

TESCO BLUE (GP) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017
Registered Number: 05721650

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TESCO BLUE (GP) LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

The Directors present their Strategic Report of Tesco Blue (GP) Limited (the "Company") and its subsidiaries (together the "Group") for the 52 week period ended 25 February 2017 (Prior period: 52 weeks ended 27 February 2016).

Review of the business

The principal activity of the Group is to carry out property investment in retail stores and distribution centres, for which rental income is received. 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.

The principal activity of the Company is to act as a holding company for the other entities in The Tesco Blue Limited Partnership Group (the "Partnership"). 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.

One of the Company's principal subsidiaries, Tesco Property Finance 1 PLC ("TPF1 PLC"), is registered as a special purpose company for the principal purpose of issuing £430,650,000 secured 7.6227 percent bonds due 13 July 2039 (the "Bonds") and entering into the transactions and matters contemplated by the TPF1 PLC prospectus dated 22 June 2009 (the "Prospectus") which can be obtained from Tesco PLC Group Annual Report and Financial Statements 2017 (refer to Note 20).

TPF1 PLC issued the Bonds, in accordance with the Prospectus, on 25 June 2009 (the "Closing Date") and applied the proceeds in making two advances (the "Partnership Loan" and the "Teesport Partnership Loan") to The Tesco Blue Limited Partnership (the "Blue Partnership") and to The Teesport Limited Partnership (the "Teesport Partnership") respectively, together known as the "Loans".

The Bonds are secured over all of the assets of TPF1 PLC and the Loans are secured over the property portfolio pursuant to certain Partnership Security Documents as defined in the Prospectus. The property portfolio has been valued at a market value as at 25 February 2017 of £575,980,000.

The Blue Partnership and TPF1 PLC entered into two swap agreements (the "Partnership Swap") under which the Blue Partnership pays to TPF1 PLC amounts equal to the sum of the rent receivable by it under the property portfolio leases (the "Partnership Index Linked Legs") and TPF1 PLC pays to the Blue Partnership fixed amounts equal to the scheduled interest and principal due to TPF1 PLC under the Partnership Loan (the "Partnership Fixed Legs").

The Teesport Partnership and TPF1 PLC entered into a swap agreement (the "Teesport Partnership Swap") under which the Teesport Partnership pays to TPF1 PLC amounts equal to the sum of the rent receivable by it under the Teesport Distribution Centre lease (the "Teesport Partnership Index Linked Legs") and TPF1 PLC pays to the Teesport Partnership fixed amounts equal to the scheduled interest and principal due to TPF1 PLC under the Teesport Partnership Loan (the "Teesport Partnership Fixed Legs").

TPF1 PLC and Tesco PLC entered into three swap agreements (the "Issuer Swap") under which TPF1 PLC pays to Tesco PLC amounts equal to the aggregate of the amounts due to TPF1 PLC under the Partnership Index Linked Legs and the Teesport Partnership Index Linked Legs and Tesco PLC pays to TPF1 PLC fixed amounts equal to the scheduled interest and principal due to the Bondholders under the Bonds (the "Issuer Fixed Legs").

TESCO BLUE (GP) LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

Principal risks and uncertainties and key performance indicators

The Directors consider the key performance indicators of the Group to be the principal balance of the Partnership Loan and the market value of the Property Portfolio. Although the Group does not directly own the investment properties, the loans are secured on these investment properties. If the fair value of the investment properties fell below the value of the loans outstanding, there would be a risk of defaulting on loan. The chance of this risk occurring is deemed to be very low as the value of the investment properties is significantly higher than the outstanding loan balances.

The principal balance of the Partnership Loans held by the Group decreased from £393,534,757 as at 27 February 2016 to £387,262,126 at 25 February 2017 due to redemptions during the period.

The Property Portfolio has been valued at a market value in February 2017 of £575,980,000.

No impairment losses were recognised during the period (2016: £nil).

The Company's activities expose it to risks and uncertainties as summarised below and discussed in more detail in the Prospectus under the section Risk Factors. Risk management is predetermined based on the terms of the Prospectus and is also summarised below.

The Company's financial instruments comprise the Partnership Loan, the Bonds, cash at bank, the Partnership Swap and the Issuer Swap.

Future developments

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

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.

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 ability of the Blue Partnership and the Teesport Partnership to discharge their obligations under the Loans depends primarily on the ability of Tesco PLC to discharge its obligations under the Property Portfolio leases. The Standard and Poor's credit rating of Tesco PLC was BB+ as at 25 February 2017, with the credit rating of the Bonds rated at Ba1 by Moody's rating services.

As noted above, the Loans are secured over the Property Portfolio which has been valued at a market value as at 25 February 2017 of £575,980,000 by an external party surveyor. The value at which the properties will be realised, in the event of disposal as a result of Tesco PLC not being able to discharge its obligations is uncertain.

Cash manager and associated bank account credit risk is managed through the review of the Cash manager's credit rating as the Cash manager is required to maintain minimum credit ratings and collateral in certain instances. The Cash manager provides cash management and administration services to the Company.

No impairment losses were booked against the loans during the current period (2016: £nil).

TESCO BLUE (GP) LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

Liquidity risk

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

The Bonds are limited recourse obligations of the Group and the assets of the Group are themselves limited. The ability of the Group to meet its obligations under the Bonds will be principally dependent on the receipt of funds from the Blue Partnership under the Partnership Loan Agreement and the Partnership Swap Agreement, the receipt by it of funds from the Teesport Partnership under the Teesport Partnership Loan Agreement and the Teesport Partnership Swap Agreement and the receipt of funds from Tesco PLC under the Issuer Swap Agreements. Other than the foregoing, prior to the enforcement of the security created pursuant to the Partnership Security Documents, the Group will not have any other significant funds available for it to meet its obligations under the Bonds and in respect of any payment ranking in priority to, or pari passu with, the Bonds.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Currency risk

The Group is not exposed to currency risk as all its financial instruments are denominated in GBP.

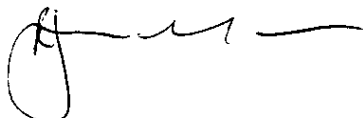
Interest rate risk

Both the Loans and the Bonds are measured at amortised cost and bear interest at a fixed rate with equal and offsetting effective interest rate adjustments. Currently the effective interest rate adjustments are not equal and offsetting but the difference will unwind over the life of the Loans and Bonds. The swap agreements entered into are also equal and offsetting and therefore the Group is not deemed to be exposed to interest rate risk.

Other price risk

The fair value and future cash flows of the Partnership Swap, the Teesport Partnership Swap and the Issuer Swap will fluctuate because of changes in the Retail Prices Index ("RPI"). The fluctuations in relation to the Partnership Swap, the Teesport Partnership Swap and those in relation to the Issuer Swap are likely to offset each other. The effects on these financial instruments are detailed in Note 15.

On behalf of the Board on 16 August 2017.



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

Tesco Blue (GP) Limited

Registered Number: 05721650

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

TESCO BLUE (GP) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

The Directors present their report and the audited consolidated financial statements of Tesco Blue (GP) Limited (the "Company") and its subsidiaries (together the "Group") for the 52 week period ended 25 February 2017 (prior period: 52 weeks ended 27 February 2016).

Results and dividends

The results for the period show a profit before taxation of £14,417 (2016: £24,210).

The Directors do not recommend a payment of a dividend for the period ended 25 February 2017 (2016: £nil).

The Group had net assets of £737,271 at 25 February 2017 (2016: £726,614) and had net current assets of £162,360,945 as at 25 February 2017 (2016: £54,672,581).

Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the Directors have assessed the likelihood of whether the Group will be able to continue trading over the foreseeable future versus the likelihood of either intending to or being forced to either cease trading or putting the Group into liquidation.

The ability of the Group to meet its obligations on the Bonds and to meet its operating and administrative expenses is dependent on the extent that it receives the amounts due on the Partnership Loans from The Tesco Blue Limited Partnership and The Teesport Limited Partnership (the "Borrowers") and the ability of the Borrowers to discharge their obligations under the Partnership Loans depends primarily on the ability of Tesco PLC to discharge its obligations under the Property Portfolio leases. The Bonds are secured over all of the assets of Tesco Property Finance 1 PLC and the Partnership Loans are secured over the property portfolio of the Borrowers.

The Bond holders have no further recourse to the TPF1 PLC should the receipts on the Partnership Loans and the proceeds from any enforcement action over the Partnership Loans be insufficient to meet these obligations. During the period and after the Balance Sheet date, the Borrowers have continued to meet its liabilities to TPF1 PLC as they fall due.

The Directors have noted that at the Balance Sheet date the Group is in a net asset position. The Standard and Poor's credit rating of Tesco PLC was BB+ as at 25 February 2017, with the credit rating of the Bonds rated at Ba1 by Moody's rating services.

Therefore, the Directors consider that the Group is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

Future developments and financial risk management disclosures are strategic in nature and have been presented in the Strategic Report on page 2.

Political donations

There were no political donations for the period (2016: £nil).

Research and development

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

Employees

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

TESCO BLUE (GP) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

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.

Directors and their interests

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

R Ager (Resigned 22 March 2017)

R Smith

J Gibney

Tesco Services Limited

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

Directors' indemnities

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 may not be indemnified, Tesco PLC maintained a Directors' and Officers' liability insurance policy throughout the financial period.

Statement of Directors' responsibilities

The Directors are responsible for preparing the consolidated 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 prepared the Group and parent Company financial statements in accordance with FRS 102 (the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland). Under the Companies Act 2006, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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, disclose with reasonable accuracy at any time the financial position of the Company and the Group, 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TESCO BLUE (GP) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

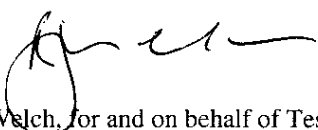
Disclosure of information to auditor

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 auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director to make himself 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 s418 of the Companies Act 2006.

On behalf of the Board 16 August 2017.



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

Tesco Blue (GP) Limited

Registered Number: 05721650

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TESCO BLUE (GP) LIMITED

We have audited the financial statements of Tesco Blue (GP) Limited for the period ended 25 February 2017 which comprise the Group Profit and Loss Account, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Financial Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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. 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.

Respective responsibilities of the directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

In our opinion the financial statements:

- give a true and fair view of the state of the Group and parent company's affairs as at 25 February 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have 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 Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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



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

Date: 16 August 2017

16 August 2017

TESCO BLUE (GP) LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

	Notes	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Interest receivable and similar income	3	35,048,943	36,139,120
Interest payable and similar charges	4	(35,049,734)	(36,144,910)
Net interest expense		(791)	(5,790)
Increase/(decrease) in the fair value of the Blue Partnership Swaps	5	87,062,501	(23,512,094)
Increase/(decrease) in the fair value of the Teesport Swap	5	20,735,258	(5,593,846)
(Decrease)/increase in the fair value of the Issuer Swaps	5	(107,797,760)	29,105,940
Other operating income		110,371	84,430
Administrative expenses		(95,162)	(54,430)
Profit before taxation		14,417	24,210
Tax charge on profit	6	(3,760)	(5,632)
Profit for the financial period		10,657	18,578

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Profit for the period	10,657	18,578
Total comprehensive income for the period	10,657	18,578

All operations are continuing for the financial period.

The notes on pages 12 to 26 form part of these financial statements.

TESCO BLUE (GP) LIMITED

GROUP AND COMPANY BALANCE SHEETS AS AT 25 FEBRUARY 2017

	Notes	Group		Company	
		25 February 2017 £	27 February 2016 £	25 February 2017 £	27 February 2016 £
Fixed assets					
Investments	7	55,001	55,001	100,961	100,961
Loans	8	380,354,446	387,129,465	-	-
		380,409,447	387,184,466	100,961	100,961
Current assets					
Blue Partnership Swaps	5	130,613,270	43,550,769	-	-
Teesport Partnership Swaps	5	31,187,903	10,452,645	-	-
Loans	8	6,907,680	6,405,292	-	-
Deferred tax asset	9	7,131	5,891	6,783	5,891
Debtors: Amounts falling due within one year	10	3,842,638	4,029,722	5,575	4,575
Cash at bank and in hand		430,191	408,169	132,003	132,003
		172,988,813	64,852,488	144,361	142,469
Creditors: Amounts falling due within one year	11	(10,627,868)	(10,179,907)	(57)	(57)
Net current assets		162,360,945	54,672,581	144,304	142,412
Total assets less current liabilities		542,770,392	441,857,047	245,265	243,373
Creditors: Amounts falling due after more than one year	12	(542,033,121)	(441,130,433)	(1,000)	-
Net assets		737,271	726,614	244,265	243,373
Capital and reserves					
Called up share capital	13	10,000	10,000	10,000	10,000
Share premium		198,535	198,535	198,535	198,535
Unrealised reserve		32,360	32,360	32,360	32,360
Profit and loss account		496,376	485,719	3,370	2,478
Total shareholders' funds		737,271	726,614	244,265	243,373

The Company's total profit for the financial period was £892 (2016: loss of £632)

The financial statements on pages 8 to 26 were approved by the Board of Directors on signed on its behalf by:

16 August 2017. They were



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

Tesco Blue (GP) Limited

Registered Number: 05721650

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

TESCO BLUE (GP) LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY AS AT 25 FEBRUARY 2017

	Called up share capital	Share Premium	Unrealised reserve	Profit & loss Account	Total
	£	£	£	£	£
Balance as at 28 February 2015	10,000	198,535	32,360	467,141	708,036
Total comprehensive income for the period	-	-	-	18,578	18,578
Balance as at 27 February 2016	10,000	198,535	32,360	485,719	726,614
Total comprehensive income for the period	-	-	-	10,657	10,657
Balance as at 25 February 2017	10,000	198,535	32,360	496,376	737,271

COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 25 FEBRUARY 2017

	Called up share capital	Share Premium	Unrealised reserve	Profit & Loss Account	Total
	£	£	£	£	£
Balance as at 28 February 2015	10,000	198,535	32,360	3,110	244,005
Total comprehensive loss for the period	-	-	-	(632)	(632)
Balance as at 27 February 2016	10,000	198,535	32,360	2,478	243,373
Total comprehensive income for the period	-	-	-	892	892
Balance as at 25 February 2017	10,000	198,535	32,360	3,370	244,265

TESCO BLUE (GP) LIMITED

GROUP CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

	Notes	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Cash flows from operating activities	14	26,600	23,404
Cash flows from investing activities			
Interest received		35,103,354	35,951,648
Interest paid		(35,102,934)	(35,950,940)
		420	708
Taxation paid		(5,000)	(5,784)
Cash flows from financing activities			
Capital repayments on loans receivable		6,405,301	5,939,448
Decrease in borrowings		(6,405,299)	(5,939,446)
Net increase in cash and cash equivalents		22,022	18,330
Cash and cash equivalents at beginning of period		408,169	389,839
Cash and cash equivalents at end of period		430,191	408,169

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

1. ACCOUNTING POLICIES

General information

Tesco Blue (GP) Limited “the Company” is a private company incorporated in England and Wales under the Companies Act 2006 and limited by shares. The address of the registered office is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA. The nature of the Company's operations and its principal activities are set out in the strategic report on page 1. Details of the Company's subsidiaries are set out in Note 7.

The functional currency of the Company is pound sterling because that is the currency of the primary economic environment in which the Partnership operates. The consolidated financial statements are also presented in pound sterling.

Basis of preparation of financial statements

The financial statements are prepared on the going concern basis, in accordance with applicable United Kingdom accounting standards, under the historical cost convention as modified by revaluation of certain financial instruments in accordance with The Companies Act 2006 and applicable accounting standards. The Group's principal accounting policies have been applied consistently during the period and are set out below. The Directors have adjusted the format of the Profit and Loss account as allowed under Companies Act 2006 (SI 2008/410), Schedule 1, part 1, paragraph 4(1). In the opinion of the Directors, interest income is a more appropriate measurement of the Group's performance than turnover and cost of sales.

Basis of consolidation

The financial statements of the Company have been prepared in accordance with FRS 102 (the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland). The financial statements are also prepared in accordance with The Companies Act 2006 as applicable to entities reporting under FRS 102, and are prepared under the historical cost convention, as modified by the revaluation of certain investment properties, financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

As a consolidated Group Profit and Loss account is published, a separate Profit and Loss account for the Parent Company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006.

Loans

Loans are non-derivative financial assets with fixed or determinable repayments and are not quoted in an active market. They are classified as loans and receivables. The Loans are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Profit and Loss account when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Segmental analysis

The whole Group's operations are carried out in the United Kingdom and Republic of Ireland and the results and net assets are derived from the issuance of the Bond and the advances of the Loans to the Blue Partnership and the Teesport Partnership.

Financial instruments

All financial assets and liabilities entered into by TPF1 PLC have been recognised in the Group Balance Sheet.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

All financial assets and liabilities entered into by TPF1 PLC have been recognised in the Group Balance Sheet.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Balance Sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss. Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets and liabilities (continued)

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 Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or (c) the Group, 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.

(ii) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to RPI-rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in Profit or Loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in Profit or Loss depends on the nature of the hedge relationship.

(iii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; or
- Level 3 inputs are unobservable inputs for the asset or liability.

Bonds

The Bonds issued by TPF1 PLC are initially recognised at fair value on the date of their issuance and are subsequently measured at amortised cost using the effective interest rate method.

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 & Loss. The Company elected to adopt the cost model for holding its fixed asset investments as permitted under Section 16 of FRS 102. The fair value of the assets as at the date of transition has been adopted as the deemed cost of the assets on transfer, as permitted under Section 35, paragraph 10 of FRS 102.

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

1. ACCOUNTING POLICIES (continued)

Impairment

The Group assesses at each Balance Sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

If there is objective evidence that an impairment loss on a financial asset classified as loans and receivable has been incurred, the Group measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are recognised in profit or loss and the carrying amount of the financial asset reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. Once an impairment loss has been recognised on a financial asset, interest income is recognised on the carrying amount using the rate of interest at which estimated future cash flows were discounted on measuring impairment.

Other income

Other operating income represents an amount charged during the period and on the Closing Date by the TPF1 PLC to the Blue Partnership and the Teesport Partnership in accordance with the Prospectus, equal to all the fees, costs and expenses incurred by TPF1 PLC in connection with the making of the Loans, the issue of the Bonds, the entry into the Partnership Swap, the Teesport Partnership Swap and the Issuer Swap and the negotiation, preparation and execution of each issuer transaction documents, as defined in the Prospectus.

Taxation

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.

TPF1 PLC has elected into the securitisation regime and the tax charge for the Group has been calculated on this basis.

The 'Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)' ensures that, subject to certain conditions being met and an election being made, for periods commencing on or after 1 January 2007, Corporation Tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement.

The Directors are satisfied that TPF1 PLC meets the definition of a 'securitisation company' as defined by both the Act and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As a result, deferred tax is no longer provided for.

The Directors have elected that TPF1 PLC be taxed by reference to the profit required to be retained in accordance with the applicable capital market arrangement.

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

1. ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax on all subsidiaries other than TPF1 PLC is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Interest payable and receivable

Interest payable and receivable is calculated on an accruals basis. Interest income on financial assets that are classified as loans and receivables and interest expense on financial liabilities other than those at fair value through profit or loss is determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liabilities and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

2. OPERATING PROFIT

The Directors received no emoluments for their services to the Company (2016: £nil).

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

The auditor's remuneration of £6,150 (2016: £6,150) for the current period and prior period was borne by the Partnership.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Interest receivable on loans	30,250,611	30,958,350
Interest receivable on bank deposits	423	631
Amount receivable in respect of RPI-linked interest rate swap contract	4,797,909	5,180,139
	35,048,943	36,139,120

4. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Interest payable on bonds	30,251,825	30,964,848
Amount payable in respect of RPI-linked interest rate swap contract	4,797,909	5,180,062
	35,049,734	36,144,910

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

5. MOVEMENTS IN THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

The movements in the fair values of the Issuer Swap, the Blue Partnership Swap and the Teesport Partnership Swap are based on the changes in assumptions of future movements in market interest rates and the RPI. The Issuer Swap, the Blue Partnership Swap and the Teesport Partnership Swap fall due after more than one year.

6. TAX ON PROFIT

Factors that have affected the tax charge

The standard rate of corporation tax for small companies is 20% (2016: 20%)

	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Current tax:		
United Kingdom corporation tax on profit for the financial period	5,000	5,000
Total current tax	5,000	5,000
Deferred tax:		
Origination and reversal of temporary differences	(206)	(210)
Effect of decrease in tax rate on opening liability	385	842
Adjustments in respect of previous periods	(1,419)	-
Total deferred tax	(1,240)	632
Tax on profit	3,760	5,632

The tax assessed for the period is lower (2016: higher) than the standard rate of corporation tax in the United Kingdom of 20% (2016: 20%). The differences are explained below:

	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Profit before tax	14,417	24,210
Profit multiplied by standard rate in the UK 20% (2016: 20%)	2,883	4,842
Effects of:		
Expenses not deductible for tax purposes	13	9
Income not taxable in determining taxable profit	(219)	(219)
Adjustments to tax charge in respect of previous periods	(1,419)	-
Impact of rate change	385	842
Accounting profits not taxed in accordance with SI 2006/3296	(2,883)	(4,842)
Cash retained profit taxed in accordance with SI 2006/3296	5,000	5,000
Other items	-	-
Total tax charge for the financial period	3,760	5,632

For United Kingdom Corporation Tax purposes, the main subsidiary has been considered a Securitisation Company under the 'Taxation of Securitisation Companies Regulation 2006 (SI 2006/3296)'. Therefore, the main subsidiary is not required to pay Corporation Tax on its accounting profit or loss. Instead, the main subsidiary is required to pay tax on its retained profits as specified in the document governing the Transaction.

The Finance Act 2016 included legislation to reduce the main rate of United Kingdom corporation tax from 20% to 19% from 1 April 2017. These rate reductions were substantively 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."

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

7. INVESTMENTS

	Group £	Company £
Cost		
At 27 February 2016	55,001	100,961
At 25 February 2017	55,001	100,961
Net book value		
At 27 February 2016	55,001	100,961
At 25 February 2017	55,001	100,961

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

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

Subsidiary undertakings	Registered office address	% Shares held	Direct/Indirect Holding	Nature of business
Teesport (GP) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	100%	Direct	Holding company
Tesco Depot Propco Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	100%	Direct	Nominee company
Tesco Property Finance 1 Holdco Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	100%	Direct	Holding company
Tesco Property Finance 1 PLC	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	100%	Indirect	Finance company
Tesco Blue (Nominee Holdco) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	100%	Direct	Holding company
Tesco Blue (Nominee 1) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	100%	Indirect	Nominee company
Tesco Blue (Nominee 2) Limited	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	100%	Indirect	Nominee company

Details of the associated undertakings at the period end are as follows:

Investments in associated companies	Registered office address	% Interest held	Nature of business
The Tesco Blue Limited Partnership	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	0.1%	Property investment
The Teesport Limited Partnership	Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA	0.1%	Property investment

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

8. LOANS

The loans bears interest at a fixed rate of 7.6227% and are secured by first charges over commercial properties as explained in more detail in the Directors' Report.

	Group 25 February 2017 £	Group 27 February 2016 £
Loans amount carried at amortised cost	387,262,126	393,534,757
	387,262,126	393,534,757

The maturity profile of the loans and subordinated loans at the period end was as follows:

	Group 25 February 2017 £	Group 27 February 2016 £
In one year or less	6,907,680	6,405,292
In more than one year	380,354,446	387,129,465
	387,262,126	393,534,757

The loans issued to the Partnership and the Teesport Partnership incur interest at a fixed rate of 7.6227% per annum and are repayable in instalments with a final repayment date on 13 July 2039.

9. DEFERRED TAX ASSET (GROUP)

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 substantively enacted by the balance sheet date:

	Short-term timing differences £	Transitional adjustments £	ACAs £	Tax losses £	Total £
At 27 February 2016	7,589	(364)	(3,268)	1,934	5,891
Origination and reversal of temporary differences					
- In respect of the current period	1,449	72	(141)	(1,174)	206
- In respect of rate change	(724)	22	197	120	(385)
- In respect of prior periods	1,546	(223)	94	2	1,419
At 25 February 2017	9,860	(493)	(3,118)	882	7,131

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

9. DEFERRED TAX ASSET (COMPANY)

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 substantively enacted by the balance sheet date:

	Short-term timing differences	Transitional adjustments	ACAs	Tax losses	Total
	£	£	£	£	£
At 27 February 2016	7,589	(364)	(3,268)	1,934	5,891
Origination and reversal of temporary differences					
- In respect of the current period	1,187	45	(70)	(949)	213
- In respect of rate change	(599)	14	99	121	(365)
- In respect of prior periods	1	(1)	1,684	(640)	1,044
At 25 February 2017	8,178	(306)	(1,555)	466	6,783

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	25 February 2017	27 February 2016	25 February 2017	27 February 2016
	£	£	£	£
Other debtors	9,690	9,690	-	-
Loan to TPF1 PLC	-	-	5,575	4,575
Accrued interest	3,832,948	4,020,032	-	-
	3,842,638	4,029,722	5,575	4,575

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	25 February 2017	27 February 2016	25 February 2017	27 February 2016
	£	£	£	£
Amounts owed to Group undertakings	12,219	827	57	57
Corporation tax	5,000	5,000	-	-
Bonds	6,907,690	6,405,300	-	-
Accruals and deferred income	3,702,959	3,768,780	-	-
	10,627,868	10,179,907	57	57

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

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	25 February 2017	27 February 2016	25 February 2017	27 February 2016
	£	£	£	£
Bonds	380,231,948	387,127,019	-	-
Issuer swaps	161,801,173	54,003,414	-	-
Amounts owed to Group undertakings	-	-	1,000	-
	542,033,121	441,130,433	1,000	-

The Bonds issued from the market incur interest at a fixed rate of 7.6227% per annum and are repayable on 13 July 2039. Issue costs of £6,533,125 were incurred and offset by the discount extended on the Partnership and the Teesport Partnership Loans. These issue cost and discount amounts are unwound over the term of the Bonds and Loans via the effective interest rate adjustment.

13. CALLED UP SHARE CAPITAL

	Group		Company	
	25 February 2017	27 February 2016	25 February 2017	27 February 2016
	£	£	£	£
Allotted, called up and fully paid:				
5,000 'Ordinary A' (2015: 5,000) shares of £1 each	5,000	5,000	5,000	5,000
5,000 'Ordinary B' (2015: 5,000) shares of £1 each	5,000	5,000	5,000	5,000
	10,000	10,000	10,000	10,000

14. NET CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities

	25 February 2017	27 February 2016
	£	£
Profit on ordinary activities before taxation	14,417	24,210
Change in debtors	-	(6,596)
Change in creditors	11,392	-
Interest receivable and similar income	(35,048,943)	(36,139,120)
Interest payable and similar charges	35,049,734	36,144,910
Net cash inflow from operating activities	26,600	23,404

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

15. FINANCIAL INSTRUMENTS

The narrative disclosure required by FRS 102 Section 11 in relation to the nature of the financial instruments used during the period to mitigate credit, market and liquidity risks exposures is shown in the Group Strategic Report under the heading 'Principal risks and uncertainties and key performance indicators' and is incorporated within this note by reference.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group's exposure to risks on its financial instruments and the management of such risks are largely determined from inception of the securitisation transaction. The Group's activities and the role of each party to the transaction is clearly defined and documented. Cash flow modelling, including multiple stress scenarios, was carried out as part of the structuring of the transaction, and as such was required by the rating agencies to establish the appropriate rating levels for the Bonds.

The derivative counterparties are selected as credit rated entities, thereby reducing the risk of default and consequent loss for the Group.

Following initial set-up, the Directors monitor the Group's performance. Such review is designed to ensure that the terms of the documentation have been met, that no unforeseen risks have arisen and that the Bondholders have been paid on a timely basis.

Credit risk

The maximum exposure to credit risk arising on the Group's financial assets at the reporting date is disclosed in the table below.

	Carrying Value 25 February 2017 £	Maximum Exposure 25 February 2017 £	Carrying Value 27 February 2016 £	Maximum Exposure 27 February 2016 £
Assets:				
Loans and subordinated loans	387,269,126	393,521,767	393,541,757	399,927,066
Blue & Teesport Partnership	161,801,173	161,801,173	54,003,414	54,003,414
Swaps				
Other debtors	3,880,138	3,880,138	4,067,221	4,067,221
	552,950,437	559,203,078	451,612,392	457,997,701

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

15. FINANCIAL INSTRUMENTS (continued)

The table below sets out the carrying amount, impairment and the approximate fair value of the collateral held against the credit risk exposures to the Loans and the subordinated loans. The estimate of the fair value of the collateral is based on the most recent valuation performed on 25 June 2015.

25 February 2017	Carrying value £	Fair value of collateral £
Loans and subordinated loans:		
Neither past due nor impaired	387,269,126	575,980,000
	387,269,126	575,980,000

27 February 2016	Carrying value £	Fair value of collateral £
Loans and subordinated loans:		
Neither past due nor impaired	393,541,757	587,010,000
	393,541,757	587,010,000

The Loans are secured over commercial properties in the United Kingdom. The properties are not concentrated in any specific area. Impairment to date has been nil as there have been no defaults on either the interest or principal repayments.

Market risk

Interest on the Loans and the Bonds is set at a fixed rate and is payable quarterly in arrears at the following rates:

Balance at 25 February 2017:	£	Rate
Loans	387,262,126	7.6227%
Bonds	387,139,638	7.6227%
Balance at 27 February 2016:	£	Rate
Loans	393,534,757	7.6227%
Bonds	393,532,318	7.6227%

Fair value of financial assets and liabilities

The following table shows the carrying value and fair value of the Group's financial assets and liabilities:

	25 February 2017 £ Carrying value	25 February 2017 £ Fair value	27 February 2016 £ Carrying value	27 February 2016 £ Fair value
Assets:				
Loans	387,262,126	480,458,596	393,534,757	399,743,033
Subordinated loans	7,000	7,000	7,000	7,000
Blue & Teesport Partnership Swaps	161,801,173	161,801,173	54,003,414	54,003,414
	549,070,299	642,266,769	447,545,171	453,753,447
Liabilities:				
Bonds	387,139,638	480,458,596	393,532,318	399,743,033
Issuer Swaps	161,801,173	161,801,173	54,003,414	54,003,414
	548,940,811	642,259,769	447,535,732	453,746,447

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

15. FINANCIAL INSTRUMENTS (continued)

The Bonds are listed on the Irish Stock Exchange. The fair value of the Bonds is based upon available market prices. Market prices of the Bonds depend on how the Loans are performing, therefore the fair values of the Loans have been calculated as being in line with the total fair value of the Bonds, after allowing for the impact of the derivatives.

Due to the short term nature of prepayments and accrued income, other debtors, accruals and deferred income and corporation tax, their fair value is approximate to their carrying value.

Amounts receivable on the Partnership swaps and payable on the Issuer swaps are variable with inflation. Fixed amounts payable total £9,177,659 (2016: £9,177,659) and the floating amounts payable are determined with reference to a total initial amount of £6,547,185 (2016: £6,547,185) indexed for inflation. Amounts are payable on each loan payment date. The swap valuations above, based on the discounted expected future cash flows associated with the swaps, are linked to future inflation levels as referenced by the RPI and this gives rise to inherent uncertainty as to their fair value. However, given that the structure has equal and opposite agreements in place, the net impact on net assets and the Profit and Loss account of any changes to underlying assumptions will be nil.

FRS 102 Section 11 in relation to the nature of the financial instruments that are measured in the Balance Sheet at fair value requires them to be put into a fair value measurement hierarchy based on fair value measurement as detailed below:

- Quoted prices (unadjusted) in active market for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The only financial instruments included in the Group's Balance Sheet that are measured at fair value are derivative transactions. As the fair value of such derivatives is calculated by discounting future cash flows using appropriate observable market data and also unobservable data in relation to longer term inflation expectations, these fall within level 3 of the hierarchy.

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

15. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its financial obligations as they fall due or can do so only at an unacceptably high cost. The Group's ability to meet payments on the Bonds as they fall due is dependent on timely receipt of funds which may be delayed due to slow repayments on the Loans. The table below reflects the undiscounted contractual cash flows of financial liabilities at the Balance Sheet date of both derivative and non-derivative financial instruments.

As at 25 February 2017	Carrying value £	Gross cash flows £	After 1 month but within 3 months £	After 3 months but within 1 year £	After 1 year but within 5 years £	After 5 years £
Non-derivative financial instruments:						
Bonds	387,139,638	393,521,767	1,678,335	5,229,355	33,490,593	353,123,484
Interest payable on Bonds	3,702,962	432,657,513	7,396,516	22,404,869	113,422,153	289,433,975
Total non-derivative financial instruments	390,842,600	826,179,280	9,074,851	27,634,224	146,912,746	642,557,459
Issuer swaps	161,801,173	272,324,666	(1,174,052)	(2,939,064)	(4,467,257)	280,905,039
Total derivative financial instruments	161,801,173	272,324,666	(1,174,052)	(2,939,064)	(4,467,257)	280,905,039
Total at 25 February 2017	552,643,773	1,098,503,946	7,900,799	24,695,160	142,445,489	923,462,498

As at 27 February 2016	Carrying value £	Gross cash flows £	After 1 month but within 3 months £	After 3 months but within 1 year £	After 1 year but within 5 years £	After 5 years £
Non-derivative financial instruments:						
Bonds	393,532,318	399,927,066	1,556,271	4,849,028	31,054,846	362,466,921
Interest payable on Bonds	3,768,780	463,044,902	7,600,430	22,786,959	115,858,341	316,799,172
Total non-derivative financial instruments	397,301,098	862,971,968	9,156,701	27,635,987	146,913,187	679,266,093
Issuer swaps	54,003,414	208,676,754	(1,082,459)	(3,006,313)	(10,983,955)	223,749,481
Total derivative financial instruments	54,003,414	208,676,754	(1,082,459)	(3,006,313)	(10,983,955)	223,749,481
Total at 27 February 2016	451,304,512	1,071,648,722	8,074,242	24,629,674	135,929,232	903,015,574

TESCO BLUE (GP) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertakings are Tesco Property Holdings (No.2) Limited and Tesco Pension Trustees Limited. Tesco Pension Trustees Limited holds the shares in Tesco Blue (GP) Limited on behalf of the Tesco PLC Pension Scheme (the "Scheme") and is required to act in the best interests of the Scheme.

The ultimate parent company of Tesco Pension Trustees Limited and Tesco Property Holdings (No.2) Limited is Tesco PLC, which is incorporated in United Kingdom and registered in England and Wales. Copies of the Tesco PLC Annual Report and Financial statements can be obtained from The Company Secretary at its registered office:, Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA.

17. RELATED PARTY TRANSACTIONS

Entity	Relationship	Transaction
The Tesco Blue Limited Partnership	Tesco Blue (GP) Limited is a parent company of Tesco Property Finance 1 and is the general partner of The Tesco Blue Limited Partnership	<p>Tesco Property Finance 1 PLC ("TPF1 PLC") earned income of £88,208 (2016: £93,552) from the Partnership for ongoing fees for the period.</p> <p>TPF1 PLC was charged swap interest of £3,876,255 (2016: £4,185,001) by the Partnership.</p> <p>TPF1 PLC earned loan interest of £24,720,231 (2016: £25,186,084) from the Partnership.</p> <p>The principal loan amounts due to TPF1 PLC at period end from the Partnership amounted to £314,152,696 (2016: £320,450,027).</p>
The Teesport Limited Partnership	Tesco Blue (GP) Limited owns 100% of Teesport (GP) who is the General Partner of The Teesport Limited Partnership. Tesco Blue (GP) Limited is the parent company of Tesco Property Finance 1 PLC.	<p>Tesco Property Finance 1 PLC ("TPF1 PLC") earned income of £22,163 (2016: £21,102) from the Partnership for ongoing fees for the period.</p> <p>TPF1 PLC was charged swap interest of £921,654 (2016: £995,061) by Partnership.</p> <p>TPF1 PLC earned loan interest of £5,584,793 (2016: £5,584,793) from the Partnership.</p> <p>The principal loan amounts due to TPF1 PLC at period end from the Partnership amounted to £73,109,430 (2016: £73,084,730).</p>

There were no further related party transactions.

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THE TESCO BLUE LIMITED PARTNERSHIP
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

Registered Number: LP011521



COMPANIES HOUSE

THE TESCO BLUE LIMITED PARTNERSHIP

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

Tesco Blue (GP) Limited (the "General Partner") presents its Strategic Report of The Tesco Blue Limited Partnership (the "Partnership") for the 52 weeks ended 25 February 2017. (the prior financial period being the 52 weeks ended 27 February 2016).

Business review and principal activities

The principal activity of the Partnership is to carry out property investment in retail stores and one distribution centre for which a rental income is received. There has been no significant change in the nature or level of this activity during the period and the General Partner does not expect this to change significantly throughout the next financial period. The financial statements of the Partnership have been prepared in accordance with FRS 102.

Results and distributions

The results for the period show a total comprehensive loss of £86,436,735 (2016: total comprehensive income of £190,887) and rental income of £26,167,602 (2016: £25,933,253). During the period the Partnership distributed £nil (2016: £nil).

The Partnership has net assets of £33,595,577 at the period end (2016: net assets of £120,032,312) and has net current liabilities of £7,347,981 (2016: net current liabilities of £6,705,199). The General Partner does not consider this a going concern risk as future rental income streams are guaranteed through an Retail Price Index ("RPI")-linked swap to ensure that the Partnership can meet its financial obligations. With the swap arrangement deemed to be commercially viable, the General Partner believes that the Partnership will continue as a going concern.

Future developments

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

Principal risks and uncertainties, financial risk management and objectives

The Partnership's activities expose it to risks and uncertainties as summarised below. The Partnership's financial instruments comprise the Partnership Loan and an RPI-linked swap arrangement.

Business risk

On 29 March 2017, the United Kingdom government invoked Article 50, initiating 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.

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 credit risk posed by the Partnership's sole customer, Tesco PLC, is determined to be low, yet the Partnership monitors the credit risk of Tesco PLC to ensure their ability to discharge their obligations as lessee.

The Partnership's credit risk is also managed through the use of a RPI-rate swap contract to fix its cash inflows so that it is able to meet its fixed rate interest and capital repayments along with its administrative costs.

Liquidity risk

Liquidity risk is the risk that the Partnership will encounter difficulty in meeting its obligations associated with its financial liabilities. The principal risks and uncertainties are related to property investments in the retail stores and distribution centre; and the obligation to make repayments against the loans when due. These risks include the exposure to fluctuations in the market value of the investment properties. The Partnership manages this using a managing agent, who manages its occupational leases and actively manages the receipt of arrears for the Partnership.

Cash flow risk

The Partnership's activities expose it primarily to the financial risks of changes in RPI rates which could cause the Partnership difficulty in meeting its obligations if RPI does not rise enough to enable the Partnership to meet its obligations under the loan agreement. See Note 11 for further information with regards to the risks identified. The Partnership uses RPI-rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

THE TESCO BLUE LIMITED PARTNERSHIP

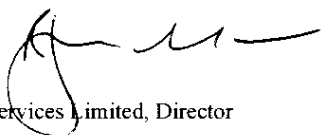
STRATEGIC REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

Key performance indicators (KPIs)

Given the straightforward nature of the business, the General Partner is of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

On behalf of the General Partner

16 August 2017.



Tesco Services Limited, Director

For and on behalf of the General Partner

Tesco Blue (GP) Limited

Registered Number: 05721650

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

THE TESCO BLUE LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

The General Partner presents its report and the audited financial statements of the Partnership for the 52 weeks ended 25 February 2017 (prior period: 52 weeks ended 27 February 2016). During the period, Tesco Blue (GP) Limited acted as the General Partner and Tesco Blue (3LP) Limited and Tesco Blue Unit Trust acted as limited partners of the Partnership.

On 28 June 2016, Tesco Blue (1LP) Limited was liquidated with its interest in The Tesco Blue Limited Partnership transferred to Tesco Blue (3LP) Limited, a company incorporated in England and Wales.

The Partnership was originally constituted under an Initial Partnership Agreement, which was then superseded by the amended and restated Limited Partnership Deed (the "Limited Partnership Deed") on 25 June 2009.

Future development disclosures are strategic in nature and have been presented in the Strategic Report on page 1.

Political donations

There were no political donations for the period (2016: £nil).

Going concern

In order to form a view as to the most appropriate basis of preparation of these financial statements, the General Partner has assessed the likelihood of whether the Limited Partnership will be able to continue trading over the foreseeable future versus the likelihood of either intending to or being forced to either cease trading or putting the Partnership into liquidation.

The ability of the Partnership to meet its obligations on the loans and to meet its operating and administrative expenses is dependent on the extent that it receives the amounts due from its sole customer, Tesco PLC and its ability to discharge its obligations under the Property Portfolio leases.

While the securitisation structure is credit-linked to Tesco PLC and relies on rental receipts under the occupational lease, any changes in Tesco PLC's credit rating is not expected to directly impact the Partnership's ability to repay the Partnership Loan and consequently the Partnership's ability to repay the loans and its administrative costs. The Partnership has also entered into a derivative financial instrument to fix its cash inflows, thereby allowing the Partnership to meet its obligation whilst annual RPI increases to rental income are lower than expected.

The General Partner has noted that, at the reporting date the Partnership is in a net asset position, yet a net current liability position. The General Partner does not consider this a going concern risk with liabilities being offset by committed future rentals income streams that are also RPI-linked.

The General Partner does not consider this a going concern risk as future rental income streams are guaranteed through an RPI-linked swap to ensure that the Partnership can meet its financial obligations. With the swap arrangement deemed to be commercially viable, the General Partner believes that the Partnership will continue as a going concern.

Therefore, the General Partner considers that the Partnership is able to meet its liabilities as they fall due, and accordingly, the financial statements have been prepared on a going concern basis.

Research and development

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

Employees

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

Partners

The partners, including the General Partner, are set out in Note 12 of the financial statements

THE TESCO BLUE LIMITED PARTNERSHIP

GENERAL PARTNER'S REPORT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

Auditor

Deloitte LLP have been deemed re-appointed under section 487 of the Companies Act 2006.

Statement of General Partner's responsibilities in respect of the financial statements

The General Partner is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Companies Act 2006 as applied to qualifying Partnerships by the Partnerships (Accounts) Regulations 2008 (the "Regulations") requires the Partnership to prepare financial statements for each financial period. Under the Companies Act 2006, as applied to qualifying Partnerships, the General Partner 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 Partnership and of the profit or loss of the Partnership for that period. In preparing these financial statements, the General Partner is 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, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The General Partner is responsible for keeping adequate accounting records that are sufficient to show and explain the Partnership's transactions, disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applicable to Limited Partnerships. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

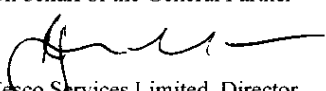
At the date of approval of this report, the General Partner confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. The financial statements have been prepared in accordance with part 13 of the Limited Partnership Deed (2010) and Part 15 of the Companies Act 2006 as required under the Regulations.

On behalf of the General Partner

16 August 2017.


Tesco Services Limited, Director
For and on behalf of the General Partner
Tesco Blue (GP) Limited
Registered Number: 05721650

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

INDEPENDENT AUDITOR'S REPORT TO THE PARTNERS OF THE TESCO BLUE LIMITED PARTNERSHIP

We have audited the financial statements of The Tesco Blue Limited Partnership for the period ended 25 February 2017 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Partners' Interests, the Statement of Cash Flows, 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 (United Kingdom Financial Reporting Standards 102), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the qualifying partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to qualifying partnerships by The Partnerships (Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the qualifying partnership'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 qualifying partnership and the qualifying partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the general partner and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the qualifying partnership's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the General Partner; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the qualifying partnership's affairs as at 25 February 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Financial Reporting Standards 102 (FRS 102); and
- have been prepared in accordance with the requirement of the Companies Act 2006 as applied to Qualifying Partnerships.

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 Strategic Report and the General Partner's Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the General Partner's Report have 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 Strategic Report and the General Partner's Report.

INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF THE TESCO BLUE LIMITED PARTNERSHIP

Matters on which we are required to report by exception

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

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



Rebecca Drew (Statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom.
16 August 2017

THE TESCO BLUE LIMITED PARTNERSHIP

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

		52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
	Notes		
Rental income		26,167,602	25,933,253
Administrative expenses		(408,537)	(395,665)
Loss on revaluation of investment property	7	(4,000,000)	(27,590,000)
Operating profit/(loss)	3	21,759,065	(2,052,412)
Interest receivable and similar income	4	3,819,598	4,136,996
Interest payable and similar charges	5	(24,952,897)	(25,405,791)
Profit/(loss) before taxation		625,766	(23,321,207)
Tax on profit	6	-	-
Profit/(loss) for the financial period		625,766	(23,321,207)

STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Profit /(loss) for the period	625,766	(23,321,207)
Other comprehensive income		
<i>Cash flow hedges</i>		
(Losses)/gains arising in the period:	(87,062,501)	23,512,094
Total comprehensive (loss)/income for the period	(86,436,735)	190,887

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

All operations are continuing for the financial period.

The notes on pages 11 to 21 form part of these financial statements.

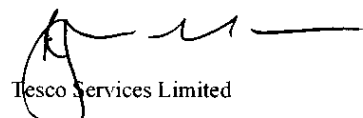
THE TESCO BLUE LIMITED PARTNERSHIP

STATEMENT OF FINANCIAL POSITION AS AT 25 FEBRUARY 2017

	Notes	25 February 2017 £	27 February 2016 £
Fixed assets			
Investment properties	7	480,980,000	484,980,000
Investments		998	998
		480,980,998	484,980,998
Current assets			
Debtors: amounts falling due within one year	8	660,124	653,034
Cash at bank and in hand		977,880	693,918
		1,638,004	1,346,952
Creditors: amounts falling due within one year	9	(8,985,985)	(8,052,151)
Net current liabilities		(7,347,981)	(6,705,199)
Total assets less current liabilities		473,633,017	478,275,799
Creditors: amounts falling due after more than one year	10	(440,037,440)	(358,243,487)
Net assets		33,595,577	120,032,312
Partners' interests			
Partners' capital accounts	12	400,000	400,000
Hedge reserve	12	(130,613,270)	(43,550,769)
Profit and loss reserve	12	163,808,847	163,183,081
Partners' interests	12	33,595,577	120,032,312

The financial statements on pages 7 to 21 were approved by the General Partner and authorised for issue on 16 August 2017.

They were signed on its behalf by:



Tesco Services Limited

For and on behalf of the General Partner

Tesco Blue (GP) Limited

Registered Number: 05721650

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

THE TESCO BLUE LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' INTERESTS AS AT 25 FEBRUARY 2017

	Partners' capital accounts	Hedge Reserve	Profit & Loss Reserve	Total
	£	£	£	£
Balance as at 28 February 2015	400,000	(67,062,863)	186,504,288	119,841,425
Total comprehensive income/(loss) for the period	-	23,512,094	(23,321,207)	190,887
Balance as at 27 February 2016	400,000	(43,550,769)	163,183,081	120,032,312
Total comprehensive (loss)/income for the period	-	(87,062,501)	625,766	(86,436,735)
Balance as at 25 February 2017	400,000	(130,613,270)	163,808,847	33,595,577

The notes on pages 11 to 21 form part of these financial statements.

THE TESCO BLUE LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

		52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
	Notes		
Cash flows from operating activities	13	26,063,904	25,617,375
Cash flows from investing activities			
Interest received		3,878,456	4,188,371
Interest paid		(24,598,167)	(25,405,789)
Cash flows from financing activities			
Loan repayments		(6,527,363)	(5,719,740)
Loan received		1,467,132	1,375,531
Loan recovered		-	91,602
Net increase in cash and cash equivalents		283,962	147,350
Cash and cash equivalents at beginning of period		693,918	546,568
Cash and cash equivalents at the end of period		977,880	693,918

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017

1. GENERAL INFORMATION

The Partnership was established on 14 August 2006 and is registered as a limited partnership in England and Wales under the Limited Partnership Act 1907. The Partnership was originally constituted under the Initial Partnership Agreement, which was then superseded by the Limited Partnership Deed on 25 June 2009.

The Partnership is limited by Partners' Capital. The functional currency of the Partnership is considered to be pounds sterling because that is the currency of the primary economic environment in which the Partnership operates.

The address of the registered office is: Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA. The nature of the Group's operations and its principal activities are set out in the General Partner's Report on pages 3 and 4.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Partnership have been prepared in accordance with FRS 102 (the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland) in accordance with the Companies Act 2006 (and as required by the amended and restated Limited Partnership Deed). They have been prepared under the historical cost convention, as modified by the revaluation of certain investment properties, financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

The Partnership also elected to adopt the fair value model for holding its Investment Property, as permitted under Section 16 of FRS 102.

The Partnership has included the fair value of its hedging instruments within the statement of financial position and hedging reserve, per Section 12 of FRS 102.

Investment properties

The Partnership carries its investment property at fair value, with changes in fair value being recognised through profit or loss. The Partnership engaged independent valuation specialists to determine fair value at 25 February 2017.

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 7.

No amortisation or depreciation is provided in respect of freehold or long leasehold properties. The departure from the requirements of The Companies Act 2006, which requires all properties to be depreciated, is, in the opinion of the General Partner, necessary to show a true and fair view. The financial effect of this departure cannot be reasonably quantified, as amortisation or depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

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.

The properties owned by the Partnership are being leased out under operating leases. Rental income is recognised in the profit and loss account when earned, with rent received in advance being deferred on the Statement of Financial Position.

The leases are subject to annual uplifts which are linked to the RPI, subject to a minimum annual increase of nil and a maximum annual increase of 5%.

100% of the rental income generated during the period was generated in the United Kingdom by letting out properties which are located in the United Kingdom.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

2. ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Partnership becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Partnership after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Partnership intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

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 Partnership transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or (c) the Partnership, 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 expires.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

2. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Derivative financial instruments

The Partnership uses derivative financial instruments to reduce exposure to RPI rate movements. The Partnership does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised through profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(iii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(iv) Hedge accounting

The Partnership designates certain derivatives as hedging instruments in cash flow. At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Partnership determines and documents causes for hedge ineffectiveness.

Note 11 sets out details of the fair values of the derivative instruments used for hedging purposes.

(v) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately through profit or loss. Amounts previously recognised in other comprehensive income and accumulated in Partners' Interests are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Partnership revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in Partners' Interests at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

2. ACCOUNTING POLICIES (continued)

Impairment of fixed assets

At each Statement of Financial Position date, the Partnership reviews the carrying amounts of the fixed assets 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.

Allocation of profits and drawings

The net profits of the Partnership incurred in each period are divided between its partners in the following proportions:

Tesco Blue (3LP) Limited	49.95%
Tesco Blue Unit Trust	49.95%
Tesco Blue (GP) Limited	0.10%

Any net losses of the Partnership in each period are borne by the partners in the same proportion that they share the balance of the net profits of the Partnership.

Going concern

The financial statement have been prepared on a going concern basis. The General Partner has assessed the appropriateness of using the going concern as set out in the General Partner's Report on page 3

Interest payable and receivable

Interest payable and receivable is calculated on an accruals basis.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Partnership's accounting policies, which are described in Note 2, the General Partner is 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 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.

The estimation of future RPI rates impact upon the valuation of the derivative instrument. Management has applied their own internal estimations of future RPI movements. This has been benchmarked against market-data for accuracy and is in line with the methodologies used by Tesco PLC in valuing their derivative instruments.

For investment properties, determining the value requires an estimation of expected open market rental income as well as an expected yield to calculate its fair value.

Amortisation of loan arrangement fee

The costs associated with the raising of long term finance for the Partnership are netted off against the loan to which they relate. The costs are being amortised on a straight-line basis, in line with the period over which the loan will be repaid.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

3. OPERATING PROFIT/(LOSS)

The General Partner received no emoluments in respect of its services to the Partnership (2016: £nil).

The auditor's remuneration in respect of audit services in the period amounted to £11,275 (2016: £11,275).

There were no employees of the Partnership during the period (2016: none).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Interest receivable on bank deposits	2,202	3,376
Income receivable on swap	3,817,396	4,133,620
	3,819,598	4,136,996

The interest on other loans is related to the interest rate swap (refer to Note 11) based on the loan from Tesco Property Finance 1 PLC.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks to 25 February 2017 £	52 weeks to 27 February 2016 £
Interest payable on other loans	24,952,897	25,404,791
	24,952,897	25,404,791

The interest payable on other loans is related to the loan provided by Tesco Property Finance 1 PLC, who in turn holds a back-to-back arrangement with Tesco PLC. Tesco PLC hold a cash-flow hedge arrangement externally. All arrangements have been set up to manage the cash flow fluctuations generated from the cash inflows of the Partnership.

Both the RPI swap and the loan are considered to be Level 2 financial liabilities under the fair value hierarchy, being that they are based on inputs other than quoted prices that are observable either directly or indirectly. This has been discussed further in Note 2.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

6. TAX ON PROFIT

The financial information does not incorporate any charge or liability for taxation on the results of the Partnership, as the relevant income tax or tax on capital gains is the responsibility of the individual members.

7. INVESTMENT PROPERTIES

	25 February 2017 £	27 February 2016 £
Valuation:		
As at the beginning of the period	484,980,000	512,570,000
Revaluation	(4,000,000)	(27,590,000)
As at the end of the period	480,980,000	484,980,000

The investment properties have been valued by Cushman & Wakefield LLP (the "Valuer") who is deemed to be a suitably qualified valuer of the General Partner on the basis of open market value at 25 February 2017. The valuation was carried out in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors (RICS).

The fair value has been determined by the Valuer, by applying an appropriate rental yield to the rentals earned by the investment properties. There are no lease incentives.

The property has been valued on the basis of market value which the Valuer confirms to be fair value, as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. This has been subject to any existing leases of guarantees; otherwise assuming vacant possession.

The average yield across the portfolio is 5.13% with an average rental income of £267.59 per square metre of gross internal floor area. There were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal, nor were there any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	25 February 2017 £	27 February 2016 £
Amounts owed by Tesco Property Finance 1 PLC	12,161	772
Accrued interest receivable	485,071	543,659
VAT	7,568	6,501
Amount owed by Tesco Blue Unit Trust	155,324	102,102
	660,124	653,034

Amount owed by Tesco Property Finance 1 PLC are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	25 February 2017 £	27 February 2016 £
Accruals and deferred income	2,319,124	1,948,337
Loan from Tesco Property Finance 1 PLC	6,666,861	6,103,814
	8,985,985	8,052,151

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	25 February 2017 £	27 February 2016 £
Loan from Tesco Property Finance 1 PLC	306,581,506	313,317,187
Loan from Teesport Limited Partnership	2,842,664	1,375,531
Back-to-back swap arrangement	130,613,270	43,550,469
	440,037,440	358,243,187

Amounts owed to the Teesport Limited Partnership undertakings are unsecured and interest free and is repayable in instalments. The name of all Partnership undertakings is disclosed in Note 15.

The loan from Tesco Property Finance 1 PLC incurs interest at a fixed rate of 7.6227% and has a maturity period to 2039. The loan principal at the date of issue was £345,628,056 and the loan issue cost were £12,377,149. The total value of the loan, net of loan issue costs, as at 25 February is £313,248,366 (2016: £319,421,001).

The Partnership holds a back-to-back arrangement with Tesco Property Finance 1 PLC. Both the swap and the loan are considered to be Level 2 financial liabilities under the fair value hierarchy, being that they are based on inputs other than quoted prices that are observable either directly or indirectly.

11. FINANCIAL INSTRUMENTS

The Partnership holds a back-to-back arrangement with Tesco PLC, who holds a RPI-linked derivative arrangement externally. Both the swap and the loan are considered to be Level 2 financial liabilities under the fair value hierarchy, being that they are based on inputs other than quoted prices that are observable either directly or indirectly.

The main financial risk faced by the Partnership relates to fluctuations in RPI rates, the risk of default by counterparties to financial transactions, and the availability of funds to meet business needs. The management of these risks is outsourced as approved in the Limited Partnership Deed. The outsourcing arrangements are monitored by the General Partner. The swap valuations above, based on the discounted expected future cash flows associated with the swaps, are linked to future inflation levels as referenced by the RPI and this gives rise to inherent uncertainty as to their fair value.

RPI rate risk

RPI rate risk arises from long-term borrowings. Debt issued at fixed rates, yet cash inflows are subject to annual uplifts in RPI that may not cover the Partnership's cash outflows. This exposes the Partnership to fair value risk. The management of these risks is outsourced as approved in the Partnership agreement.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

11. FINANCIAL INSTRUMENTS (continued)

During 2017 and 2016, net debt was managed using derivative instruments to hedge RPI rate risk as follows:

	2017			2016		
	Fixed	Floating	Total	Fixed	Floating	Total
£	£	£	£	£	£	
Cash and cash equivalents	-	977,880	977,880	-	693,918	693,918
Other receivables	660,124	-	660,124	653,034	-	653,034
Bank and other Borrowings	(316,091,030)	-	(316,091,030)	(320,796,532)	-	(320,796,532)
Back-to-back swap arrangement	-	(130,613,270)	(130,613,270)	-	(43,550,769)	(43,550,769)
Other payables	(2,319,124)	-	(2,319,124)	(1,948,337)	-	(1,948,337)
	(317,750,030)	(129,635,390)	(447,385,420)	(322,091,835)	(42,856,851)	(364,948,686)

Credit risk

Credit risk arises from cash and cash equivalents, trade and other receivables and financial instruments. The management of these risks is outsourced as approved in the Limited Partnership Deed.

The counterparty exposure under derivative contracts is £130,613,270 (2016: £43,550,769).

The Partnership considers its maximum credit risk to be £449,023,424 (2016: £366,295,638), being the Partnership's total financial liabilities.

Liquidity risk

Liquidity risk is managed by short-term and long-term cash flow forecasts. The Partnership is not exposed to any foreign currency volatility.

Sensitivity analysis

The swap valuations above, based on the discounted expected future cash flows associated with the swaps, are linked to future inflation levels as referenced by the RPI and this gives rise to inherent uncertainty as to their fair value.

As the RPI rates are hedged at a fixed rate, any increase or decrease will have nil impact. Sensitivity analysis is not shown as it has a nil impact.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

11. FINANCIAL INSTRUMENTS (continued)

Capital risk

The Partnership's objectives when managing capital (defined as net debt plus partners' interest) are to safeguard the Partnership's ability to continue as a going concern in order to provide returns to partners, while maintaining a strong credit rating and headroom through an appropriate balance of debt and equity funding. The Partnership manages its capital structure and makes adjustments to it, in light of changes to economic conditions and the strategic objectives of the Partnership.

Financial assets and liabilities by category

The accounting classifications of each class of financial asset and liability as at 25 February 2017 and 27 February 2016 are as follows:

	Loans and receivables / other financial liabilities	Fair value through other comprehensive income	Total
	£	£	£
At 25 February 2017			
Cash and cash equivalents	977,880	-	977,880
Other receivables	660,124	-	660,124
Long-term borrowings	(316,091,030)	-	(316,091,030)
Derivatives – Back to back arrangement	-	(130,613,270)	(130,613,270)
Other payables	(2,319,124)	-	(2,319,124)
	(316,772,150)	(130,613,270)	(447,385,420)
At 27 February 2016			
Cash and cash equivalents	693,918	-	693,918
Other receivables	653,034	-	653,034
Long-term borrowings	(320,796,532)	-	(320,796,532)
Derivatives – Back to back arrangement	-	(43,550,769)	(43,550,769)
Other payables	(1,948,337)	-	(1,948,337)
	(321,397,917)	(43,550,769)	(364,948,686)

There is no netting off in relation to any of the above financial assets and liabilities

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

12. CUMULATIVE PARTNERS' ACCOUNTS

Partners' Accounts as at 25 February 2017

	Partners' capital accounts	Hedging reserve	Profit and loss reserve	Total
	£	£	£	£
Tesco Blue (3LP) Limited	172,500	(65,241,328)	81,822,519	16,753,691
Tesco Blue Unit Trust	172,500	(65,241,328)	81,822,519	16,753,691
Tesco Blue (GP) Limited	55,000	(130,614)	163,809	88,195
Total	400,000	(130,613,270)	163,808,847	33,595,577

The Partnership was formed on 14 August 2006. The Partnership was originally constituted under the Initial Partnership Agreement, which was then superseded by the Limited Partnership Deed on 25 June 2009, with capital injections totalling £400,000. Tesco Blue (3LP) Limited owns 49.95%, Tesco Blue Unit Trust owns 49.95%, and Tesco Blue (GP) Limited owns 0.10% of the Partnership.

On 28 June 2016, Tesco Blue (1LP) Limited was initiated for liquidation with its interest in The Tesco Blue Limited Partnership transferred to the Tesco Blue (3LP) Limited, a newly incorporated company, registered in England and Wales.

13. NET CASH FLOWS FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities

	25 February 2017 £	27 February 2016 £
Operating profit	21,759,065	(2,052,412)
Reversal of fair value movement on investment property	4,000,000	27,590,000
Change in Debtors	(65,948)	(15,936)
Change in Creditors	370,787	95,723
Net cash inflow from operating activities	26,063,904	25,617,375

14. RECEIVABLES UNDER OPERATING LEASE

Total future minimum lease receivables under non-cancellable operating leases are as follows:

	25 February 2017 £	27 February 2016 £
Within 1 year	26,421,515	25,134,857
2 to 5 years	105,686,058	100,539,426
After 5 years	464,470,014	466,986,407
	596,577,587	592,660,690

The operating lease amounts shown above relate to rents receivable from Tesco Stores Limited.

THE TESCO BLUE LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 25 FEBRUARY 2017 (continued)

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertakings of the Partnership are Tesco Blue (3LP) Limited, Tesco Blue Unit Trust and Tesco Blue (GP) Limited. Tesco Pension Trustees Limited is a joint shareholder of Tesco Blue (GP) Limited. Tesco Pension Trustees Limited purchased the shares in Tesco Blue (GP) Limited on behalf of the Tesco PLC Pension Scheme (the "Scheme") and is required to act in the best interests of the Scheme.

The ultimate parent company of Tesco Pension Trustees Limited and Tesco Blue (3LP) Limited is Tesco PLC, which is registered in England and Wales. Copies of the Tesco PLC financial statements can be obtained from the Company Secretary from its registered office: Tesco PLC, Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA.

16. RELATED PARTY TRANSACTIONS AND BALANCES

Entity	Relationship	Transaction
Tesco Stores Limited	Subsidiary of parent undertaking	The Partnership recognised rental income of £26,167,602 (2016: £25,933,253)
Tesco Blue Unit Trust	Partner	Amounts owed to the Partnership at the end of the period £155,324 (2016:102,102)
Spenn Hill Management Limited	Subsidiary of parent undertaking	Paid expenses of £246,095 (2016: £234,221) in the period for property management services
Tesco Property Finance 1 PLC	Subsidiary of parent undertaking	<p>The Partnership received swap income of £3,817,396 (2016: £4,133,620) and paid interest of £24,952,897 (2016: £25,405,791)</p> <p>The loan amounts due to Tesco Property Finance 1 PLC at period end from the Partnership amounted to £313,248,366 (2016: £319,421,001).</p> <p>The Partnership paid £96,000 (2016: £94,295) to Tesco Property Finance 1 PLC for ongoing fees for the period</p>
Teesport Limited Partnership	Subsidiary of parent undertaking	The loan amounts due to The Teesport Limited Partnership at the period end amounted to £2,842,663 (£1,375,531 was due to Teesport limited Partnership)

Reference to balances outstanding at the period end are disclosed in notes 8,9 and 10.