TESCO TLB BARNSTAPLE LIMITED
(PREVIOUSLY BLT BARNSTAPLE LIMITED)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 60 WEEKS ENDED 24 FEBRUARY 2018

Registered Number: 04967623

TESCO TLB BARNSTAPLE LIMITED

DIRECTORS' REPORT FOR THE 60 WEEKS ENDED 24 FEBRUARY 2018

The Directors present their Annual Report and the audited financial statements of Tesco TLB Barnstaple Limited (the "Company") for the 60 weeks ended 24 February 2018 (prior period : 31 December 2016 ("2016")).

Business review and principal activity

The principal activity of the Company was to carry out property investments in retail stores and distribution centres, for which the Company had earned rental income.

The Company was a wholly owned subsidiary of Tesco TLB Properties Limited (previously BLT Properties Limited) which in turn was a wholly owned subsidiary of BLT Holdings 2010 Limited which operated as a joint venture between Tesco PLC and British Land (Joint Ventures) Limited until April 2017 when the joint venture ceased.

As part of a group reorganisation, Tesco Property Holdings Limited, a subsidiary of Tesco PLC purchased all shares in BLT Properties Limited (renamed to Tesco TLB Properties Limited). At the same time, the property in the Company, as detailed in Note 9, was sold to Tesco TLB Properties Limited. As at that date, the Company ceased to trade.

Results and dividends

The results for the 60 weeks ended 24 February 2018 show a loss before tax of £1,495,254 (2016: loss before tax of £1,524,844) and rental income of £416,284 (2016: £1,571,836).

The Directors do not recommend the payment of a dividend for the 60 weeks ended 24 February 2018 (2016: £nil).

The Company had net assets of £5,248,080 at the end of the period (2016: net assets of £6,204,434) and net current assets of £5,248,080 at the end of the period (2016: net current liabilities of £21,256,666).

Future developments

The performance of the Company is not expected to continue throughout the next financial period and ceases to trade. During the current financial period, the Company has sold its investment property to its associated undertakings amounting to £26,728,463. Refer Note 9 for further details.

The Company's future developments form a part of the Tesco PLC Group's (the "Group") long-term strategies, which are discussed on pages 8 and 9 of the Tesco PLC Annual Report and Financial Statements 2018, which does not form part of this Report.

Key performance indicators (KPIs)

Given the straightforward 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.

The development, performance and position of the operations of the Tesco PLC Group (the "Group"), which includes the Company, is discussed on pages 10 and 11 of the Group's Annual Report and Financial Statements 2018 which does not form a part of this Report.

Going concern

As discussed in future developments section above, the Company is not expected to trade in the foreseeable future. The financial statements have therefore been prepared on the basis other than going concern.

No material adjustment arose as a result of ceasing to apply the going concern basis of accounting.

Political donations

There were no political donations for the period (2016: £nil) and the Company did not incur any political expenditure (2016: £nil).

Research and development

The Company does not undertake any research and development activities (2016: none).

Employees

The Company had no employees during the period (2016: none).

Principal risks and uncertainties

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 22 to 25 of the Tesco PLC Group Annual Report and Financial Statements 2018 which do not form part of this report. The main risk associated with the Company's financial assets and liabilities are set out below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The receivables of the Company are primarily pertaining to receivables from Group undertakings, the credit risk of receivables is determined to be low.

Business risk

On 29 March 2017 the United Kingdom government invoked Article 50 and initiated the process of the United Kingdom leaving the European Union within two years. This could cause disruptions and uncertainties which could have an adverse effect on our property business, financial results and operations.

Directors

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

R Welch (appointed on 8 January 2018, resigned 11 October 2018)
J Sythes (appointed on 8 January 2018, resigned 11 October 2018)
S Barzycki (resigned on 6 April 2017)
A Clark (resigned on 8 January 2018, re-appointed 11 October 2018)
J Gibney (resigned on 8 January 2018, re-appointed 11 October 2018)
B Lewis (resigned on 6 April 2017)

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 and officers may not be indemnified, Tesco PLC maintained a Directors' and Officers' liability insurance policy throughout the financial period and up to the date of signing the financial statements.to fill a casual vacancy in accordance with section 485(3)(c) of the Companies Act 2006.

Strategic Report

The Directors have taken advantage of the exemption provided by section 414B of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 from preparing the Strategic Report.

Directors' Responsibilities Statement

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), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Under the 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 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 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 auditor

Each Director who is a Director of the Company at the date of approval of these financial statements confirms that:

- so far as the Directors are aware, there is no relevant information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditor

Pursuant to section 487(1) of the Companies Act 2006, PricewaterhouseCoopers LLP ceased to be the auditor of the Company following their resignation with effect from 2 June 2018. Subsequently, Deloitte LLP indicated its willingness to act as Auditor and were appointed to fill a casual vacancy in accordance with section 485(3)(c) of the Companies Act 2006.

Approved by the Board ~~of Directors~~ and signed on its behalf by: 6 November 2018

J Gibney Director
Tesco TLB Barnstaple Limited
Registered number: 04967623
Registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO TLB BARNSTAPLE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 24 February 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tesco TLB Barnstaple Limited (the 'qualifying company') which comprise:

- the Profit and Loss Account;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our Report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter — financial statements prepared other than on a going concern basis

We draw attention to note 3 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our Report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO TLB BARNSTAPLE LIMITED (continued)

Responsibilities of Directors'

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's Directors, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditor's 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 Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare the Strategic Report.

We have nothing to report in respect of these matters.

Simon Letts

Simon Letts FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
St. Albans, United Kingdom
6 November 2018

TESCO TLB BARNSTAPLE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 60 WEEKS ENDED 24 FEBRUARY 2018

	Notes	**60 weeks ended 24 February 2018**	Year ended 31 December 2016
		£	£
Rental income		**416,284**	1,571,836
Administrative expenses		**(2,500)**	(2,100)
Loss on revaluation of investment property	9	**(1,271,537)**	(1,400,000)
Operating (loss)/profit		**(857,753)**	169,736
Interest payable and similar costs	5	**(637,501)**	(1,694,580)
Loss before taxation		**(1,495,254)**	(1,524,844)
Tax credit	7	**538,900**	281,600
Loss for the financial period		**(956,354)**	(1,243,244)

There are no material differences between the loss before taxation and the loss for the period stated above and their historical cost equivalents.

There is no other comprehensive income/loss in the periods presented; therefore no statement of comprehensive income has been prepared. Total comprehensive income is equal to profit for the period presented

All operations are discontinued.

The notes on pages 8 to 15 form an integral part of the financial statements.

TESCO TLB BARNSTAPLE LIMITED

BALANCE SHEET AS AT 24 FEBRUARY 2018

	Notes	**24 February 2018** £	31 December 2016 £
Non-current assets			
Investment properties	9	-	28,000,000
Current assets			
Debtors: amounts falling due within one year	10	**5,248,080**	1,570,496
		5,248,080	1,570,496
Current liabilities			
Creditors: amount falling due within one year	11	-	(22,827,162)
Net current assets/(liabilities)		**5,248,080**	(21,256,666)
Total assets less current liabilities		**5,248,080**	6,743,334
Non-current liabilities			
Deferred tax liability	7	-	(538,900)
Net assets		**5,248,080**	6,204,434
Capital and reserves			
Called up share capital	12	**1**	1
Profit and Loss Account		**5,248,079**	6,204,433
Total shareholders' funds		**5,248,080**	6,204,434

The notes on pages 8 to 15 form an integral part of the financial statements.

The financial statements on pages 5 to 15 were approved by the Board of Directors on 6 November 2018 and signed on its behalf by:

J Gibney, Director
Tesco TLB Barnstaple Limited
Registered number: 04967623
Registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

TESCO TLB BARNSTAPLE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE 60 WEEKS ENDED 24 FEBRUARY 2018

	Called up share capital*	Profit and Loss Account	Total
	£	£	£
Balance as at 31 December 2015	1	7,447,677	7,447,678
Loss and total comprehensive loss for the financial period	-	(1,243,244)	(1,243,244)
Balance as at 31 December 2016	1	6,204,433	6,204,434
Loss and total comprehensive loss for the financial period	-	**(956,354)**	**(956,354)**
At 24 February 2018	**1**	**5,248,079**	**5,248,080**

*See Note 12 for a breakdown of the share capital.

The notes on pages 8 to 15 form an integral part of the financial statements.

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Tesco TLB Barnstaple Limited (the "Company") for the period ended 24 February 2018 were authorised for issue by the Board of Directors on November 2018 and the Balance Sheet was signed on the Board's behalf by J Gibney.

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"). The financial statements have been prepared under the historical cost convention and the Companies Act 2006, modified to include the revaluation of properties.

The functional currency of the Company is considered to be Pound Sterling (£) because that is the currency of the primary economic environment in which the Company operates and financial statements are presented in Pound Sterling (£).

The Company's results are included in the consolidated financial statements of Tesco PLC which are available from Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

2. General information

The Company is a private company limited by shares and is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom. The nature of the Company's operations and its principal activities are set out in the Directors' Report on page 1.

The principal accounting policies adopted by the Company are set out in Note 3. These policies have been consistently applied to all periods presented unless otherwise stated.

3. Accounting policies

a. Basis of preparation

The financial statements have been prepared (on a basis other than going concern) under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 101 issued by the Financial Reporting Council.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is a qualifying entity for the purposes of FRS 101. Note 14 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with EU-adopted IFRS may be obtained.

There are no new and mandatorily effective standards in the year that would have a material impact on the financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a) (iv) of IAS 1;
- the requirements of IAS 7 Statement of Cash Flows for the year;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- 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 requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- the requirements of IFRS 7 Financial Instruments: Disclosures; and
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.

3. Accounting policies (continued)

b. Going concern

As discussed in future developments section in Director's Report, the Company is not expected to trade in the foreseeable future. The financial statements have therefore been prepared on the basis other than going concern.

No material adjustment arose as a result of ceasing to apply the going concern basis of accounting.

c. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies to determine the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Critical estimate and assumption that is applied in the preparation of the financial statements include:

Investment properties

The key source of estimation uncertainty relates to the valuation of the property portfolio, where an external valuation is obtained or the valuation is performed internally by the management. In accounting for net rental income, the Company is required to judge the recoverability of any income accrued and provides against the credit risk on these amounts. The potential for management to make judgements or estimates relating to those items which would have a significant impact on the financial statements is considered, by the nature of the Company's business, to be limited. During the period, the properties are sold and hence there are no assumptions/judgements required for Investment properties after the disposal.

d. Significant accounting policies

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the Company carries its investment properties at fair value, with changes in fair value being recognised through profit or loss.

The valuation is undertaken on an open market basis. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in Note 9.

No depreciation is provided in respect of freehold properties. The departure from the requirements of the Companies Act 2006, which requires all properties to be depreciated is in the opinion of the management, necessary to show a true and fair view. The financial effect of this departure cannot be reasonably quantified, as 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.

Where properties held for investment are appropriated to trading stock, they are transferred at market value. If properties held for trading are appropriated to investment, they are transferred at book value.

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 other leases are classified as operating leases.

Company as a lessor

Assets leased out under operating leases are included in tangible fixed assets and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight-line basis over the lease term.

3. Accounting policies (continued)

d. Significant accounting policies (continued)

Income taxes

Current tax, including United Kingdom (UK) corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Profit and Loss Account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the Profit and Loss Account, except when it relates to items charged or credited directly in equity or other comprehensive income, in which case deferred tax is also recognised in equity or other comprehensive income, respectively.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the period

Current and deferred tax are recognised in the Profit and Loss account, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. The expected maturity of the financial assets and liabilities is not considered to be materially different to their current and non-current classification.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at transaction price, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets comprise of amounts owed by Group undertakings.

3. Accounting policies (continued)

d. Significant accounting policies (continued)

Financial assets (continued)

Company commits to purchase or sell the asset. The Company's financial assets comprise of amounts owed by Group undertakings.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses. Amount owed by Group undertakings is classified as loans and receivables.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at transaction price and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

Loans and borrowings are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Such liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement. Loans and borrowings includes amount owed to Group undertakings and other payables.

De-recognition of financial instruments

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled: (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset: or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

4. Auditor's remuneration

The auditor's remuneration of £4,000 for the current period was borne by the Tesco Stores Limited and £2,063 for previous year ended December 31, 2016 was borne by Tesco TLB Properties Limited. The non-audit fees for the period is £nil (2016: £nil).

5. Interest payable and similar costs

	60 weeks ended 24 February 2018	Year ended 31 December 2016
	£	£
Interest payable on amounts owed to Group	**637,501**	1,694,580
	637,501	1,694,580

6. Staff costs and Directors' remuneration

The Directors received no emoluments for their services to the Company (2016: £nil). The remuneration of the Directors was borne by another Company within the Group for which no apportionment or recharges were made.

The Company had no employees during the period (2016: none).

7. Taxation

(a) Factors that have affected the tax charge

The standard rate of corporation tax in the UK was 20% from 1 April 2015, and was changed from 20.00% to 19.00% from 1 April 2017.

This gives an overall blended corporation tax rate for the Company for the full period of 19.21%.

(b) Tax credited to the Profit and Loss Account

	60 weeks ended 24 February 2018	Year ended 31 December 2016
	£	£
Current income tax:		
UK corporation tax on profit for the financial period	-	-
Total current tax	-	-
Deferred tax:		
Current year	**(609,077)**	(281,600)
Effect of changes in tax rates	**70,177**	-
Total deferred tax credit	**(538,900)**	(281,600)

7. Taxation (continued)

(c) Reconciliation of tax charge

The tax expense in the Profit and Loss Account for the financial year is lower to the standard rate of corporation tax in the UK of 19.21% (2016: 20.00%). The differences are reconciled below:

	60 weeks ended 24 February 2018 £	Year ended 31 December 2016 £
Loss before tax	**(1,495,254)**	(1,524,844)
Tax on loss at blended corporation tax rate of 19.21% (2016: 20.00 %)	**(287,295)**	(304,969)
Effects of:		
REIT exempt income and gains	**21,492**	12,484
Deferred tax credit arising on property revaluation	**(538,900)**	(281,600)
Decrease in fair value of investment property	**244,311**	280,000
Group relief surrendered without payment	**21,492**	12,485
Total income tax credit for the period	**(538,900)**	(281,600)

(d) Tax rate changes

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. These rate reductions were enacted by the Balance Sheet date and therefore included in these financial statements. Temporary differences have been re measured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

8. Deferred tax

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior financial periods measured using the tax rates that are expected to apply when the liability is settled or the asset realised based on the tax rates that have been enacted or substantially enacted by the balance sheet date:

	Short term timing differences	Total
At 31 December 2016	538,900	538,900
In respect of property revaluation	(538,900)	(538,900)
At 24 February 2018	-	-

9. Investment properties

	24 February 2018	31 December 2016
	£	£
Valuation:		
Opening balance	**28,000,000**	29,400,000
Loss on revaluation of investment property	**(1,271,537)**	(1,400,000)
Disposals	**(26,728,463)**	-
	-	28,000,000

This fair value has been determined by the management by applying an appropriate rental yield to the rentals earned by the investment properties. A valuation has not been performed by an independent valuer.

During the period, the properties were sold to Tesco TLB Properties Limited (previously BLT Properties Limited) at carrying value and therefore no gain/loss recognised on sale.

10. Debtors: amounts falling due within one year

	24 February 2018	31 December 2016
	£	£
Amounts owed by Group undertakings	**5,248,080**	1,570,496
Corporation tax	-	-
	5,248,080	1,570,496

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

11. Creditors: amounts falling due within one year

	24 February 2018	31 December 2016
	£	£
Amounts due to Group undertakings	-	22,386,269
Other taxation and social security	-	78,575
Accruals and deferred income	-	362,318
		22,827,162

Amounts due to Group undertakings in 2016 were unsecured, interest bearing, had no fixed date of repayment and were repayable on demand.

12. Called up share capital

	24 February 2018	31 December 2016
	£	£
Allotted, called up and fully paid		
1 (2016: 1) Ordinary share of £1 each	**1**	1
	1	1

13. Receivables under operating lease

The Company leases out all of its investment properties under operating leases. Total future minimum lease receivables under non-cancellable operating leases are as follows:

	24 February 2018	31 December 2016
	£	£
Not later than one year	-	1,571,500
After one year but not more than five years	-	6,286,000
After five years	-	15,531,374
	-	23,388,874

Refer Note 9 for details.

14. Ultimate group undertaking

The immediate parent company is Tesco TLB Properties Limited (previously BLT Properties Limited).

Up until 6 April 2017 Tesco TLB Properties Limited was a wholly owned subsidiary of BLT Holdings 2010 Limited which represented a joint venture between British Land (Joint Ventures) Limited, a subsidiary of The British Land Company PLC and Tesco PLC, all of whom are incorporated in England and Wales. Post 6 April 2017 the immediate parent company Tesco TLB Properties Limited is owned by Tesco Property Holdings Limited which is registered in England and Wales.

The Company's ultimate parent undertaking and controlling party is Tesco PLC which is registered in England and Wales, and which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the Annual Report and financial statements of Tesco TLB Properties Limited and Tesco PLC can be obtained from the Company Secretary, Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom.

15. Related party transaction

During the 60 weeks ended 24 February 2018, the Company entered into transactions with related parties in the ordinary course of business. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries within the Group.

16. Accounting period

The financial statements have been prepared for the 60 weeks ended 24 February 2018 due to change in accounting period-end from 31 December to 24 February. The comparatives presented are for the year ended 31 December 2016 and hence, not comparable to the current 60 weeks ended 24 February 2018. The accounting period is changed to align with the Tesco PLC reporting period.