretary (who is also a Director of the Company) 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.

Strategic Report

The Directors have taken advantage of the exemption provided by section s414B(b) of the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013) from preparing a Strategic Report.

VERULAM PROPERTIES LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014 (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law 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 these 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 United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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

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 20 November 2014.


J Lloyd
Director

Verulam Properties Limited

Registered Number: 00726573

Registered Office: Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL

VERULAM PROPERTIES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERULAM PROPERTIES LIMITED

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 22 February 2014 and of its loss 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Verulam Properties Limited, comprise:

- the balance sheet as at 22 February 2014;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on matter 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.


Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, 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 ISAs (UK & 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.


David Beer (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

20 November 2014

VERULAM PROPERTIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014

	Notes	52 weeks to 22 February 2014 £	52 weeks to 23 February 2013 £
Turnover		500,894	400,035
Cost of sales		(175,591)	(370,415)
Gross profit		325,303	29,620
Administrative expenses		(47,176)	(38,669)
Operating profit/(loss)	3	278,127	(9,049)
Net (loss)/profit on sales of assets		(1,122,708)	188,445
Interest receivable and similar income	4	-	859
(Loss)/profit on ordinary activities before taxation		(844,581)	180,255
Tax on (loss)/profit on ordinary activities	5	-	-
Total comprehensive income for the financial period		(844,581)	180,255

All operations are continuing for the financial period.

The notes on pages 7 to 11 form part of these financial statements.

NOTE OF HISTORICAL COST PROFIT AND LOSSES FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014

	52 weeks to 22 February 2014 £	52 weeks to 23 February 2013 £
(Loss)/profit on ordinary activities before taxation	(844,581)	180,255
Realisation of property revaluation gains in the previous years	1,783,763	914,680
Historical cost profit on ordinary activities before taxation	939,182	1,094,935
Historical cost profit for the year retained after taxation	939,182	1,094,935

STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014

	Equity share capital £m	Revaluation reserve £m	Retained earnings £m	Total equity £m
As at 25 February 2012	120,126	6,650,836	2,639,166	9,410,128
Total comprehensive income for the period	-	-	180,255	180,255
Property sale resulting in transfer between revaluation reserve and retained earnings	-	(914,680)	914,680	-
At 23 February 2013	120,126	5,736,156	3,734,101	9,590,383
Total comprehensive income for the period	-	-	(844,581)	(844,581)
Property sale resulting in transfer between revaluation reserve and retained earnings	-	(1,783,763)	1,783,763	-
At 22 February 2014	120,126	3,952,393	4,673,283	8,745,802

VERULAM PROPERTIES LIMITED**BALANCE SHEET AS AT 22 FEBRUARY 2014**

	Notes	22 February 2014 £	23 February 2013 £
Fixed assets			
Investment properties under construction	6	8,639,374	12,512,646
		8,639,374	12,512,646
Current assets			
Debtors: Amounts falling due within one year	7	6,133,311	203,797
Cash at bank and in hand		1,235,705	2,389,518
		7,369,016	2,593,315
Creditors: Amounts falling due within one year	8	(7,262,588)	(5,515,578)
Net current assets/(liabilities)		106,428	(2,922,263)
Total assets less net current liabilities		8,745,802	9,590,383
Net assets		8,745,802	9,590,383
Capital and reserves			
Called up share capital	9	120,126	120,126
Revaluation Reserve		3,952,393	5,736,156
Retained earnings		4,673,283	3,734,101
Total shareholder's funds		8,745,802	9,590,383

The financial statements on pages 5 to 11 were approved by the board of Directors on 20 November 2014 and were signed on its behalf by:



J Lloyd
Director
Verulam Properties Limited
Registered Number: 00726573

VERULAM PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of Verulam properties Limited (the "Company") for the year ended 22 February 2014 were authorised for issue by the board of directors on 20 November 2014 and the balance sheet was signed on the board's behalf by J Lloyd.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of Tesco Stores Limited.

The results of Tesco Stores Limited are included in the consolidated financial statements of Tesco PLC which are available from Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL.

The principal accounting policies adopted by the Company are set out in note 2.

2. ACCOUNTING POLICIES

Basis of preparation of financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 10 gives details of the company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

These are the first financial statements of the company prepared in accordance with FRS 101. The company's date of transition to FRS 101 is 26 February 2012. The company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The impact of these amendments to the company's previously adopted accounting policies in accordance with UK GAAP was not material on the shareholders' equity as at the date of transition and as at 22 February 2014 and on the profit or loss for the year ended 22 February 2014.

The disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below.

VERULAM PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014 (continued)

2. ACCOUNTING POLICIES (continued)

Going concern

It is the current intention of the Company's ultimate parent undertaking to continue to finance the Company so as to enable it to meet its liabilities as they fall due and to carry on its business without any significant curtailment of operations for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Cash flow statement

The Company is a wholly owned subsidiary of Tesco PLC and is included in the consolidated financial statements of Tesco PLC which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 101 "Cash Flow Statements".

Investment properties under construction

Investment property under construction is not revalued formally each year, and is held at the latest formal market valuation prior to commencement of the development works, unless there are indicators that there has been a significant movement in the current valuation of the property. Revaluation will recommence on completion of the development works in line with IAS 40 para.53.

Leases and rental income

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All leases are classified as operating leases.

Rental income from operating leases is recognised in the Income Statement within turnover, on a straight line basis over the term of the lease.

Impairment of fixed assets

At each balance sheet date the Company reviews the carrying amounts of the fixed assets and goodwill to determine whether there is any need for impairment. Any impairment is recognised in the Income Statement in the period in which it occurs.

Trade payables

Trade payables are non-interest-bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade receivables

Trade receivables are non-interest-bearing and are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the balance sheet date. Tax expense is recognised in the Income Statement except to the extent that it relates to items recognised in the Statement of Comprehensive Income or directly in the Statement of Changes in Equity.

Group relief on taxation

The Company may receive or surrender group relief from group companies without payment and consequently there may be no tax charge in the Income Statement.

VERULAM PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014 (continued)

3. OPERATING PROFIT/(LOSS)

The Directors received no emoluments for their services to the Company (2013: £nil).

The Company had no employees during the period (2013: none).

The auditor's remuneration for the current (£4,000) and prior period (£4,000) was borne by Tesco Stores Limited.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 22 February 2014 £	52 weeks to 23 February 2013 £
Interest receivable on bank deposits	-	859
	-	859

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Factors that have affected the tax charge

The standard rate of Corporation Tax in the UK was changed from 24% to 23% with effect from 1 April 2013. This gives an overall blended Corporation Tax rate for the company for the full year of 23.1%.

	52 weeks to 22 February 2014 £	52 weeks to 23 February 2013 £
Current tax:		
UK Corporation tax on loss for the financial period	-	-
Total current tax	-	-
Deferred tax:		
Current period tax	-	-
Total deferred tax	-	-
Tax on loss on ordinary activities	-	-

The tax assessed for the period is higher (2013: lower) than the blended rate of corporation tax in the UK of 23.1% (2013: 24.2%). The differences are explained below:

	52 weeks to 22 February 2014 £	52 weeks to 23 February 2013 £
(Loss)/profit on ordinary activities before tax	(844,581)	180,255
(Loss)/profit on ordinary activities multiplied by blended rate in the UK 23.1% (2013: 24.2%)	(195,098)	43,622
Effects of:		
(Loss)/profit on property disposals not taxable or available for tax relief	259,346	(45,604)
Group relief (claimed)/surrendered without payment	(64,248)	1,982
Total income tax charge for the financial period	-	-

VERULAM PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014 (continued)

6. INVESTMENT PROPERTIES UNDER CONSTRUCTION

	Investment Properties £
Valuation:	
As at 24 February 2013	12,512,646
Disposal	(3,873,272)
As at 22 February 2014	8,639,374

The investment properties were professionally valued by Collinson Hall and Altus Edwin Hill on an existing use basis as at October 2011.

If the investment properties had not been revalued, they would be included at their historical cost of £4,678,837. Such properties are not depreciated.

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	22 February 2014 £	23 February 2013 £
Amounts owed by group undertakings	5,963,206	41,945
Trade debtors	170,105	161,488
Other debtors	-	364
	6,133,311	203,797

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

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	22 February 2014 £	23 February 2013 £
Amounts owed to group undertakings	7,243,993	5,502,294
Accruals and deferred income	18,595	13,284
	7,262,588	5,515,578

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

9. CALLED UP SHARE CAPITAL

	22 February 2014 £	23 February 2013 £
Allotted, called up and fully paid:		
120,126 Ordinary shares of £1 each (2013: 120,126)	120,126	120,126

VERULAM PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 22 FEBRUARY 2014 (continued)

10. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is JE Properties Holdings Limited.

The Company's ultimate parent undertaking is Tesco PLC. The Company is included within these group financial statements which are publicly available and can be obtained from the Company Secretary, Tesco PLC, Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL.

11. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.