

TESCO PROPERTY PARTNER (NO.2) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019

Registered Number: 05179163



TESCO PROPERTY PARTNER (NO.2) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019

The Directors present their Report and the audited financial statements of Tesco Property Partner (No.2) Limited for the 52 weeks ended 23 February 2019 (prior period: 52 weeks ended 24 February 2018 ("2018")).

Business review and principal activity

The principal activity of the Company is to act as the holding company for Tesco PLC's investment in The Tesco Property (No.2) Limited Partnership.

There has been no significant change in the nature of this activity during the period and the Directors do not expect this to change significantly throughout the next financial period.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102").

Results and dividends

The results for the 52 weeks ended 23 February 2019 show a profit before tax of £69 (2018: £nil) and profit after tax is £157,264 (2018: £112,208).

The Company has net assets at the period end £2,065,911 (2018: £1,908,647) and has net current assets £2,065,411 (2018: £1,908,147).

The Directors do not recommend payment of a dividend for the 52 weeks ended 23 February 2019 (2018: £nil).

Future developments

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.

The Company's future developments form a part of the Tesco PLC Group's (the "Group") long term strategy, which is discussed on pages 14 and 15 of the Tesco PLC Annual Report and Financial Statements 2019, which do not form part of this Report.

Principal risks and uncertainties

The principal activity of the Company is to act as a holding company and therefore its principal risks relate to the carrying value of the investments that the Company holds. To manage this risk, the Company reviews the performance of those companies in which it holds its investment.

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include the Company, are discussed on pages 32 to 36 of the Tesco PLC Annual Report and Financial Statements 2019, which do not form a part of this Report.

Business risk

Uncertainty around the UK's departure from the EU continues to grow as a result of the ongoing political deadlock. A failure to prepare for all eventualities, and any resulting disruption, could have an adverse impact on our primary business, financial results and operations. The Tesco PLC Board will continue to assess and monitor the potential risks and impacts on the Company and its stakeholders as a whole, while taking appropriate mitigation measures to address challenges as appropriate.

Key performance indicators (KPIs)

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.

The development, performance and position of the operations of the PLC Group which includes the Parent Company, are discussed on pages 16 and 17 of the Tesco PLC Annual Report and Financial Statements 2019 which does not form a part of this Report.

TESCO PROPERTY PARTNER (NO.2) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019

(continued)

Going concern

The Directors consider that the Company has adequate resources to remain in operation for a period of at least 12 months from the date of signing the financial statement and have therefore continued to adopt the going concern basis in preparing the financial statements.

Events after the balance sheet date

There were no material events after the balance sheet date.

Political donations

There were no political donations for the period (2018: £nil) and the Company did not incur any political expenditure (2018: £nil).

Research and development

The Company does not undertake any research and development activities (2018: none).

Financial risk management

The main risks 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.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities.

The amount payable to Group undertakings are interest-free and they are repayable on demand. The Directors do not foresee that such amount will be called upon within the foreseeable future.

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 a strategic report.

Employees

The Company had no employees during the period (2018: none).

Directors

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

J Gibney

A Clark

Tesco Services Limited

None of the Directors had disclosable interests in the Company during this period.

TESCO PROPERTY PARTNER (NO.2) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019

(continued)

Directors (continued)

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 Tesco Services Limited which is appointed to the Board 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.

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.

Cautionary statement regarding forward-looking information

Where this document 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 factors, including those in this document, could cause actual results to differ materially from those contained in any forward-looking statement.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' Report and audited financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Company financial statements in accordance with FRS 102 "The Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland" and applicable law. 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; 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

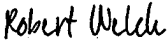
TESCO PROPERTY PARTNER (NO.2) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 23 FEBRAUARY 2019 (continued)

Independent auditor

Deloitte LLP, having indicated its willingness to continue in office, will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

Approved by Board on 19 August 2019, and signed on behalf of the Board by:

DocuSigned by:

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Robert Welch, for and on behalf of Tesco Services Limited
Director

Tesco Property Partner (No.2) Limited

Registered number: 05179163

Registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO PROPERTY PARTNER (NO.2) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Tesco Property Partner (No.2) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 23 February 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the Profit and Loss Account;
- the Balance Sheet;
- the Statement of Changes in Equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (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 Financial Reporting Council'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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO PROPERTY PARTNER (NO.2) LIMITED (continued)

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.

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.

Report on other legal and regulatory requirements

Opinions 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO PROPERTY PARTNER (NO.2) LIMITED (continued)

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 a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, 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 members as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Letts FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St. Albans, United Kingdom
20 August 2019

TESCO PROPERTY PARTNER (NO.2) LIMITED**PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019**

		52 weeks ended 23 February 2019	52 weeks ended 24 February 2018
	Notes	£	£
Operating result	4	-	-
Interest receivable and similar income		69	-
Profit before tax		69	-
Tax credit on profit/result	6	157,195	112,208
Profit for the financial period		157,264	112,208

There are no material differences between the profit before tax and the profit for the financial period stated above and their historical cost equivalents.

There is no other comprehensive income in the periods presented; therefore no Statement of Comprehensive Income has been prepared. Total comprehensive income is equal to profit for the periods presented.

All operations are continuing for the financial period.

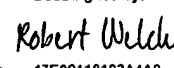
The notes on pages 11 to 18 form an integral part of these financial statements.

TESCO PROPERTY PARTNER (NO.2) LIMITED**BALANCE SHEET AS AT 23 FEBRUARY 2019**

	Notes	23 February 2019 £	24 February 2018 £
Fixed assets			
Investments	7	600	600
		<u>600</u>	<u>600</u>
Current assets			
Debtors: amounts falling due within one year	8	1,700,002	1,700,002
Deferred tax assets	6	282,991	125,796
Cash at bank and in hand		82,452	82,349
		<u>2,065,445</u>	<u>1,908,147</u>
Creditors: amount falling due within one year	9	(34)	-
Net current assets		<u>2,065,411</u>	<u>1,908,147</u>
Creditors: amounts falling due after more than one year	10	(100)	(100)
Net assets		<u>2,065,911</u>	<u>1,908,647</u>
Capital and reserves			
Called up share capital	11	1,515,060	1,515,060
Profit and loss account		550,851	393,587
Total shareholders' funds		<u>2,065,911</u>	<u>1,908,647</u>

The notes on pages 11 to 18 form an integral part of these financial statements.

The financial statements on pages 8 to 18 were approved by the Board and authorised for issue on 19 August 2019. They were signed on its behalf by:

DocuSigned by:

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Robert Welch, for and on behalf of Tesco Services Limited
 Director

Tesco Property Partner (No.2) Limited

Registered number: 05179163

Registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

TESCO PROPERTY PARTNER (NO.2) LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED
23 FEBRUARY 2019**

	Called up share capital*	Profit and loss account	Total
	£	£	£
Balance as at 25 February 2017	1,515,060	281,379	1,796,439
Profit and total comprehensive income for the financial period	-	112,208	112,208
Balance as at 24 February 2018	1,515,060	393,587	1,908,647
Profit and total comprehensive income for the financial period	-	157,264	157,264
Balance as at 23 February 2019	1,515,060	550,851	2,065,911

*See Note 11 for a breakdown of the Called up share capital

The notes on pages 11 to 18 form an integral part of these financial statements.

TESCO PROPERTY PARTNER (NO.2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019

1. Statement of compliance

The financial statements of Tesco Property Partner (No.2) Limited (the "Company") have been prepared in compliance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

2. General information

The Company is a private company, limited by shares and is incorporated and domiciled 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. Details of the Company's subsidiaries are set out in Note 7.

The financial statements of the Company for the 52 weeks ended 23 February 2019 were approved by the Board of Directors on 19 August 2019 and the Balance Sheet was signed on the Board's behalf by Robert Welch, for and on behalf of Tesco Services Limited.

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

3. Accounting policies

a) Basis of preparation

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. The Company is a qualifying entity for the purposes of FRS 102. Consequently the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 section 7 "Statement of Cash Flows".

The Company has taken advantage of the exemption under Section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Tesco PLC. The results of the Company 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.

Transactions with fellow wholly owned subsidiaries are not disclosed as the Company has taken advantage of the exemption under FRS 102 section 33.1A.

The Company has taken advantage from the financial instrument disclosures, required under FRS 102 paragraph 11 and 12, as the information is provided in the consolidated financial statement disclosures.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and to the preceding period, unless otherwise stated.

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

TESCO PROPERTY PARTNER (NO.2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019 (continued)

3. Accounting policies (continued)

(b) Going concern

The Directors consider that the Company has adequate resources to remain in operation for a period of at least 12 months from the date of signing the financial statement and have therefore continued to adopt the going concern basis in preparing the financial statements.

(c) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described hereafter, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The Directors do not consider any of the estimates and judgements made within these financial statements as being significant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no other judgements and estimates that have a significant effect on amounts recognised in the financial statements.

(d) Significant accounting policies

Fixed asset investments

Fixed asset investments in subsidiaries and associates are stated at cost plus incidental expenses less, where appropriate, provisions for impairment. Impairment is reviewed annually with movements taken to the profit and loss account. The Company elected to adopt the cost model for holding its fixed assets as permitted under Section 9 of FRS 102.

Impairment of fixed assets

At each balance sheet date, the Company reviews the carrying amounts of the fixed asset investments to determine whether there is any need for impairment in accordance with Section 27 of FRS 102, "Impairment of Assets". Any impairment is recognised in the profit and loss account in the period in which it occurs.

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 section 11 of FRS 102 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 Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at transaction price including 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 include cash, trade and other receivables, loans, unquoted financial instruments, and derivative financial instruments.

TESCO PROPERTY PARTNER (NO.2) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED
23 FEBRUARY 2019 (continued)****3. Accounting policies (continued)****(d) Significant accounting policies (continued)****Financial instruments (continued)***Financial assets (continued)**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 transaction price including directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method (EIR), less impairment. A mortised 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 profit and loss account. Losses arising from impairment are recognised in the profit and loss account in other operating expenses.

*Financial liabilities**Initial recognition and measurement*

Financial liabilities within the scope of section 11 of FRS 102 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 cost 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. Such liabilities are initially recognised at transaction price and subsequently measured at amortised cost using the (EIR). A mortised cost is calculated by taking into account transaction costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the profit and loss account.

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.

TESCO PROPERTY PARTNER (NO.2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 23 FEBRUARY 2019 (continued)

3. Accounting policies (continued)

(d) Significant accounting policies (continued)

Cash at bank and in hand

Cash at bank and in hand in the Balance Sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Income taxes

Current tax, including United Kingdom 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.

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 profit and loss account.

Deferred taxation

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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

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.

TESCO PROPERTY PARTNER (NO.2) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED
23 FEBRUARY 2019 (continued)****3. Accounting policies (continued)****(d) Significant accounting policies (continued)****Income taxes (continued)***Deferred taxation (continued)*

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.

4. Operating result

The Directors received no emoluments for their services to the Company (2018: £nil).

The Company had no employees during the period (2018: none).

5. Auditor's remuneration

The Auditor's remuneration of £3,075 (2018: £3,075) for the current period and prior period was borne by the Tesco Stores Limited. The non-audit fee for the period is £nil (2018: £nil).

6. Tax credit on profit/result**(a) Factors that have affected the tax credit:**

The standard rate of corporation tax in the UK is 19.00% from 1 April 2017, and 17.00% from 1 April 2020. This gives a corporation tax rate for the company for the full period of 19.00% (2018: 19.09%).

(b) Tax credit in the Profit and Loss Account

The analysis of the credit for the year is as follows:

	52 weeks ended 23 February 2019	52 weeks ended 24 February 2018
	£	£
Current income tax:		
UK corporation tax on profit for the financial period	-	-
Total current income tax credit	-	-
Deferred tax:		
Current year	175,689	124,368
Adjustment in respect of prior periods	-	1,474
Impact of rate change adjustment	(18,494)	(13,634)
Total deferred tax credit	157,195	112,208
Tax credit in the Profit and Loss Account	157,195	112,208

TESCO PROPERTY PARTNER (NO.2) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED
23 FEBRUARY 2019 (continued)****6. Tax credit on profit/result (continued)****(c) Reconciliation of tax credit**

The differences between the total credit shown above and the amount calculated by applying the UK corporation tax to profit is as follows:

	52 weeks ended 23 February 2019	52 weeks ended 24 February 2018
	£	£
Profit before tax	69	-
Tax charge on profit at standard UK corporation tax rate of 19.00% (2018: 19.09%)	(13)	-
Effects of:		
Expenses not deductible for tax purposes	(183)	-
Group relief claimed without payment	175,885	124,368
Adjustment in respect of prior periods	-	1,474
Impact of rate change adjustment	(18,494)	(13,634)
Overall tax credit	157,195	112,208

(d) Tax rate changes

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20.00% to 19.00% from 1 April 2017 and to 17.00% 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 remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

(e) Deferred tax assets

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 25 February 2017	13,588	13,588
-In respect of the prior period	1,474	1,474
-In respect of the current period	124,368	124,368
-In respect of rate change	(13,634)	(13,634)
At 24 February 2018	125,796	125,796
-In respect of the prior period	-	-
-In respect of the current period	175,689	175,689
-In respect of rate change	(18,494)	(18,494)
At 23 February 2019	282,991	282,991

Deferred tax asset and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority.

TESCO PROPERTY PARTNER (NO.2) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED
23 FEBRUARY 2019 (continued)****7. Investments**

Cost	£
At 24 February 2018	600
At 23 February 2019	600
Net book value	
At 24 February 2018	600
At 23 February 2019	600

The Directors believe that the carrying value of the investment is supported by its underlying net assets.

Details of the principal subsidiary undertakings at the period end are as follows:

Subsidiary undertakings	Registered office address	Direct/Indirect Holding	Country of incorporation	Share class	% Shares Held	Nature of business
Tesco Property (No.1) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom	Direct	Jersey	Ordinary £1.00 shares	100%	Property investment

Details of principal associated undertakings at the period end:

Investments in other undertakings	Registered office address	Type of entity	Country of incorporation	Share class	% Interest held	Nature of business
The Tesco Property (No.2) Limited Partnership	PO Box 87, 22 Grenville Street, St Helier, JE4 8PX, Jersey	Limited Partnership	Jersey	Capital contribution	49.999%	Property Investment

8. Debtors: amount falling due within one year

	23 February 2019	24 February 2018
	£	£
Amounts owed by Group undertakings	1,700,002	1,700,002
	1,700,002	1,700,002

Included within amounts owed by Tesco PLC are amounts that are unsecured, interest free and have no fixed date of repayment and are repayable on demand.

TESCO PROPERTY PARTNER (NO.2) LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED
23 FEBRUARY 2019 (continued)****9. Creditors: amount falling due within one year**

	23 February 2019	24 February 2018
	£	£
Amounts owed to Group undertakings	34	-
	<u>34</u>	<u>-</u>

Included within amounts owed by Group undertakings are amounts that are unsecured, interest free and are repayable on demand.

10. Creditors: amount falling due after more than one year

	23 February 2019	24 February 2018
	£	£
Amounts owed to Group undertakings	100	100
	<u>100</u>	<u>100</u>

Amount owed to group undertakings are unsecured, interest free and repayable on 28 February 2029.

11. Called up share capital

	23 February 2019	24 February 2018
	£	£
Allotted, called up and fully paid		
1,515,060 Ordinary shares of £1 each (2018: 1,515,060 ordinary shares of £1 each)	1,515,060	1,515,060
	<u>1,515,060</u>	<u>1,515,060</u>

Each Ordinary share held by a member has attached to it one vote, right to a dividend if declared and capital distribution (including on winding up) rights and carries the right of redemption.

12: Ultimate Group undertaking

The Company's immediate and 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 Tesco PLC Annual Report and Financial Statements 2019 are available from the Company Secretary at the registered office: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, AL7 1GA, United Kingdom

13. Related party transactions

The Company has taken advantage of the exemption under Section 33.1A of FRS 102 not to disclose transactions with fellow wholly owned subsidiaries.

14. Events after balance sheet date

There are no material events since the balance sheet date which require disclosure.